

**THE BOARD OF EDUCATION OF
WORCESTER COUNTY**

AUDITED FINANCIAL STATEMENTS

For the year ended June 30, 2023

CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	2 - 4
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 <i>GOVERNMENT AUDITING STANDARDS</i>	5 - 6
MANAGEMENT'S DISCUSSION AND ANALYSIS	7 - 22
 FINANCIAL STATEMENTS	
Statement of Net Position	24
Statement of Activities	25
Balance Sheet - Governmental Funds	26
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	27
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	28
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	29
Statement of Net Position - Proprietary Funds	30
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	31
Statement of Cash Flows - Proprietary Funds	32
Statement of Fiduciary Net Position - Fiduciary Funds	33
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	34
 NOTES TO FINANCIAL STATEMENTS	 35 - 58
 REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues and Expenditures - Budget and Actual - General Fund	60
Schedule of the Proportionate Share of the Net Pension Liability	61
Schedule of Board Contributions - Pension Plans	62
Schedule of Changes in Net OPEB Liability and Related Ratios	63
Schedule of Investment Returns	64
Notes to Required Supplementary Information	65 - 68
 ADDITIONAL SUPPLEMENTARY INFORMATION	
Unrestricted General Fund Revenues and Other Financing Sources - Budgetary Basis	70
Schedule of Appropriations and Expenditures - General Fund - Budgetary Basis	71 - 72
School Activities Fund Operations	73
Schedule of Revenues and Expenditures - Budget and Actual - Food Service Fund - Budgetary Basis	74
Schedule of Revenues and Expenditures - Budgetary Basis - Combined Restricted and Unrestricted	75
Notes to Additional Supplementary Information	76

INDEPENDENT AUDITOR'S REPORT

The Board of Education of Worcester County
Newark, Maryland

Opinions

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, a component unit of Worcester County, Maryland ("the Board"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Worcester County, Maryland, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2023, the Board adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 96, "Subscription-Based Information Technology Arrangements". Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of Worcester County's basic financial statements. The additional supplementary information, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2023, on our consideration of the Board of Education of Worcester County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board of Education of Worcester County, Maryland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Education of Worcester County's internal control over financial reporting and compliance.

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

Salisbury, Maryland
September 30, 2023

**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, 2023, 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 30, 2023.

Report on 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.

Report on 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.

UHY LLP

Salisbury, Maryland
September 30, 2023

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management’s Discussion and Analysis Year Ended June 30, 2023

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, 2023 and a comparison with the results of the fiscal year ended June 30, 2022. 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, 2023 include the following:

- Net position is (\$130,387,817), an increase of \$40,354,878 or 23.6% over the prior year.
- Total General Fund balance equals \$3,588,621, a decrease of \$54,505 from the prior year.
- Unassigned General Fund balance equals \$567,011, no change from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

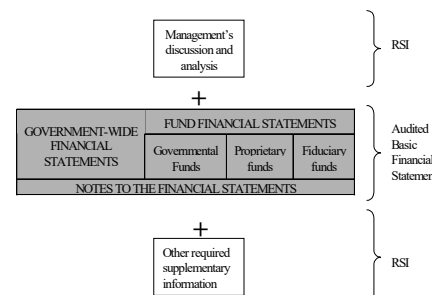
The financial section of the annual report consists of four parts; (1) Independent Auditor’s Report, (2) required supplementary information which includes the management’s discussion and analysis (this section), (3) the basic financial statements, and (4) supplemental information. The basic financial 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, 2023

Figure 2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as instruction, special education and building maintenance, and community education	Activities the district operates similar to private businesses: Food Service Operation	Instances in which the district administers resources on behalf of someone else, such as scholarships and Student Activities Fund
Required financial statements	<ul style="list-style-type: none"> * Statement of net position * Statement of activities 	<ul style="list-style-type: none"> * Balance sheet * Statement of revenue, expenditures and changes in fund balances 	<ul style="list-style-type: none"> * Statement of net position * Statement of revenue, expenses, and changes in fund net position * Statement of cash flows 	<ul style="list-style-type: none"> * Statement of Fiduciary net position * Statement of changes in fiduciary net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2023

Figure 2 (Continued)				
Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of asset/liability information	All assets and liabilities, both financial and capital, short term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

District-wide Statements

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

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2023

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 a 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 (\$130,387,817) on June 30, 2023. This represents an increase of 23.6 percent from the prior year. (See Table 1.)

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2023

Table 1

THE BOARD OF EDUCATION OF WORCESTER COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 23,624,530	\$ 15,760,092	\$ 1,500,611	\$ 1,231,078	\$ 25,125,141	\$ 16,991,170
Capital Assets	209,869,000	205,889,394	138,110	12,651	210,007,110	205,902,045
TOTAL ASSETS	233,493,530	221,649,486	1,638,721	1,243,729	235,132,251	222,893,215
Deferred outflows	46,888,231	64,429,373	-	-	46,888,231	64,429,373
LIABILITIES						
Current Liabilities	20,787,531	12,465,109	36,308	21,128	20,823,839	12,486,237
Long-Term Liabilities	148,560,260	161,063,647	-	-	148,560,260	161,063,647
TOTAL LIABILITIES	169,347,791	173,528,756	36,308	21,128	169,384,099	173,549,884
Deferred inflows	243,024,200	284,515,399	-	-	243,024,200	284,515,399
NET POSITION						
Investment in Capital Assets, Net of Related Debt	205,028,942	199,107,778	138,110	12,651	205,167,052	199,120,429
Restricted	1,621,053	1,593,413	1,464,303	1,209,950	3,085,356	2,803,363
Unrestricted	(338,640,225)	(372,666,487)	-	-	(338,640,225)	(372,666,487)
TOTAL NET POSITION	\$ (131,990,230)	\$ (171,965,296)	\$ 1,602,413	\$ 1,222,601	\$ (130,387,817)	\$ (170,742,695)

Changes in net position. The District's total revenues and other financing sources were \$178,580,914 for the year ended June 30, 2023. (See Table 2.) The county appropriations of \$100,285,947 accounted for approximately 56.16 percent of total revenue for the year. Another 25.74 percent came from federal, state and local grant program revenues of \$45,974,478. This includes contributions to Other Post-Employment Benefits (OPEB) that totaled \$3,148,262. General state aid was \$16,418,949 or 9.19 percent of total funding. Capital contributions of \$10,003,140 represented 5.6 percent of total revenue. The remainder came from charges for services, and investment earnings. The total cost of all programs and services was \$138,226,036. Approximately 76.9 percent of the District's expenses were related to providing direct educational services to students. Administrative activities of the District accounted for approximately 1.7 percent of total expenses. Total revenues exceeded total expenditures, increasing net position by \$40,354,878 from last year.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2023

Table 2

THE BOARD OF EDUCATION OF WORCESTER COUNTY CHANGES IN NET POSITION JUNE 30, 2023

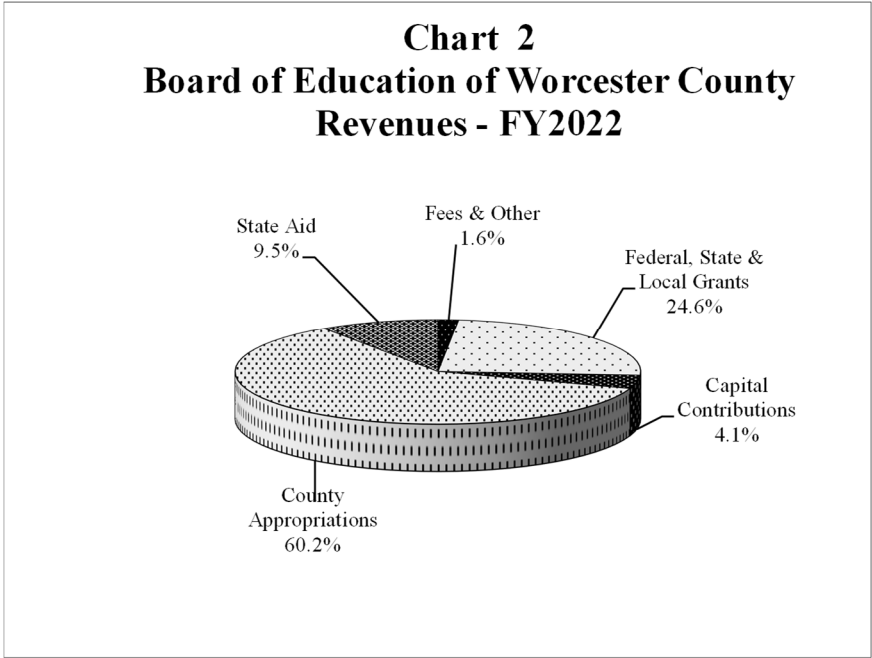
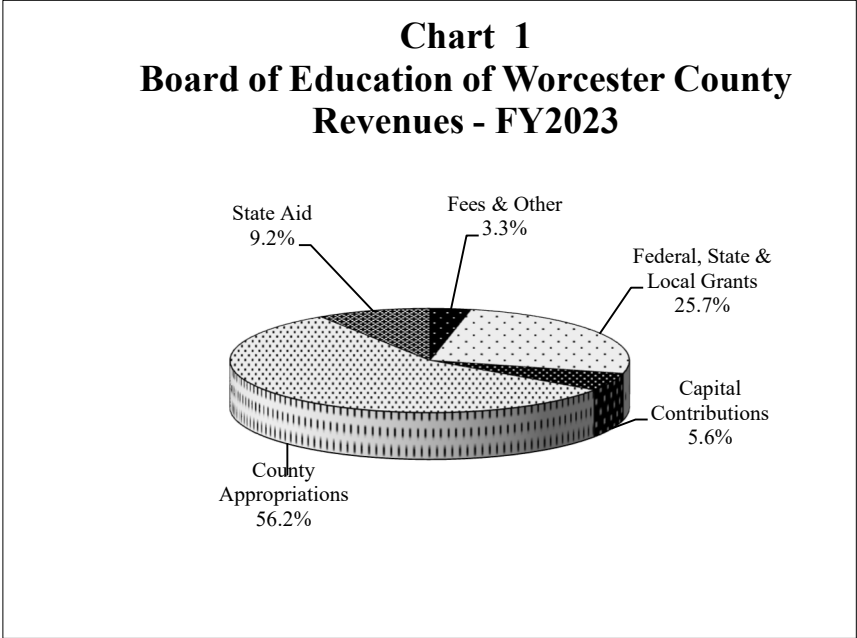
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		BOARD OF EDUCATION TOTAL		PERCENT OF CHANGE
	2023	2022	2023	2022	2023	2022	
REVENUES							
Program Revenues:							
Charges for Services	\$ 3,406,851	\$ 2,429,782	\$ 616,834	\$ 25,398	\$ 4,023,685	\$ 2,455,180	63.9%
Federal and State Grants	33,880,625	30,091,722	3,108,976	3,943,908	36,989,601	34,035,630	8.7%
OPEB Contributions	8,984,877	5,231,819	-	-	8,984,877	5,231,819	71.7%
Capital Contributions	10,003,140	6,623,601	-	-	10,003,140	6,623,601	51.0%
General Revenues:							
County Appropriation	100,285,947	96,341,968	-	-	100,285,947	96,341,968	4.1%
State Formula Aid	16,418,949	15,256,174	-	-	16,418,949	15,256,174	7.6%
Other	1,701,502	126,951	173,213	21,118	1,874,715	148,069	1166.1%
TOTAL REVENUES	174,681,891	156,102,017	3,899,023	3,990,424	178,580,914	160,092,441	11.5%
EXPENSES							
Instruction and Special							
Education	105,896,703	105,369,703	-	-	105,896,703	105,369,703	0.5%
Administration	2,373,696	2,464,919	-	-	2,373,696	2,464,919	-3.7%
Support Services	26,436,426	31,594,265	3,519,211	3,175,197	29,955,637	34,769,462	-13.8%
TOTAL EXPENSES	134,706,825	139,428,887	3,519,211	3,175,197	138,226,036	142,604,084	-3.1%
OTHER FINANCING SOURCES							
	-	-	-	-	-	-	
INCREASE (DECREASE) IN NET POSITION*	\$ 39,975,066	\$ 16,673,130	\$ 379,812	\$ 815,227	\$ 40,354,878	\$ 17,488,357	

