

THE BOARD OF EDUCATION  
OF CAROLINE COUNTY

FINANCIAL REPORT

JUNE 30, 2020

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



## INDEPENDENT AUDITORS' REPORT

The Board of Education of Caroline County  
Denton, Maryland

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Caroline County as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

### *Other Information*

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

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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, 2020 on our consideration of The Board of Education of Caroline County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Board of Education of Caroline County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Board of Education of Caroline County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "JSM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland  
September 30, 2020

Herbert J. Geary III  
Corey N. Duncan  
Roy J. Geiser  
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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*

INDEPENDENT AUDITORS' REPORT

The Board of Education of Caroline County  
Denton, 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 Caroline County, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise The Board of Education of Caroline County's basic financial statements, and have issued our report thereon dated September 30, 2020.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Board of Education of Caroline County'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.

A handwritten signature in black ink that reads "JSM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland  
September 30, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**Denton, Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2020**

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This section of The Board of Education of Caroline County's financial report provides management's overview and analysis of the Board's financial performance for the fiscal year that ended on June 30, 2020. Please read this discussion and analysis in conjunction with the financial statements and the notes to the financial statements that follow.

The intent of Management's Discussion and Analysis is to serve as an introduction to the financial statements and provide a framework for understanding the information they contain based on currently known facts, decisions and conditions.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### District-wide Financial Statements

The first set of financial statements, the *district-wide statements*, are designed to provide readers with a complete picture regarding the financial status of the Board of Education of Caroline County. The district-wide statements include the *statement of net position* and the *statement of activities*. The *statement of net position* presents information on all of the assets and liabilities of the Board, with the difference between the two reported as net position. The *statement of activities* reports revenues and expenses; it presents information showing how the Board's net position changed during the most recent fiscal year.

In the *statement of net position* and the *statement of activities*, the Board's activities are divided into two categories:

Governmental Activities - Most of the Board's programs and services are included here, such as instruction, administration, special education, pupil services, health services, pupil transportation, operation and maintenance of plant, fixed charges, community services, school activities, and capital outlay.

Business-type activities - The Board's food service operation is reported as a business-type activity. Fees are charged to staff, students, and visitors to help cover the costs of the food service operation.

The *district-wide statements*, measure the change in total economic resources during the period and are presented on a full accrual basis. This means that any change in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**Denton, Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2020**

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The District-wide perspective is unrelated to budget and accordingly, budget comparisons are not provided.

Fund Financial Statements

The second set of statements, the *fund financial statements*, view the government as a collection of separate funds. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Board of Education of Caroline County uses fund accounting to ensure and demonstrate compliance with fiscal requirements. The Board's activities are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Most of the Board's activities are reported in governmental funds, which focus on an entity's financial position and change in financial position. The governmental fund statements provide a detailed short-term view of the Board's operations and the services it provides. This information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. The Board's major governmental funds are the general fund, capital projects fund, and school activity fund.

The measurement focus of these statements is current financial resources; therefore the emphasis is placed on the cash flows of the organization within the reporting period or near future. Accordingly, the modified accrual basis of accounting is used.

Proprietary funds - Proprietary funds are used to account for the business-type activities of a government. The Board's food service fund falls under this classification since a significant portion of the funding is provided through user charges.

Fiduciary funds - Fiduciary funds are used to account for resources held by the government as either a trustee (a party that administers property for a beneficiary) or an agent (one who acts on behalf of another). The Board's fiduciary funds consist of funds accumulating for retiree health benefits and agency funds. Fiduciary funds are excluded from the government-wide financial statements because the school system cannot use these assets to finance its operations.

A budgetary presentation of individual fund financial information is presented as part of the required supplementary information. The budgetary statements utilize the current financial resources measurement focus. In these statements, available cash flows of the Board are measured as well as the commitment to acquire goods or services with that cash. Open encumbrances at year-end are reported as expenditures.

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**Denton, Maryland**

**Management's Discussion and Analysis (MD&A)**  
**June 30, 2020**

**THE BOARD OF EDUCATION OF CAROLINE COUNTY AS A WHOLE**

The largest portion of the Board's total assets reflects the investment in capital assets such as land, buildings, vehicles and equipment. These capital assets are used to provide services to the students and citizens of Caroline County and are not available for future spending.