Governmental Activities

The increase in net position for governmental activities was \$39,975,066 in 2023. Charts 1 and 2 present a breakdown of the District's revenues for 2023 and 2022. Charts 3 and 4 present a breakdown of the District's expenses for 2023 and 2022.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2023



THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2023

Chart 3
Board of Education of Worcester County
Expenditures - FY 2023

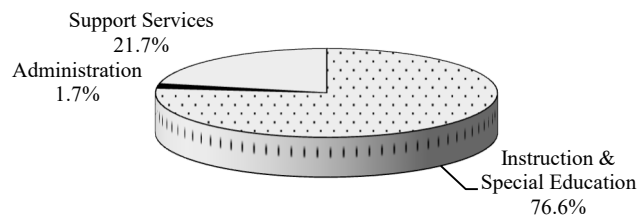
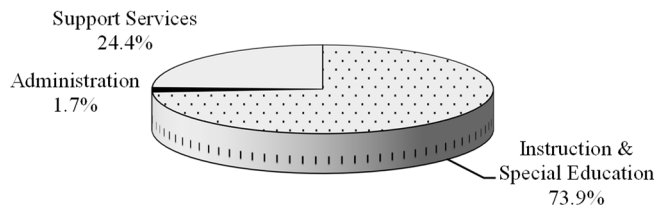


Chart 4
Board of Education of Worcester County
Expenditures - FY 2022



THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2023

Business-type Activities

Revenues of the District’s only business-type activity, the food service operation, decreased by \$91,401 to \$3,899,023 and expenses increased by \$344,014 to \$3,519,211. (Refer to Table 2.). This resulted in an operating profit of \$379,812. The profit realized in our food service operations in FY23 was the result of several factors. These factors included hiring contractual or part-time staff versus full-time employees and that health insurance rates were flat in FY23. The Board left meal prices unchanged in FY24. (Table 3). Nine of our eligible schools enrolled in the Community Eligibility Provision (CEP) Program beginning in September, 2023. Under this Federal Program, all students in those schools are provided meals for free. The Board will continue to monitor the operations of our food service fund and evaluate the need for any meal price adjustments at our non-CEP schools in FY25.

<u>TABLE 3</u>	School Year 2022-2023 MEAL PRICES		School Year 2023-2024 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 \$5,209,674, a decrease of \$26,865 over last year’s ending fund balance. Revenues for the District’s governmental funds were \$162,548,752 an increase of \$14,546,760 over last year. Total expenditures were \$162,575,617 for the year, an increase of \$9,588,871 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, 2023

Table 4

GENERAL FUND REVENUES

REVENUES	Fiscal Year		Increase	%
	2023	2022	(Decrease)	Incr. (Decr.)
Worcester County Appropriations	\$ 97,553,847	\$ 94,049,017	\$ 3,504,830	3.7%
Worcester County Retirement & Pension Contribution	3,421,770	2,941,893	479,877	16.3%
State of Maryland	22,283,398	20,319,463	1,963,935	9.7%
State of Maryland Share of Retirement & Pension Contribution	6,533,892	7,043,656	(509,764)	-7.2%
Restricted Federal, State, & Other Programs	17,644,352	14,467,629	3,176,723	22.0%
Other Sources	1,820,173	232,205	1,587,968	683.9%
TOTAL REVENUES	\$ 149,257,432	\$ 139,053,863	\$ 10,203,569	7.3%

GENERAL FUND EXPENDITURES

Administration	\$ 1,892,294	\$ 1,805,971	\$ 86,323	4.8%
Mid-Level Administration	8,890,493	8,446,093	444,400	5.3%
Instructional Salaries	48,555,206	46,210,418	2,344,788	5.1%
Textbooks and Classroom Supplies	3,932,048	2,909,324	1,022,724	35.2%
Other Instructional Costs	1,267,322	919,766	347,556	37.8%
Special Education	12,606,442	11,386,602	1,219,840	10.7%
Pupil Personnel Services	391,208	371,921	19,287	5.2%
Health Services	1,131,714	1,020,613	111,101	10.9%
Pupil Transportation	7,815,067	7,602,254	212,813	2.8%
Operation of Plant	9,596,323	13,672,049	(4,075,726)	-29.8%
Maintenance of Plant	1,477,307	1,348,732	128,575	9.5%
Fixed Charges	23,645,509	22,955,512	689,997	3.0%
Capital Outlay	510,990	1,108,691	(597,701)	-53.9%
Restricted Programs	17,644,352	14,467,629	3,176,723	22.0%
Worcester County Retirement & Pension Contribution	3,421,770	2,941,893	479,877	16.3%
State of Maryland Share of Retirement & Pension Contribution	6,533,892	7,043,656	(509,764)	-7.2%

TOTAL EXPENDITURES	\$ 149,311,937	\$ 144,211,124	\$ 5,100,813	3.5%
---------------------------	-----------------------	-----------------------	---------------------	-------------

DEFICIENCY OF REVENUES OVER EXPENDITURES	(54,505)	(5,157,261)	5,102,756	-98.9%
--	----------	-------------	-----------	--------

OTHER FINANCING SOURCES

Proceeds from financed purchases	-	4,651,150	(4,651,150)	-
Proceeds from long-term right-of-use leases	-	45,911	(45,911)	-
TOTAL OTHER FINANCING SOURCES	-	4,697,061	(4,697,061)	-

EXCESS (DEFICIENCY) OF REVENUES

(USES) OVER EXPENDITURES	<u>\$ (54,505)</u>	<u>\$ (460,200)</u>	<u>\$ 405,695</u>	<u>-88.2%</u>
--------------------------	--------------------	---------------------	-------------------	---------------

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2023

General fund revenues were up \$10,203,569. Revenue increases include a \$3,504,830 increase in local appropriations to support our FY23 employee salary increase and a rate increase for bus contractors. Retirement and Pension Contribution revenues were higher due to the large increase in the local share of teacher pension costs in FY23. Restricted revenues were higher related to the Board continuing to spend the large amount of Federal grants related to COVID recovery. The large increase under Other Sources in revenue is related to the refresh of our iPads and the sale of our older iPads to a third party. Over \$1,300,000 of the variance in this area is related to the iPad refresh. Other items tied to this increase include higher than budgeted tuition revenues and additional interest revenue related to the higher interest rates over the past twelve months. The majority of the variances under expenditures are related to the FY23 employee salary increase and increase in bus contractor rates. The large variance in the category of Textbooks and Classroom Supplies is directly related to the refresh of our student and teacher iPad devices. Special Education costs were higher as the costs of meeting the needs of those students continue to increase. Expenditures under Health Services were higher due to the need to hire additional nurses. The decrease in Operation of Plant is related to the fact that the 2022 Apple leases were expended under this category in FY22. Actual operating expenses including utilities were higher in FY23 than in FY22. Expenditures under Maintenance of Plant were higher due to the increasing cost of supplies and repairs.

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 2023, the Board received county funding of \$9,619,843. These funds were used to pay costs related to the construction of the Stephen Decatur Middle School addition project, feasibility study and initial planning for a new Buckingham Elementary School, HVAC projects at Pocomoke High, playground equipment, security upgrades at various schools and various other school related projects. The school system also received \$383,297 in State school construction funding to fund the State share of the Stephen Decatur Middle School addition project and other safety related projects. The Capital Projects School Construction Fund revenues exceeded FY 2023 expenditures by \$470 resulting in a fund balance of \$53,963 at June 30, 2023.

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 \$349,881 as of June 30, 2023.
- (2) Retiree Benefit Trust Fund (OPEB Trust Fund) – Funds held in trust to fund health care cost of retirees. Total assets of \$35,323,034 as of June 30, 2023.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2023

GENERAL FUND BUDGETARY HIGHLIGHTS

Five categories of our FY23 budget had actual expenditures that exceeded the original budget. The category of Instructional Support had higher than planned expenditures due to the higher cost related to holding our high school graduation ceremonies outside in our stadiums. The category of Textbooks & Classroom Supplies had higher than planned expenditures as a result of our Board's decision to refresh student and teacher iPad devices a year early. This process involved selling current iPads to a third-party vendor. The Board recognized additional FY23 revenues related to the iPad refresh of \$1,348,387 to cover the overage in Textbooks and Classroom Supplies. Costs in the Student Transportation category were higher due to the fuel supplement paid to our bus contractors, additional time paid to our bus contractors for cleaning required by our COVID protocols, after-school programs and additional costs related to transporting our Families in Transition (FIT) students. Expenses in the budget categories of both Operation of Plant and Maintenance of Plant were higher due to increased utility costs and the increased costs of the supplies needed to maintain our buildings. 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 5, 2023 meeting. The Board ended the FY23 year with a budget surplus of \$1,567,076. The Board has assigned \$1,000,065 of the FY23 surplus, as requested by our County Commissioners to be applied to the unfunded OPEB liability for Board of Education employees. The Board will leave \$567,011 in unassigned fund balance and this amount will be available to be utilized as revenue in our FY25 operating budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2023, the District has invested over \$305.5 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 \$7.18 million.

Construction - Next Five Years

Annually, the Board of Education prepares and submits to the State Interagency Commission on School Construction (IAC) and our local government a 5-Year Capital Improvement Program (CIP). The State approved \$4.8 million in State funding for a 25,000 square foot addition to Stephen Decatur Middle School in our FY22 CIP. The construction bids were approved by our Board of Education in September 2021 and by the Worcester County Commissioners in October 2021. Construction for the \$15.2 million project began in November 2021. A 900 square foot Band Storage Room and a new Security Vestibule were completed in September 2022. The 16-classroom addition was completed in December 2022, with students and staff occupying the new spaces in January 2023.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2023

The FY2025 State CIP includes a request for State construction funding for the Snow Hill Middle School/Cedar Chapel Special School roof replacement project which is scheduled to begin in summer, 2024. The CIP also includes a request for State design funding for the Pocomoke Elementary School roof replacement project, scheduled to begin in summer, 2025. Future projects included in the state FY25 CIP include a roof replacement at Worcester Technical High School and a renovation/addition or replacement school project for Snow Hill Elementary School. The State denied our FY24 CIP request for design funding for the Buckingham Elementary School project. Conversations with the IAC regarding options for obtaining future State funding for the Buckingham project are ongoing but local planning for the new school is continuing. A Feasibility Study for the school began in July 2022 and was completed in December 2022. The results of the feasibility study recommended a replacement school and this option was approved by both our Board of Education and our County Commissioners. A conceptual planning committee for the new Buckingham Elementary School consisting of elected officials, central office staff, school staff and BES parents was formed in the spring of 2023. This committee has had several meetings and will continue to meet this fall.

Long-Term Liabilities

At year-end, the District had \$148,560,260 for amounts due or payable after one year. This amount consists of the following:

- \$776,160 of accrued compensated absences which is an obligation resulting primarily from accrued annual leave which is due and payable to employees upon termination, \$5,689,156 in net pension liability, \$2,259,117 in financed purchases, \$208,266 in right-to-use leases and \$139,627,561 for other post-employment benefits.

FACTORS BEARING ON THE DISTRICTS' FUTURE

- (1) The 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 was 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 utilizing 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.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2023

- (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 \$139,627,561 as of June 30, 2023. 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. The Board is also assigning \$1,000,065 of our FY23 budget surplus to be applied to the unfunded OPEB liability for our retirees. 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:
- Buckingham Elementary School Project – A Feasibility Study for Buckingham Elementary School began in July 2022 and was completed in December, 2022. The results of the Study recommended the construction of a replacement school, which was approved by both our Board of Education and our County Commissioners. The State denied our FY24 CIP request for design funding for the Buckingham Elementary School project. Conversations with the IAC regarding options for obtaining future State funding for the Buckingham project are ongoing but local planning for the new school is continuing. A conceptual planning committee for the new Buckingham Elementary School consisting of elected officials, central office staff, school staff and BES parents was formed in the spring of 2023. This committee has had several meetings and will continue to meet this fall.
 - Roof Replacement project at Snow Hill Middle School/Cedar Chapel Special School.
 - Roof Replacement project at Pocomoke Elementary School.
 - Roof Replacement project at Worcester Technical High School.
 - A future renovation/addition or replacement school project for Snow Hill Elementary School.

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2023

- (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. Without the necessary increases in both State and Local funding, implementation of the Blueprint requirements with the timelines currently in place will require future reductions in staffing and current programs offered to our students. 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, 2023

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,943,138	\$ 508,479	\$ 7,451,617
Investments	7,927,862	-	7,927,862
Accounts receivable:			
Federal, state and other restricted funds	9,134,562	205,721	9,340,283
Miscellaneous	405,379	-	405,379
Internal balances	(786,411)	786,411	-
Non depreciable capital assets	2,057,146	-	2,057,146
Depreciable capital assets, net	207,811,854	138,110	207,949,964
TOTAL ASSETS	233,493,530	1,638,721	235,132,251
DEFERRED OUTFLOWS OF RESOURCES			
Pensions (see Note 4)	1,696,571	-	1,696,571
Other post employment benefits (OPEB) (see Note 7)	45,191,660	-	45,191,660
TOTAL DEFERRED OUTFLOWS OF RESOURCES	46,888,231	-	46,888,231
LIABILITIES			
Accounts payable:			
Vendors	1,784,095	-	1,784,095
Others	811,075	1,127	812,202
Payroll deductions and withholdings	4,878,653	-	4,878,653
Payable to external parties	349,881	-	349,881
Unearned revenue	10,541,047	35,181	10,576,228
Long-term liabilities:			
Portion due or payable within one year:			
Accrued compensated absences	50,105	-	50,105
Financed purchases	2,145,949	-	2,145,949
Right-to-use leases	226,726	-	226,726
Portion due or payable after one year:			
Other post employment benefits	139,627,561	-	139,627,561
Pensions	5,689,156	-	5,689,156
Accrued compensated absences	776,160	-	776,160
Financed purchases	2,259,117	-	2,259,117
Right-to-use leases	208,266	-	208,266
TOTAL LIABILITIES	169,347,791	36,308	169,384,099
DEFERRED INFLOWS OF RESOURCES			
Pensions (see Note 4)	480,731	-	480,731
Other post employment benefits (OPEB) (see Note 7)	242,543,469	-	242,543,469
TOTAL DEFERRED INFLOWS OF RESOURCES	243,024,200	-	243,024,200
NET POSITION			
Net investment in capital assets	205,028,942	138,110	205,167,052
Restricted for:			
Other purposes (school activity funds)	1,567,090	-	1,567,090
Food service activities	-	1,464,303	1,464,303
Capital projects	53,963	-	53,963
Unrestricted	(338,640,225)	-	(338,640,225)
TOTAL NET POSITION	\$ (131,990,230)	\$ 1,602,413	\$ (130,387,817)

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Administration	\$ 2,137,696	\$ -	\$ 170,537	\$ -
Mid-Level Administration	9,080,405	-	189,912	-
Instructional services	71,093,969	150,194	10,227,259	-
Special education	15,193,780	-	4,754,308	-
Student personnel services	391,208	-	-	-
Health services	1,453,527	-	321,813	-
Student transportation	8,281,282	-	4,163,694	-
Operation of plant and equipment	5,505,302	-	1,729,091	-
Maintenance of plant	1,489,957	-	12,650	-
Fixed charges	6,169,371	-	13,872,529	-
Community services	828	-	828	-
Capital outlay	3,257,132	-	-	10,003,140
Food services	199,319	-	199,319	-
School activities	3,229,487	3,256,657	-	-
State of Maryland and county share of retirement and pension contribution	7,223,562	-	7,223,562	-
Total Governmental Activities	134,706,825	3,406,851	42,865,502	10,003,140
Business-Type Activities				
Food Services	3,519,211	616,834	3,108,976	165,017
Totals	\$ 138,226,036	\$ 4,023,685	\$ 45,974,478	\$ 10,168,157

General Revenues

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

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

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

Net (Expenses) Revenue
and changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,967,159)	\$ -	\$ (1,967,159)
(8,890,493)	-	(8,890,493)
(60,716,516)	-	(60,716,516)
(10,439,472)	-	(10,439,472)
(391,208)	-	(391,208)
(1,131,714)	-	(1,131,714)
(4,117,588)	-	(4,117,588)
(3,776,211)	-	(3,776,211)
(1,477,307)	-	(1,477,307)
7,703,158	-	7,703,158
-	-	-
6,746,008	-	6,746,008
-	-	-
27,170	-	27,170
-	-	-
(78,431,332)	-	(78,431,332)
-	371,616	371,616
(78,431,332)	371,616	(78,059,716)
16,418,949	-	16,418,949
100,285,947	-	100,285,947
1,701,502	8,196	1,709,698
118,406,398	8,196	118,414,594
39,975,066	379,812	40,354,878
(171,965,296)	1,222,601	(170,742,695)
\$ (131,990,230)	\$ 1,602,413	\$ (130,387,817)