**Figure 1-1**  
**Statement of Net Position**

	June 30, 2020	June 30, 2019	\$ Change	% Change
Current and other assets	16,548,978	15,263,700	1,285,278	8.42%
Capital assets	98,796,500	89,416,039	9,380,461	10.49%
<b>Total Assets</b>	<u>115,345,478</u>	<u>104,679,739</u>	<u>10,665,739</u>	<u>10.19%</u>
Deferred outflows of resources	<u>26,256,430</u>	<u>17,986,761</u>	<u>8,269,669</u>	<u>45.98%</u>
Current and other liabilities	11,434,285	9,934,294	1,499,991	15.10%
Long-term liabilities	126,562,317	108,684,848	17,877,469	16.45%
<b>Total Liabilities</b>	<u>137,996,602</u>	<u>118,619,142</u>	<u>19,377,460</u>	<u>16.34%</u>
Deferred inflows of resources	<u>37,958,388</u>	<u>43,415,849</u>	<u>(5,457,461)</u>	<u>-12.57%</u>
Net investment in capital assets	94,010,869	84,522,951	9,487,918	11.23%
Unrestricted	(128,363,951)	(123,891,442)	(4,472,509)	3.61%
<b>Total Net Position</b>	<u><u>(34,353,082)</u></u>	<u><u>(39,368,491)</u></u>	<u><u>5,015,409</u></u>	<u><u>-12.74%</u></u>

Net position can be used to serve as an indicator of a district's financial position. As illustrated in figure 1-1, the Board's total net position at the close of the fiscal year was (\$34,353,082), which represents an increase of approximately \$5 million from the prior year. The negative net position is due to the implementation of GASB 75 which now requires state and local

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**Denton, Maryland**

**Management's Discussion and Analysis (MD&A)**  
**June 30, 2020**

governments to report the liability of Other Post-Employment Benefits (OPEB). More detailed information about the Board's net OPEB liability can be found in Note 7 of the financial statements.

A comparison of revenue by source and expenses by category is presented in the table below:

**Figure 1-2**  
**Statement of Activities**

	June 30, 2020	June 30, 2019	\$ Change	% Change
<b>Revenues</b>				
Program Revenues				
Charges for services	4,614,045	5,023,515	(409,470)	-8.15%
Operating grants and contributions	14,576,038	12,388,012	2,188,026	17.66%
Capital grants and contributions	10,515,949	1,424,788	9,091,161	638.07%
General Revenues				
County	15,220,217	14,436,087	784,130	5.43%
State aid	58,463,707	54,834,517	3,629,190	6.62%
Investment earnings	149,759	216,625	(66,866)	-30.87%
Other	633,369	708,697	(75,328)	-10.63%
<b>Total Revenues</b>	<b>104,173,084</b>	<b>89,032,241</b>	<b>15,140,843</b>	<b>17.01%</b>
<b>Expenses</b>				
Administration	2,325,663	2,152,414	173,249	8.05%
School management and support	5,951,944	5,456,663	495,281	9.08%
Instructional salaries and wages	31,790,788	29,907,286	1,883,502	6.30%
Textbooks and instructional supplies	1,589,056	1,654,914	(65,858)	-3.98%
Other instructional costs	5,885,485	6,165,544	(280,059)	-4.54%
Special education	8,444,670	7,529,922	914,748	12.15%
Pupil personnel services	674,230	561,949	112,281	19.98%
Health services	922,843	822,347	100,496	12.22%
Pupil transportation	4,548,438	3,911,682	636,756	16.28%
Operation of plant	4,615,931	4,346,463	269,468	6.20%
Maintenance of plant	1,209,100	928,032	281,068	30.29%
Fixed charges	21,200,447	20,475,754	724,693	3.54%
Community Services	453,089	495,706	(42,617)	-8.60%

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**Denton, Maryland**

**Management's Discussion and Analysis (MD&A)**  
**June 30, 2020**

Capital outlay	263,476	163,557	99,919	61.09%
School activity	741,433	1,007,717	(266,284)	-26.42%
On-behalf state retirement	4,682,514	4,536,723	145,791	3.21%
Food services	3,858,568	3,957,753	(99,185)	-2.51%
<i>Total Expenses</i>	99,157,675	94,074,426	5,083,249	5.40%
<i>Change in Net Position</i>	5,015,409	(5,042,185)	10,057,594	-199.47%
<i>Net Position End of Year</i>	(34,353,082)	(39,368,491)	5,015,409	-12.74%

As shown in figure 1-2, there was a \$2,188,026 increase in operating grants and contributions. This increase is associated with the enactment of Senate Bill 1030, The Blueprint for Maryland's Future, which allocated funding for spending priorities such as Prekindergarten, Transitional Supplemental Instruction, Special Education and Mental Health. Capital grants and contributions increased by \$9,091,161 due to the start of the Greensboro Elementary School construction project. State aid increased by \$3,629,190. Unrestricted state aid is direct mandated funding, which is calculated on a yearly basis by the Maryland State Department of Education Division of Business Services. This funding is formula driven based on student enrollment, FARMS (Free and Reduced Price Meals) counts and wealth data. Caroline County Public Schools also met the requirements for a Teacher Salary Incentive Grant which is another spending priority associated with The Blueprint for Maryland's Future.