THE BOARD OF EDUCATION OF WORCESTER COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	General	Capital Projects	School Activities	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,376,048	\$ -	\$ 1,567,090	\$ 6,943,138
Investments	7,927,862	-	-	7,927,862
Accounts receivable:				
Federal, state and other restricted funds	7,804,482	1,330,080	-	9,134,562
Other	405,356	23	-	405,379
Due from other funds	1,288,294	12,154	-	1,300,448
TOTAL ASSETS	\$ 22,802,042	\$ 1,342,257	\$ 1,567,090	\$ 25,711,389
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable:				
Vendors	\$ 1,784,095	\$ -	\$ -	\$ 1,784,095
Others	811,075	-	-	811,075
Payroll deductions and withholdings	4,928,758	-	-	4,928,758
Due to other funds	1,148,446	1,288,294	-	2,436,740
Deferred revenue - Federal, state and other restricted funds	10,541,047	-	-	10,541,047
TOTAL LIABILITIES	19,213,421	1,288,294	-	20,501,715
COMMITMENTS AND CONTINGENCIES				
FUND BALANCES				
Fund Balance:				
Restricted for fund purposes	-	53,963	-	53,963
Assigned to:				
School activities	-	-	1,567,090	1,567,090
Insurance reserve	22,024	-	-	22,024
Subsequent year's expenditures	567,011	-	-	567,011
Encumbrances- various purposes	1,082,773	-	-	1,082,773
Capital and technology projects	349,737	-	-	349,737
Other post-employment benefits	1,000,065	-	-	1,000,065
Unassigned	567,011	-	-	567,011
TOTAL FUND BALANCES	3,588,621	53,963	1,567,090	5,209,674
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,802,042	\$ 1,342,257	\$ 1,567,090	\$ 25,711,389

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, 2023

Total fund balances, governmental funds \$ 5,209,674

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. 209,869,000

Deferred outflow of resources - pensions (see Note 4) 1,696,571
Deferred outflow of resources - OPEB (see Note 7) 45,191,660

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 (776,160)
Financed purchases (4,405,066)
Right-to-use leases (434,992)
Net pension liability (5,689,156)
Other post retirement employment benefits (139,627,561)

Total long-term liabilities (150,932,935)

Deferred inflow of resources - pensions (see Note 4) (480,731)
Deferred inflow of resources - OPEB (see Note 7) (242,543,469)

Net assets of governmental activities in the Statement of Net Position \$ (131,990,230)

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, 2023**

	General	Restricted Grants	Capital Projects	School Activities	Total Governmental Funds
REVENUES					
Worcester County Appropriations	\$ 100,285,947	\$ -	\$ 9,619,843	\$ -	\$ 109,905,790
State of Maryland	22,283,398	-	383,297	-	22,666,695
On behalf State of Maryland	6,533,892	-	-	-	6,533,892
On behalf County - retirement and pension contribution	689,670	-	-	-	689,670
Restricted Federal, state and other local funds	-	17,644,352	-	-	17,644,352
Other sources	1,820,173	-	31,523	-	1,851,696
School activity revenues	-	-	-	3,256,657	3,256,657
TOTAL REVENUES	131,613,080	17,644,352	10,034,663	3,256,657	162,548,752
EXPENDITURES					
Current:					
Administration	1,892,294	170,537	-	-	2,062,831
Mid-level administration	8,890,493	189,912	-	-	9,080,405
Instructional salaries and wages	48,555,206	4,812,076	-	-	53,367,282
Textbooks and instructional supplies	3,932,048	2,717,535	-	-	6,649,583
Other instructional costs	1,267,322	2,697,648	-	-	3,964,970
Student personnel services	391,208	-	-	-	391,208
Health services	1,131,714	321,813	-	-	1,453,527
Student transportation	7,815,067	466,215	-	-	8,281,282
Operation of plant and equipment	9,596,323	1,729,091	-	-	11,325,414
Maintenance of plant	1,477,307	12,650	-	-	1,489,957
Fixed charges	26,377,609	1,739,390	-	-	28,116,999
School activity expenditures	-	-	-	3,229,487	3,229,487
Special education	12,606,442	2,587,338	-	-	15,193,780
Food services	-	199,319	-	-	199,319
Community services	-	828	-	-	828
On behalf County - retirement and pension contribution	689,670	-	-	-	689,670
On behalf State of Maryland - retirement and pension contribution	6,533,892	-	-	-	6,533,892
Capital outlay	510,990	-	10,034,193	-	10,545,183
TOTAL EXPENDITURES	131,667,585	17,644,352	10,034,193	3,229,487	162,575,617
EXCESS REVENUES OVER EXPENDITURES					
BEFORE OTHER FINANCING SOURCES (USES)	(54,505)	-	470	27,170	(26,865)
Net Change in fund balances	(54,505)	-	470	27,170	(26,865)
Fund balances, beginning	3,643,126	-	53,493	1,539,920	5,236,539
Fund balances, ending	\$ 3,588,621	\$ -	\$ 53,963	\$ 1,567,090	\$ 5,209,674

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, 2023**

Net change in fund balances, governmental funds \$ (26,865)

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 asset additions	11,466,063	
Depreciation & amortization expense	<u>(7,486,457)</u>	
Total		3,979,606

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 compensated absences	36,768	
Increase in pension expense due to deferred financing outflow	(228,866)	
Increase in pension expense due to net pension liability	(1,440,503)	
Decrease in pension expense due to deferred financing inflows	1,876,251	
Increase in post-employment benefits expense due to deferred financing outflow	(17,312,276)	
Decrease in post-employment benefits expense due to net OPEB liability	11,534,445	
Decrease in post-employment benefits expense due to deferred financing inflow	<u>39,614,948</u>	
		34,080,767

Lease proceeds provide current financial resources to governmental funds but increase long-term liabilities in the statement of net position. Repayment of lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, the net effect of lease borrowings and repayments was:

1,941,558

Change in net position of governmental activities

\$ 39,975,066

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, 2023

	<u>Enterprise Fund Food Services</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 508,479
Due from other governments	205,721
Due from general fund	<u>786,411</u>
Total current assets	<u>1,500,611</u>
Noncurrent assets:	
Furniture and equipment	406,833
Less: accumulated depreciation	<u>(268,723)</u>
Total noncurrent assets	<u>138,110</u>
TOTAL ASSETS	<u><u>1,638,721</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,127
Unearned revenue	<u>35,181</u>
Total current liabilities	<u>36,308</u>
COMMITMENTS AND CONTINGENCIES	
NET POSITION	
Invested in capital assets	138,110
Unrestricted	<u>1,464,303</u>
TOTAL NET POSITION	<u><u>\$ 1,602,413</u></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, 2023**

	<u>Enterprise Fund Food Services</u>
OPERATING REVENUES	
Food service sales	<u>\$ 616,834</u>
OPERATING EXPENSES	
Salaries and wages	1,292,561
Fringe benefits	317,562
Contracted services	14,597
Food and food related supplies	1,531,639
Nonfood supplies	79,431
Other charges	1,971
Value of USDA commodities donated	232,164
Commodity processing	31,053
Depreciation	<u>18,233</u>
TOTAL OPERATING EXPENSES	<u>3,519,211</u>
OPERATING LOSS	<u>(2,902,377)</u>
NONOPERATING REVENUES	
Interest income	8,196
Grant and local revenue	21,325
State of Maryland:	
Reimbursement of food costs	202,183
Federal through state:	
Reimbursement of food costs	2,674,629
Donation of food commodities	232,164
Total Federal through state	<u>2,906,793</u>
TOTAL NONOPERATING REVENUES	<u>3,138,497</u>
Change in net position before contributions and transfers	236,120
Capital contribution - equipment	<u>143,692</u>
Change in net position	379,812
Net position beginning of year	<u>1,222,601</u>
Net position end of year	<u>\$ 1,602,413</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, 2023

	<u>Enterprise Fund</u> <u>Food Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from user charges	\$ 628,341
Cash payments to employees for services	(1,292,561)
Cash payments for health and other insurances	(317,562)
Cash payments to suppliers for goods and services	(1,644,094)
Cash payments for facility use and maintenance	(14,597)
Net cash used in operating activities	<u>(2,640,473)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Non operating grants received	4,088,981
Net loans (repayments) to other funds	(1,445,986)
Net cash provided by noncapital financing activities	<u>2,642,995</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	<u>8,196</u>
Net change in cash	10,718
Cash and cash equivalents, beginning of year	<u>497,761</u>
Cash and cash equivalents, end of year	<u>\$ 508,479</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (2,902,377)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	18,233
Donated commodities used	232,164
Decrease in other receivables	11,507
Net cash used in operating activities	<u>\$ (2,640,473)</u>
NONCASH ITEMS	
Donation of food commodities	\$ 232,164
Capital contributions of equipment	143,692

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, 2023

	Private Purpose Trust Fund	Retiree Benefit Trust Fund
ASSETS		
Cash	\$ -	\$ 494,874
Trust investments:		
Money market funds	-	8,994,007
Fixed income securities	-	11,642,619
Equities securities	-	14,191,534
Due from other funds	349,881	-
	<hr/>	<hr/>
TOTAL ASSETS	349,881	35,323,034
	<hr/>	<hr/>
NET POSITION		
Held in trust for:		
Other postemployment benefits	-	35,323,034
Scholarships, etc.	349,881	-
	<hr/>	<hr/>
TOTAL NET POSITION	\$ 349,881	\$ 35,323,034
	<hr/> <hr/>	<hr/> <hr/>

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, 2023

	Private Purpose Trust Fund	Retiree Benefit Trust Fund
ADDITIONS		
Contributions:		
Donations and fees	\$ 39,120	\$ -
Worcester County contributions and other credits	-	12,133,139
Plan member contributions	-	495,803
Total contributions	<u>39,120</u>	<u>12,628,942</u>
Investment earnings:		
Interest	13,285	15,211
Increase in fair value of investments	-	1,799,912
Total investment earnings	<u>13,285</u>	<u>1,815,123</u>
 Total additions	 <u>52,405</u>	 <u>14,444,065</u>
DEDUCTIONS		
Plan benefit payments	-	4,951,001
Professional fees	-	4,000
Scholarships, etc.	52,790	-
 Total deductions	 <u>52,790</u>	 <u>4,955,001</u>
 Change in net position	 (385)	 9,489,064
 Net position held in trust, beginning	 <u>350,266</u>	 <u>25,833,970</u>
 Net position held in trust, ending	 <u>\$ 349,881</u>	 <u>\$ 35,323,034</u>

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

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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 types 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 \$9,340,283 at June 30, 2023. These receivables are due primarily from the Maryland State Department of Education and from Worcester County.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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 & 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.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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, 2023 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 \$1,082,773.