The largest variances on the expenditure side took place in instructional salaries and wages, special education and fixed charges. Spending for instructional salaries and wages increased as a result of negotiated changes to the salary schedules as well as new positions that were added to the budget. The increase in special education is due to a combination of salary increases as well as a Students with Disabilities Grant that was part of The Blueprint for Maryland's Future legislation. The increase in fixed charges is due to the additional benefit costs associated with new positions and salary increases as well as increases in health insurance premiums, retirement costs and unemployment costs.

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**Denton, Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2020**

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**FUND PERFORMANCE**

As mentioned earlier, funds are self-balancing sets of accounts used by the Board to control and manage money for particular purposes. The balance sheet for the Board's governmental funds is shown on page 20, and the results of operations are presented on page 21. As shown by the results of operations, the fund balance for the general fund increased by \$568,767. It is important to note that this change in fund balance is based on the GAAP basis of accounting (Generally Accepted Accounting Principles), which differs from the budgetary basis of accounting.

The Food Service program is designed to be self-funded. As shown on page 23, the food service program generated a loss of (\$33,194). Additional packaging, storage and distribution costs associated with COVID-19 caused this program to suffer financially and end the year with a loss.

The general fund statement of revenues, expenditures, and changes in fund balance on the budgetary basis of accounting is shown on pages 53-56. Instructional salaries and wages as well as the fixed charges associated with these costs account for the largest percentage of the general fund unrestricted expenditures.

It is critical for the reader to understand that the county appropriation and unrestricted state aid account for approximately 88% of the total operating budget. Local revenue, provided by the Caroline County Government, is dependent upon the economic condition of the County. However, the education statute requires a minimum level of funding equal to the prior years per pupil contribution times the current year projected enrollment. State aid is largely formula driven based on student enrollment and wealth. Both of these revenue streams have historically been stable and highly predictable but the impact on Maryland's economy due to the pandemic may result in adjustments to the amount of funding for state aid programs.

Additional revenue items include: state and federal restricted revenue, interest revenue and E-rate rebates. It is important to note that restricted federal and restricted state revenue may be one-time and tend to vary from one year to the next. Recurring but unpredictable are the E-rate rebates received from the Federal Communications Commission.

On the budgetary statements for both the general fund and the food services fund, the original budget is the same as the final budget. The Board follows a policy of not amending the original budget until our financial report has been issued. The Board notifies the county in advance of any categories that are over budget. After the financial report has been issued, any necessary changes are presented to the County for approval.

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**Denton, Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2020**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

At June 30, 2020, the Board had invested in a broad range of capital assets including construction in progress, land, buildings and improvements, furniture, equipment and vehicles. The following schedule shows the Board's capital assets by type:

**Figure 1-3**  
**Capital Assets - Governmental Activities**

	June 30, 2020	June 30, 2019	\$ Change	% Change
Construction in progress and land	12,775,386	1,917,047	10,858,339	566.41%
Buildings and improvements	129,365,518	128,567,952	797,566	0.62%
Furniture and equipment	2,313,546	2,144,932	168,614	7.86%
Software	361,630	361,630	-	0.00%
Vehicles	3,639,167	3,110,700	528,467	16.99%
<i>Total capital assets</i>	<u>148,455,247</u>	<u>136,102,261</u>	<u>12,352,986</u>	<u>9.08%</u>

Projects which contributed to the increase in capital assets include: Greensboro Elementary School, the Support Services building, a new warehouse, a track at North Caroline High School and bus purchases. Capital expenditures are approved and funded by the state and local governments on a project basis.

School Districts in Maryland are fiscally dependent on the state and county governments. Thus, the Board of Education of Caroline County has ownership of its assets, but does not issue the debt associated with them. Accordingly, the Board carries no bond rating. As mentioned in the notes to the financial statements, the Board has capital lease obligations for building renovations, vehicles and energy equipment upgrades.

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**Denton, Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2020**

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

At the time these financial statements were prepared and audited, the Board was aware of the following circumstances that could affect its financial health in the future:

- The Blueprint for Maryland's Future Act (House Bill 1300) is a landmark piece of legislation intended to transform Maryland's early childhood, primary, and secondary education system to the levels of the highest performing systems. It also seeks to increase teacher salaries and to improve the recruitment and retention of high quality teachers. This legislation passed in the General Assembly in the spring of 2020, but was vetoed by the Governor. It is still unknown if the legislature will override the Governor's veto of HB 1300. If the legislature does override the Governor's veto, the bill would take effect in precisely the same form as passed. Therefore, separate legislation would be needed to amend the timelines, funding and other provisions contained in HB 1300.
- The COVID-19 pandemic caused the closure of schools on March 13, 2020 through the remainder of the school year. COVID-19 has impacted all areas of the school system from Instruction to Food Services to Finance. COVID related expenditures to ensure the safety of students and staff and to make the transition to a distance learning environment were not budgeted or expected. There is still uncertainty surrounding the pandemic and the economic effects it will have on future revenues. Cuts to education funding would be devastating to Caroline County Public Schools and would put a great strain on future operating budgets.

**CONTACTING THE BOARD'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents and students with a general overview of the Board's finances and to demonstrate its compliance and show its accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Erin B. Thornton, Comptroller, 410-479-3263 ext. 1124 or Milton E. Nagel, Assistant Superintendent for Administrative Services, 410-479-1210 ext. 1239, at The Board of Education of Caroline County, 204 Franklin Street, Denton, Maryland 21629.

## FINANCIAL STATEMENTS

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF NET POSITION

June 30, 2020

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 12,293,357	\$ 142,725	\$ 12,436,082
Accounts receivable:			
Federal funds from State of Maryland	1,505,044	203,902	1,708,946
Federal funds from County	-	115,398	115,398
State of Maryland	1,474,456	-	1,474,456
Other	177,568	134,153	311,721
External parties (fiduciary fund)	410,494	-	410,494
Prepays	5,752	-	5,752
Inventory	-	86,129	86,129
Non depreciable capital assets	12,775,386	-	12,775,386
Depreciable capital assets, net	85,880,684	140,430	86,021,114
<b>TOTAL ASSETS</b>	<b>114,522,741</b>	<b>822,737</b>	<b>115,345,478</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions (see Note 6)	843,182	-	843,182
Other post-employment benefits (see Note 7)	25,413,248	-	25,413,248
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>26,256,430</b>	<b>-</b>	<b>26,256,430</b>
<b>LIABILITIES</b>			
Accounts payable:			
Vendors	1,010,615	230	1,010,845
Internal balances	(181,836)	181,836	-
Accrued payroll	5,837,927	117,887	5,955,814
Other accrued expenses	2,452,038	-	2,452,038
Unearned revenue - Federal	317,021	-	317,021
Unearned revenue - State	94,070	-	94,070
Unearned revenue - other	752,245	-	752,245
Long-term liabilities:			
Due within one year	852,252	-	852,252
Due in more than one year	126,562,317	-	126,562,317
<b>TOTAL LIABILITIES</b>	<b>137,696,649</b>	<b>299,953</b>	<b>137,996,602</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions (see Note 6)	442,302	-	442,302
Other post-employment benefits (see Note 7)	37,516,086	-	37,516,086
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>37,958,388</b>	<b>-</b>	<b>37,958,388</b>
<b>NET POSITION</b>			
Net investment in capital assets	93,870,439	140,430	94,010,869
Unrestricted	(128,746,305)	382,354	(128,363,951)
<b>TOTAL NET POSITION</b>	<b>\$ (34,875,866)</b>	<b>\$ 522,784</b>	<b>\$ (34,353,082)</b>

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

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities</b>				
Current:				
Administration	\$ 2,325,663	\$ -	\$ 154,795	\$ -
School management and support	5,951,944	-	259,936	-
Instructional salaries and wages	31,790,788	-	2,550,694	-
Textbooks and instructional supplies	1,589,056	-	765,090	-
Other instructional costs	5,885,485	-	1,518,918	-
Special education	8,444,670	-	2,099,728	-
Pupil personnel services	674,230	-	-	-
Health services	922,843	-	190,546	-
Pupil transportation	4,548,438	-	329,688	-
Operation of plant	4,615,931	-	50,085	-
Maintenance of plant	1,209,100	-	-	-
Fixed charges	21,200,447	-	1,520,955	-
Community services	453,089	-	453,089	-
School activity expenditures	741,433	789,717	-	-
On-behalf State Retirement contributions	4,682,514	-	4,682,514	-
Capital outlay	263,476	-	-	10,515,949
<b>Total Governmental Activities</b>	<b>95,299,107</b>	<b>789,717</b>	<b>14,576,038</b>	<b>10,515,949</b>
<b>Business-Type Activities</b>				
Food Services	3,858,568	3,824,328	-	-
<b>Total Business-Type Activities</b>	<b>3,858,568</b>	<b>3,824,328</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>\$ 99,157,675</b>	<b>\$ 4,614,045</b>	<b>\$ 14,576,038</b>	<b>\$ 10,515,949</b>