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.

F. New Accounting Policies

The Board adopted Government Accounting Standards Board's (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, at July 1, 2022. This statement's objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements. The Statement increases the usefulness of the financial statements by requiring the recognition of subscription-based assets and liabilities. It additionally requires disclosure of essential information about those arrangements. The Board did not have any arrangements that meet the definition of a right-to-use subscription-based information technology arrangement at June 30, 2023.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 2. Detailed Notes on All Funds

A. Deposits and Investments

Custodial Risk

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

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

At June 30, 2023, the Board's funds were invested as follows:

	<u>CARRYING VALUE</u>
Cash and cash equivalents	<u>\$ 7,451,617</u>
Invested in Maryland Local Government Investment Pool	<u>\$ 7,927,862</u>

Investments of \$7,927,862 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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Insured	\$ 250,000	\$ 250,000
Uninsured and Collateral Held by Pledging Bank's Trust Department in the Board's Name	10,247,717	196,365
Uninsured and Undercollateralized	-	-
TOTAL	<u>\$ 10,497,717</u>	<u>\$ 446,365</u>

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 2. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investment – Retiree Benefit Trust Fund

Investments of \$35,323,034 in the Retiree Benefit Trust Fund by type and maturity at June 30, 2023 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	\$ 494,874	\$ -	\$ -	\$ 494,874	
Money Market	8,994,007	-	-	8,994,007	
Fixed Income:					
U.S. Treasury	344,069	982,416	1,207,773	2,534,258	0.50 - 3.625%
U.S. Government Agency	138,671	3,889	1,598,637	1,741,197	0.36 - 5.50%
Other Fixed Income	221,789	604,461	6,540,914	7,367,164	0.4 - 6.2%
Equities	14,191,534	-	-	14,191,534	N/A
Totals	<u>\$ 24,384,944</u>	<u>\$ 1,590,766</u>	<u>\$ 9,347,324</u>	<u>\$ 35,323,034</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.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 2. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

As of June 30, 2023, the Board had the following recurring fair value measurements:

	Level 1	Level 2	Level 3	Total
Debt Securities:				
Corporate and foreign bonds	\$ -	\$ 1,482,309	\$ -	\$ 1,482,309
Fixed income funds	5,884,855	-	-	5,884,855
	<u>5,884,855</u>	<u>1,482,309</u>	<u>-</u>	<u>7,367,164</u>
Equity Securities:				
Mutual funds	14,191,534	-	-	14,191,534
Other investments:				
Money market	8,994,007	-	-	8,994,007
U.S. Treasury	2,534,258	-	-	2,534,258
U.S. Government Agency	1,741,197	-	-	1,741,197
	<u>13,269,462</u>	<u>-</u>	<u>-</u>	<u>13,269,462</u>
Total investment by fair value level	\$ 33,345,851	\$ 1,482,309	\$ -	\$ 34,828,160

B. Interfund Receivables - Payables

At June 30, 2023, the interfund account balances are as follows:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
GOVERNMENTAL ACTIVITIES:		
GENERAL FUND		
Due from/to Food Service Fund	\$ -	\$ 786,411
Due from/to Capital Projects Fund	1,288,294	12,154
Due to School Activities Fund	-	-
Due to Trust Fund	-	349,881
Sub-Total	<u>1,288,294</u>	<u>1,148,446</u>
CAPITAL PROJECTS FUND		
Due from/to General Fund	12,154	1,288,294
BUSINESS-TYPE ACTIVITIES:		
ENTERPRISE FUND		
Due from/to General Fund	786,411	-
FIDUCIARY NET POSITION		
Due from General Fund	<u>349,881</u>	<u>-</u>
TOTAL ALL FUNDS	\$ 2,436,740	\$ 2,436,740

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

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 2. Detailed Notes on All Funds (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2023 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	1,359,279	8,249,780	(9,438,692)	170,367
Total Capital Assets, not Being Depreciated	<u>3,246,058</u>	<u>8,249,780</u>	<u>(9,438,692)</u>	<u>2,057,146</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	278,036,121	2,782,858	9,438,692	290,257,671
Furniture, Fixtures, Equipment and Vehicles	12,763,970	433,425	-	13,197,395
Total Capital Assets, being Depreciated	<u>290,800,091</u>	<u>3,216,283</u>	<u>9,438,692</u>	<u>303,455,066</u>
Less Accumulated Depreciation for:				
Buildings	(83,494,665)	(5,357,865)	-	(88,852,530)
Furniture, Fixtures, Equipment and Vehicles	(5,378,911)	(1,827,196)	-	(7,206,107)
Total Accumulated Depreciation	<u>(88,873,576)</u>	<u>(7,185,061)</u>	<u>-</u>	<u>(96,058,637)</u>
Total Capital Assets, being Depreciated, Net	<u>201,926,515</u>	<u>(3,968,778)</u>	<u>9,438,692</u>	<u>207,396,429</u>
Intangible right-to-use assets:				
Leased equipment and vehicles	1,506,981	-	-	1,506,981
Less accumulated amortization	(790,160)	(301,396)	-	(1,091,556)
Total intangible right-to-use assets, net	<u>716,821</u>	<u>(301,396)</u>	<u>-</u>	<u>415,425</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET, AS RESTATED	<u>\$ 205,889,394</u>	<u>\$ 3,979,606</u>	<u>\$ -</u>	<u>\$ 209,869,000</u>
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Being Depreciated:				
Machinery, Equipment and Vehicles	\$ 263,141	\$ 143,692	\$ -	\$ 406,833
Less Accumulated Depreciation for:				
Machinery, Equipment and Vehicles	(250,490)	(18,233)	-	(268,723)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 12,651</u>	<u>\$ 125,459</u>	<u>\$ -</u>	<u>\$ 138,110</u>

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 2. Detailed Notes on All Funds (continued)

C. Capital Assets (continued)

Depreciation and amortization for governmental activities is allocated as follows:

Administration	\$ 74,865
Instruction Services	7,112,134
Operation of Plant	<u>299,458</u>
TOTAL	<u>\$ 7,486,457</u>

D. Changes In Long-Term Debt

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

	Balance at July 1, 2022	Additions	Reductions	Balance at June 30, 2023	Due in One Year
Net OPEB liability	\$ 151,162,006	\$ -	\$ 11,534,445	\$ 139,627,561	\$ -
Net pension liability	4,248,653	1,440,503	-	5,689,156	-
Financed purchases	6,041,485	-	1,636,419	4,405,066	2,145,949
Intangible right-to-use leases	740,131	-	305,139	434,992	226,726
Long-Term portion of accrued compensated absences	861,722	13,337	48,794	826,265	50,105
	<u>\$ 163,053,997</u>	<u>\$ 1,453,840</u>	<u>\$ 13,524,797</u>	<u>\$ 150,983,040</u>	<u>\$ 2,422,780</u>

E. Fiduciary Fund Types

The net position of the private purpose trust fund at June 30, 2023 consists of the following:

John Postley Fund	\$ 83,859
Old Home Prize Fund	18,324
Gladys C. Burbage Scholarship Fund	215,854
John Coleman Scholarship Fund	2,434
Mark Pilchard Scholarship Fund	1,651
Stephen Decatur - JROTC	12,474
Other	<u>15,285</u>
TOTAL	<u>\$ 349,881</u>

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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,

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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, 2023. 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, 2023 the Board's total payroll for all employees was \$85,752,890. Total covered payroll was \$77,576,027. 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 state law, 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 2023 was \$3,372,638. In addition, the State of Maryland contributed \$6,533,892 on behalf of the Board. The Board has recognized the State on-behalf payments as both a revenue and expense.

During fiscal year 2023, the Board reported expense of \$689,670 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.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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, 2023, 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:

	2023
Board's proportionate share of the net pension liability (Employees' Systems)	\$ 5,689,156
Board's proportionate share of the net pension liability (Teachers' Systems)	<u>61,750,441</u>
Total	<u>\$ 67,439,597</u>

The net pension liability was measured as of June 30, 2022, 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, 2022, the Board's proportion was approximately .02843365%, which was substantially the same as its proportion measured as of June 30, 2021. Due to the proportion remaining substantially the same, the pension expense related to the change in proportion from June 30, 2021 to June 30, 2022 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, 2023, the Board recognized pension expense for the employees system of \$3,855,426 in the government wide financial statements and \$4,062,308 in the fund financial statements. At June 30, 2023, 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	\$ 634,295	\$ (57,339)
Net difference between projected and actual investment earnings on pension plan investments	-	(17,230)
Difference between actual and expected experience	-	(406,162)
Change in proportion and share of contributions	372,606	-
Board contributions subsequent to measurement date	<u>689,670</u>	<u>-</u>
Total	<u>\$ 1,696,571</u>	<u>\$ (480,731)</u>

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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 \$689,670 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, 2024. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life ranging from 5.49 to 5.78 years. The net difference in investment earnings is 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>	
2024	\$	58,969
2025		62,213
2026		(23,133)
2027		449,697
2028		<u>(21,576)</u>
Total	<u>\$</u>	<u>526,170</u>

Actuarial Assumptions

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

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.25% general, 2.75% wage
Salary increases	projected range from 2.75% to 11.25% per year
Discount rate	6.80%
Investment rate of return	6.80%
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality improvements scale for males and females.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 4. Pension Plans (continued)

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

Investments

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	34%	6.0%
Private Equity	16%	8.4%
Rate Sensitive	21%	1.2%
Credit Opportunity	8%	4.9%
Real Assets	14%	5.2%
Absolute Return	7%	3.5%
Total	<u>100%</u>	

Discount rate

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

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

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

	<u>Discount Rate</u>	<u>Board's Net Pension Liability</u>
1% decrease	5.80%	\$ 8,728,976
Current discount rate	6.80%	\$ 5,689,156
1% increase	7.80%	\$ 3,166,810

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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 has signed contracts for HVAC and energy management systems at various schools in the amount of \$6,312,338. These projects are intended to improve indoor air-quality at the schools.

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

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

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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, 2022, the date of the last actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	931
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	938
	1,869

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, 2023, the OPEB Trust paid for coverage of approximately 931 retirees at a total cost of approximately \$5,000,000. For the year ended June 30, 2023, Worcester County Commissioners funded the trust in the amount of \$8,984,877 to fund future benefits and the Board funded the trust in the amount of \$3,148,262 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.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 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	5.172%
Healthcare cost trend rates	5.43% for fiscal year 2023, decreasing .0667% per year to an ultimate rate of 4.50% for fiscal year 2037 and later years
Mortality	PubT.H-2010 Mortality Table-Teachers with Mortality Improvement using Scale MP-2020
Retirement Age	Based on results of actuarial experience study with a Census date of June 2020

Investments

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 7. Other Post-Employment Benefits (continued)

Discount rate

The discount rate used to measure the total OPEB liability was 5.172% for fiscal year 2023. 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, 2023 of 4.13%. 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 2022 through 2037.

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, 2023:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2022	\$ 176,995,976	\$ 25,833,970	\$ 151,162,006
Changes for the year:			
Service cost	9,664,444	-	9,664,444
Interest cost	8,076,558	-	8,076,558
Differences between expected and actual experience	-	(325,374)	325,374
Changes of assumptions and other inputs	(13,482,824)	-	(13,482,824)
Contributions - County	-	8,984,877	(8,984,877)
Contributions - Board	-	3,148,262	(3,148,262)
Net investment income	-	1,815,121	(1,815,121)
Implicit rate subsidy	-	-	-
Benefit payments (net)	(6,303,559)	(4,455,198)	(1,848,361)
Administrative expense	-	(4,000)	4,000
Other changes	-	325,376	(325,376)
Net changes	(2,045,381)	9,489,064	(11,534,445)
Balances at June 30, 2023	\$ 174,950,595	\$ 35,323,034	\$ 139,627,561

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 7. Other Post-Employment Benefits (continued)

Funding Status and Funding Progress

As of July 1, 2022, the most recent actuarial valuation date, the total OPEB liability for benefits was \$174,950,595, with \$35,323,034 in plan Fiduciary net position, resulting in an unfunded OPEB liability of \$139,627,561. The covered employee payroll was \$61,520,779, and the ratio of the net OPEB liability to the covered payroll was 226.96%.

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, 2023 measurement date for fiscal year-end 2023. 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 5.172%, 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:

	<u>Discount Rate</u>	<u>Board's Net OPEB Liability</u>
1% decrease	4.172%	\$166,701,493
Current Discount Rate	5.172%	\$139,627,561
1% increase	6.172%	\$117,843,538

The following table presents the Board’s net OPEB liability using the health care trend rate of 5.43%, 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:

	<u>Health Care Cost Trend Rate</u>	<u>Board's Net OPEB Liability</u>
1% decrease	4.43%	\$114,367,129
Current Healthcare Rate	5.43%	\$139,627,561
1% increase	6.43%	\$172,022,622

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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, 2023, the Board recognized an OPEB credit of \$21,703,978, on the government-wide statements. At June 30, 2023, 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	\$ -	\$ 168,281,175
Changes of assumptions	42,755,641	74,262,294
Net difference between projected and actual earnings on OPEB Plan Investments	2,436,019	-
Total	<u>\$ 45,191,660</u>	<u>\$ 242,543,469</u>

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

Year Ended June 30,	
2024	\$ (34,742,478)
2025	(34,295,067)
2026	(37,864,967)
2027	(44,582,751)
2028	(44,548,103)
Thereafter	(1,318,443)
	<u>\$ (197,351,809)</u>

Changes in assumptions in the most recent actuarial valuation included the discount rate (an increase from 4.646% to 5.172%).

Note 8. Financed Purchases

The Board has entered into non-cancelable contracts that transfer ownership at the end of the contract term, thus the Board has recorded the related obligations and the related assets in the appropriate funds.

Financed purchase obligations at June 30, 2023 consist of the following:

Computer equipment, Apple, Inc., interest imputed at 2.65%; payable in annual installments of approximately \$856,000, through July 2023.	\$ 855,778
Computer equipment, Apple, Inc., interest imputed at 2.65%; payable in annual installments of approximately \$321,000, through August 2024.	642,440
Computer equipment, Apple, Inc., interest imputed at 2.65%; payable in one initial annual installment of approximately \$459,000 and successive annual installments of approximately \$969,000, including interest through August 2025.	2,906,848
	<u>\$ 4,405,066</u>

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 8. Financed Purchases (continued)

The computer equipment contracts are 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.

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

2024	\$	2,272,236
2025		1,356,601
2026		1,000,571
		<u>4,629,408</u>
Less amounts representing interest		(224,342)
Present value of net minimum lease payments	\$	<u>4,405,066</u>

Interest expense on the above financed purchases was approximately \$165,000 for the year ended June 30, 2023.

The cost of items acquired under capital lease arrangements, as included in capital assets, totaled \$8,074,262, and the related accumulated depreciation was \$3,241,073 at June 30, 2023.

Note 9. Intangible Right-to-Use Assets

In accordance with GASB Statement No. 87, *Leases*, the Board recognizes the value of right-to-use assets leased under long-term contracts along with a related lease liability.

The Board has a variety of lease agreements in place for vehicles. Payments under the vehicle leases total approximately \$32,000 per year. The lease agreements in place for these vehicles began during fiscal years 2021 and 2022 and will expire during fiscal years 2026 and 2027. For purposes of discounting future payments on these leases the Board used the imputed interest rate in the lease agreement, ranging from 4.50% to 8.90%.

The Board has a variety of lease agreements in place for copiers. Payments under the copier leases total approximately \$293,000 in fiscal year 2023, then decreasing to approximately \$206,000, \$119,000, and \$30,000 in fiscal years 2024, 2025, and 2026, respectively. The lease agreements in place for these copiers began during fiscal years 2019 and 2021 and will expire during fiscal years 2024 and 2026. For purposes of discounting future payments on these leases the Board used its incremental borrowing rate in place at the time of lease inception, 2.65%.

Leased vehicles and equipment and accumulated amortization of the right-to-use assets are outlined in Note 2.

Lease payments over the next five years are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 226,726	\$ 11,438	\$ 238,164
2025	145,140	5,741	150,881
2026	55,565	1,314	56,879
2027	7,561	142	7,703
	<u>\$ 434,992</u>	<u>\$ 18,635</u>	<u>\$ 453,627</u>

Interest expense on the above intangible right-to-use assets was approximately \$20,000 for the year ended June 30, 2023.

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, 2023**

	UNRESTRICTED			
	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
UNRESTRICTED REVENUES				
County Appropriation	\$ 100,285,947	\$ 100,285,947	\$ 100,285,947	\$ -
State of Maryland and Federal	22,287,191	22,287,191	22,283,398	(3,793)
Other Sources	225,452	1,573,839	1,820,173	246,334
TOTAL UNRESTRICTED REVENUES	122,798,590	124,146,977	124,389,518	242,541
UNRESTRICTED EXPENDITURES				
Administration	1,887,139	1,887,139	1,884,329	2,810
Instructional Support Services	8,634,329	8,863,982	8,863,226	756
Instructional Salaries	50,670,916	49,680,916	48,555,206	1,125,710
Textbooks and Instructional Supplies	2,727,738	4,084,183	4,018,859	65,324
Other Instruction Costs	965,917	965,917	959,982	5,935
Student Personnel Services	393,154	393,154	391,208	1,946
Health Services	1,132,576	1,132,576	1,131,714	862
Student Transportation	7,324,165	7,816,265	7,815,067	1,198
Operation of Plant and Equipment	8,773,995	9,428,284	9,427,442	842
Maintenance of Plant	1,173,873	1,496,553	1,496,544	9
Fixed Charges	26,702,964	26,466,300	26,377,609	88,691
Capital Outlay	430,972	1,224,005	1,224,005	-
Special Education	12,547,863	12,547,863	12,517,411	30,452
TOTAL UNRESTRICTED EXPENDITURES	123,365,601	125,987,137	124,662,602	1,324,535
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(567,011)	(1,840,160)	(273,084)	1,567,076
OTHER FINANCING SOURCES (USES)				
Appropriation from Fund Balance - capital projects & OPEB	-	1,273,149	1,273,149	-
Appropriation to FY24 Fund balance - OPEB	-	-	(1,000,065)	(1,000,065)
Appropriation from Fund Balance	567,011	567,011	567,011	-
TOTAL OTHER FINANCING SOURCES	567,011	1,840,160	840,095	(1,000,065)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ -	\$ -	\$ 567,011	\$ 567,011

See Accompanying Notes To Financial Statements.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Fiscal Year	Measurement Date	Board's Proportion (Percentage) of the NPL A	Board's Proportionate Share of the NPL B	State's Proportionate Share of the NPL C	Total (B+C)	Board's Covered Payroll D	Board's Proportionate Share as a Percentage of Covered Payroll (B / D)	Plan's Total Fiduciary Net Position E	Plan's Total Pension Liability F	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (E / F)
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%
2022	June 30, 2021	0.0283201%	\$ 4,248,653	\$ 46,399,612	\$ 50,648,265	\$ 72,709,627	5.84%	\$ 67,604,500,000	\$ 82,606,805,000	81.84%
2023	June 30, 2022	0.0284337%	\$ 5,689,156	\$ 61,750,441	\$ 67,439,597	\$ 77,576,027	7.33%	\$ 64,310,991,000	\$ 84,319,523,000	76.27%

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	\$ 3,307,182	\$ 3,307,182	\$ -	\$ 68,088,033	4.86%
2021	June 30, 2020	\$ 3,299,496	\$ 3,299,496	\$ -	\$ 70,502,097	4.68%
2022	June 30, 2021	\$ 3,336,310	\$ 3,336,310	\$ -	\$ 72,709,627	4.59%
2023	June 30, 2022	\$ 4,062,310	\$ 4,062,310	\$ -	\$ 77,576,027	5.24%

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	2022	2023
Total OPEB liability						
Service cost	\$ 14,629,936	\$ 15,559,700	\$ 14,909,548	\$ 14,945,774	\$ 17,026,529	\$ 9,664,444
Interest cost	9,394,241	9,957,831	10,329,992	12,070,470	10,084,799	8,076,558
Differences between expected and actual experience	(15,957,568)	-	(11,166,696)	-	(228,081,935)	-
Changes of assumptions and other inputs	199,538	10,366,756	17,070,585	43,196,911	(70,161,344)	(13,482,824)
Implicit rate subsidy	-	-	(2,256,713)	(3,235,179)	-	-
Benefit payments	(5,974,464)	(6,457,472)	(6,577,082)	(6,074,638)	(6,276,315)	(6,303,559)
Other changes	(559,286)	344,814	4,255,039	-	-	-
Net change in total OPEB liability	\$ 1,732,397	\$ 29,771,629	\$ 26,564,673	\$ 60,903,338	\$ (277,408,266)	\$ (2,045,381)
Total OPEB liability, beginning of year	335,432,205	337,164,602	366,936,231	393,500,904	454,404,242	176,995,976
Total OPEB liability, end of year (a)	\$ 337,164,602	\$ 366,936,231	\$ 393,500,904	\$ 454,404,242	\$ 176,995,976	\$ 174,950,595
Plan fiduciary net position						
Differences between expected and actual experience	\$ 28,645	\$ (221,355)	\$ (929,393)	\$ (3,414,377)	\$ (5,592,988)	\$ (325,374)
Contributions	2,500,000	5,385,500	8,724,143	5,568,744	8,100,025	12,133,139
Net investment income	1,582,921	1,075,295	736,994	5,111,494	(3,759,730)	1,815,123
Benefit payments	(5,974,464)	(6,457,472)	(6,577,082)	(6,074,638)	(5,049,651)	(4,455,198)
Administrative expense	(1,150)	(3,400)	(1,000)	(5,000)	(1,500)	(4,000)
Other changes	(28,645)	221,355	928,393	3,414,377	5,592,988	325,374
Net change in fiduciary net position	\$ (1,892,693)	\$ (77)	\$ 2,883,055	\$ 4,600,600	\$ (710,856)	\$ 9,489,064
Fiduciary net position, beginning of year	20,953,941	19,061,248	19,061,171	21,944,226	26,544,826	25,833,970
Fiduciary net position, end of year (b)	\$ 19,061,248	\$ 19,061,171	\$ 21,944,226	\$ 26,544,826	\$ 25,833,970	\$ 35,323,034
Net OPEB Liability (a-b)	\$ 318,103,354	\$ 347,875,060	\$ 371,556,678	\$ 427,859,416	\$ 151,162,006	\$ 139,627,561
Fiduciary net position as a % of total OPEB liability	5.65%	5.19%	5.58%	5.84%	14.60%	20.19%
Covered employee payroll	\$ 62,892,100	\$ 65,337,722	\$ 68,088,033	\$ 70,502,097	\$ 59,155,287	\$ 61,520,779
Net OPEB liability as of % of payroll	505.79%	532.43%	545.70%	606.87%	255.53%	226.96%
Expected average remaining service in years	6.69	6.38	6.02	6.02	6.998	6.998

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	2021	2022	2023
Annual money-weighted rate of return, net of investment						
Cash and Cash Equivalents	0.50%	0.50%	0.20%	0.20%	0.20%	0.20%
Fixed Income and Equities	5.7% - 8.1%	5.7% - 8.1%	5.3% - 8.0%	5.3% - 8.0%	5.3% - 8.0%	5.3% - 8.0%

*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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2023

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, 2023	June 30, 2023	June 30, 2023
GAAP Basis	\$ 131,613,080	\$ 131,667,585	\$ 3,588,621
Increase (Decrease):			
State Share of Retirement and Pension Contribution	(6,533,892)	(6,533,892)	-
County Share of Retirement and Pension Contribution	(689,670)	(689,670)	-
Proceeds from financed purchases	-	-	-
Proceeds from right-to-use assets	-	-	-
Net Effect of Utilization of Encumbrances:			
Reversal of June 30, 2022 Balances	-	(864,194)	-
Recording of Balances at June 30, 2023	-	1,082,773	(1,082,773)
Insurance Reserve and other	-	-	(22,024)
Budgetary basis	<u>\$ 124,389,518</u>	<u>\$ 124,662,602</u>	<u>\$ 2,483,824</u>

The Board of Education of Worcester County
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2023

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 2022 valuation:

- Salary trend assumption changed from 2.75% to 9.25% in the previous valuation to 2.75% to 11.25% in the most recent valuation.

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	16 years for State system
Asset valuation method	5-year smoothed market; 40% recognized in 2021; 15% equally over next four valuations
Inflation	2.25% general, 2.75% wage
Salary increases	Projected range from 2.75% to 11.25% per year
Investment rate of return	6.80%
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for 2019 valuation pursuant to the 2019 experience study for the period July 1, 2014 to June 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality improvements scale for males and females.

The Board of Education of Worcester County
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2023

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 2022 valuation:

- Discount rate changed from 4.646% to 5.172%

The Board of Education of Worcester County
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2023

Note 3. Other Post Employment Benefits (continued)

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2022
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed period
Amortization period	6.998 years
Inflation	3.00%
Healthcare cost trend rates	5.43% for fiscal year 2023, decreasing .0667% per year to an ultimate rate of 4.50% for fiscal year 2037 and later years
Salary increases	4.00%, average, including inflation
Discount rate- 2023	5.172%
Discount rate- 2022	4.646%
Mortality	PubT.H-2010 Mortality Table-Teachers with Mortality Improvement using Scale MP-2020

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

Withdrawal rates Table T-1 from the Pension Acutary's Handbook

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

Retiree contributions	Pre-Medicare		Medicare Eligible		
		<u>Retiree</u>	<u>Spouse</u>	<u>Retiree</u>	<u>Spouse</u>
	Pre 7/1/15 hires	\$ 735	\$ 1,286	\$ 508	\$ 508
	7/1/15 & Subsequent hires	1,470	2,573	1,017	1,017
Spouse pay-all		12,864		5,085	

ADDITIONAL SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF WORCESTER COUNTY

**UNRESTRICTED GENERAL FUND REVENUES AND
OTHER FINANCING SOURCES - BUDGETARY BASIS
Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
UNRESTRICTED LOCAL FUNDS				
County appropriation	\$ 100,285,947	\$ 100,285,947	\$ 100,285,947	\$ -
STATE OF MARYLAND FUNDS				
Current expense	7,980,405	7,980,405	7,980,405	-
Transportation	3,697,479	3,697,479	3,697,479	-
Handicapped children	2,166,970	2,166,970	2,166,970	-
Compensatory education	7,993,597	7,993,597	7,989,804	(3,793)
Limited english proficiency	448,740	448,740	448,740	-
TOTAL STATE OF MARYLAND FUNDS	22,287,191	22,287,191	22,283,398	(3,793)
OTHER FUNDS				
Tuition	70,000	70,000	150,194	80,194
Interest and other	80,000	1,428,387	1,639,640	211,253
Reimbursement from restricted Programs	75,452	75,452	30,339	(45,113)
TOTAL OTHER FUNDS	225,452	1,573,839	1,820,173	246,334
TOTAL UNRESTRICTED REVENUES	122,798,590	124,146,977	124,389,518	242,541
OTHER FINANCING SOURCES				
Appropriation from Fund balance - capital projects & OPEB	-	1,273,149	1,273,149	-
Appropriation to FY24 Fund balance - OPEB	-	-	(1,000,065)	(1,000,065)
Appropriation from Fund balance	567,011	567,011	567,011	-
TOTAL OTHER FINANCING SOURCES	567,011	1,840,160	840,095	(1,000,065)
TOTAL UNRESTRICTED REVENUES AND OTHER FINANCING SOURCES	\$ 123,365,601	\$ 125,987,137	\$ 125,229,613	\$ (757,524)

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES

GENERAL FUND - BUDGETARY BASIS

Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
ADMINISTRATION				
Salaries and wages	\$ 1,632,703	\$ 1,489,362	\$ 1,486,691	\$ 2,671
Contracted services	177,242	219,693	219,692	1
Supplies and materials	30,382	101,882	101,844	38
Other charges	45,710	75,800	75,800	-
Land, buildings and equipment	1,102	402	302	100
TOTAL ADMINISTRATION	1,887,139	1,887,139	1,884,329	2,810
INSTRUCTIONAL SUPPORT SERVICES				
Salaries and wages	8,345,329	8,301,029	8,301,013	16
Contracted services	85,263	95,593	95,574	19
Supplies and materials	137,537	334,780	334,617	163
Other charges	61,200	125,838	125,280	558
Land, buildings and equipment	5,000	6,742	6,742	-
TOTAL INSTRUCTIONAL SUPPORT SERVICES	8,634,329	8,863,982	8,863,226	756
INSTRUCTIONAL SALARIES AND WAGES	50,670,916	49,680,916	48,555,206	1,125,710
TEXTBOOKS AND CLASSROOM SUPPLIES AND MATERIALS	2,727,738	4,084,183	4,018,859	65,324
OTHER INSTRUCTIONAL COSTS				
Contracted services	523,647	536,247	536,104	143
Other charges	306,875	253,345	247,615	5,730
Land, buildings and equipment	85,395	87,825	87,817	8
Outgoing transfers	50,000	88,500	88,446	54
TOTAL OTHER INSTRUCTIONAL COSTS	965,917	965,917	959,982	5,935
STUDENT PERSONNEL SERVICES				
Salaries and wages	390,231	386,031	384,192	1,839
Contracted services	750	1,450	1,400	50
Supplies and materials	1,890	4,890	4,877	13
Other charges	283	783	739	44
TOTAL STUDENT PERSONNEL SERVICES	393,154	393,154	391,208	1,946
HEALTH SERVICES				
Salaries and wages	1,122,456	1,088,996	1,088,844	152
Contracted services	252	2,452	2,368	84
Supplies and materials	8,118	38,418	38,395	23
Other charges	750	2,110	2,107	3
Land, buildings and equipment	1,000	600	-	600
TOTAL HEALTH SERVICES	\$ 1,132,576	\$ 1,132,576	\$ 1,131,714	\$ 862

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES - CONTINUED

GENERAL FUND - BUDGETARY BASIS

Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
STUDENT TRANSPORTATION				
Salaries and Wages	\$ 375,552	\$ 449,032	\$ 449,026	\$ 6
Contracted Services	6,845,893	7,211,893	7,211,022	871
Supplies and Materials	9,636	16,956	16,951	5
Other Charges	93,084	138,384	138,368	16
Land, Buildings and Equipment	-	-	(300)	300
TOTAL STUDENT TRANSPORTATION	7,324,165	7,816,265	7,815,067	1,198
OPERATION OF PLANT				
Salaries and Wages	4,092,587	4,068,090	4,068,089	1
Contracted Services	532,690	540,872	540,870	2
Supplies and Materials	401,120	880,644	880,639	5
Other Charges	3,705,298	3,699,424	3,699,418	6
Land, Buildings and Equipment	42,300	239,254	238,426	828
TOTAL OPERATION OF PLANT	8,773,995	9,428,284	9,427,442	842
MAINTENANCE OF PLANT				
Salaries and Wages	812,380	690,135	690,131	4
Contracted Services	93,738	402,569	402,567	2
Supplies and Materials	229,360	375,158	375,156	2
Other Charges	650	5,796	5,796	-
Land, Buildings and Equipment	37,745	22,895	22,894	1
TOTAL MAINTENANCE OF PLANT	1,173,873	1,496,553	1,496,544	9
FIXED CHARGES				
Insurance and Employee Benefits	26,702,964	26,466,300	26,377,609	88,691
CAPITAL OUTLAY				
Salaries and Wages	128,664	112,465	112,465	-
Contracted Services	450	588,861	588,861	-
Supplies and Materials	1,552	4,602	4,602	-
Other Charges	306	-	-	-
Land, Buildings and Equipment	300,000	518,077	518,077	-
TOTAL CAPITAL OUTLAY	430,972	1,224,005	1,224,005	-
SPECIAL EDUCATION				
Salaries and Wages	11,769,852	11,826,252	11,826,169	83
Contracted Services	403,000	378,000	370,360	7,640
Supplies and Materials	185,000	171,000	167,168	3,832
Other Charges	40,011	63,811	63,672	139
Land, Buildings and Equipment	22,000	22,000	3,245	18,755
Outgoing Transfers	128,000	86,800	86,797	3
TOTAL SPECIAL EDUCATION	12,547,863	12,547,863	12,517,411	30,452
TOTAL UNRESTRICTED APPROPRIATIONS AND EXPENDITURES	\$ 123,365,601	\$ 125,987,137	\$ 124,662,602	\$ 1,324,535

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHOOL ACTIVITIES FUND OPERATIONS

Year Ended June 30, 2023

	Balance June 30, 2022	Receipts	Disbursements	Balance June 30, 2023
ELEMENTARY				
Buckingham	\$ 56,035	\$ 81,766	\$ 75,140	\$ 62,661
Ocean City	50,451	92,950	98,371	45,030
Pocomoke	52,562	86,343	85,386	53,519
Showell	48,213	76,057	76,830	47,440
Snow Hill	41,740	88,664	108,440	21,964
TOTAL ELEMENTARY	249,001	425,780	444,167	230,614
MIDDLE SCHOOL				
Berlin	120,703	144,703	159,637	105,769
Pocomoke	51,711	120,907	101,093	71,525
Snow Hill	70,639	102,886	103,244	70,281
Stephen Decatur	133,281	127,886	118,180	142,987
TOTAL MIDDLE SCHOOL	376,334	496,382	482,154	390,562
HIGH SCHOOL				
Pocomoke	163,007	255,021	295,566	122,462
Snow Hill	188,210	295,155	286,944	196,421
Stephen Decatur	369,957	1,219,482	1,195,545	393,894
TOTAL HIGH SCHOOL	721,174	1,769,658	1,778,055	712,777
SPECIALIZED SCHOOL				
Cedar Chapel	22,093	54,714	30,482	46,325
Vocational	171,318	510,123	494,629	186,812
TOTAL SPECIALIZED SCHOOL	193,411	564,837	525,111	233,137
TOTAL SCHOOL ACTIVITY FUND OPERATION	\$ 1,539,920	\$ 3,256,657	\$ 3,229,487	\$ 1,567,090
EXCESS OF RECEIPTS OVER DISBURSEMENTS		\$ 27,170		

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOOD SERVICE FUND - BUDGETARY BASIS

Year Ended June 30, 2023

	Budget	Actual	Variance With Budget Favorable (Unfavorable)
REVENUES			
Federal and State:			
Reimbursement for food	\$ 2,105,800	\$ 3,108,976	\$ 1,003,176
Other Revenues:			
Grant and donation revenues	20,000	21,325	1,325
Catering income	-	2,624	2,624
Lunches sold	594,409	614,210	19,801
Interest income and other	1,800	8,196	6,396
Total Other Revenues	<u>616,209</u>	<u>646,355</u>	<u>30,146</u>
TOTAL REVENUES	<u>2,722,009</u>	<u>3,755,331</u>	<u>1,033,322</u>
EXPENDITURES			
Food and food related supplies	1,343,300	1,763,803	(420,503)
Commodity processing and storage	12,000	31,053	(19,053)
Nonfood supplies and other expense	47,000	66,513	(19,513)
Salaries and wages	985,200	1,292,561	(307,361)
Fringe benefits	324,909	317,562	7,347
Contracted services	3,600	14,597	(10,997)
Other charges	6,000	1,971	4,029
Additional equipment	-	12,918	(12,918)
TOTAL EXPENDITURES	<u>2,722,009</u>	<u>3,500,978</u>	<u>(778,969)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 254,353</u>	<u>\$ 254,353</u>

THE BOARD OF EDUCATION OF WORCESTER COUNTY

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
COMBINED RESTRICTED AND UNRESTRICTED
Year Ended June 30, 2023**

REVENUES		
County Appropriation	\$ 100,285,947	
State of Maryland	27,152,359	
Restricted Federal Funds	17,142,975	
Other Sources	<u>2,770,260</u>	147,351,541
TOTAL REVENUES		
OTHER FINANCING SOURCES		
Appropriation from Fund Balance		<u>840,095</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 148,191,636
EXPENDITURES		
Administration	2,054,866	
Mid-Level Administration	9,053,138	
Instructional Salaries and Wages	53,367,282	
Textbooks and Classroom Supplies	6,939,112	
Other Instructional Costs	3,406,100	
Pupil Personnel Services	391,208	
Health Services	1,453,527	
Pupil Transportation	8,281,282	
Operation of Plant	16,457,297	
Maintenance of Plant	1,509,194	
Fixed Charges	28,116,999	
Special Education	15,052,844	
Food Services	316,943	
Community Services	828	
Capital Planning	<u>1,224,005</u>	
TOTAL EXPENDITURES		<u>147,624,625</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES		<u>\$ 567,011</u>

The Board of Education of Worcester County
NOTES TO ADDITIONAL SUPPLEMENTARY INFORMATION
For the year ended June 30, 2023

Note 1. Budget

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

	Revenues	Expenditures	Change in Fund Balances
	Proprietary	Proprietary	Proprietary
	June 30, 2023	June 30, 2023	June 30, 2023
GAAP basis	\$ 3,755,331	\$ 3,519,211	\$ 236,120
Capital outlay	-	143,692	(143,692)
Capital contribution - equipment	-	(143,692)	143,692
Depreciation	-	(18,233)	18,233
Budgetary basis	\$ 3,755,331	\$ 3,500,978	\$ 254,353