**General Revenues**

Caroline County  
State of Maryland  
Investment earnings  
Miscellaneous

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
\$ (2,170,868)	\$ -	\$ (2,170,868)
(5,692,008)	-	(5,692,008)
(29,240,094)	-	(29,240,094)
(823,966)	-	(823,966)
(4,366,567)	-	(4,366,567)
(6,344,942)	-	(6,344,942)
(674,230)	-	(674,230)
(732,297)	-	(732,297)
(4,218,750)	-	(4,218,750)
(4,565,846)	-	(4,565,846)
(1,209,100)	-	(1,209,100)
(19,679,492)	-	(19,679,492)
-	-	-
48,284	-	48,284
-	-	-
10,252,473	-	10,252,473
<hr/>		
(69,417,403)	-	(69,417,403)
<hr/>		
-	(34,240)	(34,240)
<hr/>		
-	(34,240)	(34,240)
<hr/>		
(69,417,403)	(34,240)	(69,451,643)
<hr/>		
15,220,217	-	15,220,217
58,463,707	-	58,463,707
148,713	1,046	149,759
633,369	-	633,369
<hr/>		
74,466,006	1,046	74,467,052
<hr/>		
5,048,603	(33,194)	5,015,409
<hr/>		
(39,924,469)	555,978	(39,368,491)
<hr/>		
\$ (34,875,866)	\$ 522,784	\$ (34,353,082)

THE BOARD OF EDUCATION OF CAROLINE COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2020

	GENERAL FUND	SCHOOL CONSTRUCTION	SCHOOL ACTIVITIES
<b>ASSETS</b>			
Cash and investments	\$ 11,172,870	\$ 583,804	\$ 536,683
Accounts receivable:			
Federal funds from State of Maryland	1,505,044	-	-
State of Maryland	1,067,807	406,649	-
Other Board of Education funds	1,290,880	-	-
Local	31,117	10,000	-
Other	136,451	-	-
Prepays	5,752	-	-
<b>TOTAL ASSETS</b>	<b>\$ 15,209,921</b>	<b>\$ 1,000,453</b>	<b>\$ 536,683</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable:			
Vendors	\$ 977,527	\$ 32,236	\$ 852
State of Maryland	-	-	-
Other Board of Education funds	-	698,550	-
Accrued payroll	5,837,927	-	-
Accrued leave	162,829	-	-
Other accrued expenses	2,452,038	-	-
Unearned revenue - Federal	317,021	-	-
Unearned revenue - State	94,070	-	-
Unearned revenue - other	722,226	-	30,019
<b>TOTAL LIABILITIES</b>	<b>10,563,638</b>	<b>730,786</b>	<b>30,871</b>
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>FUND BALANCES</b>			
Nonspendable	5,752	-	-
Assigned to:			
Accrued leave	857,137	-	-
School construction projects	-	269,667	-
School activities	-	-	505,812
Other purposes (encumbrances)	1,466,205	-	-
Unassigned	2,317,189	-	-
<b>TOTAL FUND BALANCES</b>	<b>4,646,283</b>	<b>269,667</b>	<b>505,812</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 15,209,921</b>	<b>\$ 1,000,453</b>	<b>\$ 536,683</b>

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

Total Governmental Funds	<b>Total Governmental Funds Balances</b>		\$ 5,421,762
\$ 12,293,357	<b>Amounts reported for governmental activities in the statement of net position are different because</b>		
1,505,044	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		98,656,070
1,474,456			
1,290,880	Deferred outflows of resources not reported in the fund financial statements		
41,117			
136,451			
5,752			
<u>\$ 16,747,057</u>	Pension (see Note 6)	843,182	
	Other post-employment benefits (see Note 7)	<u>25,413,248</u>	26,256,430
\$ 1,010,615	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
-	Accrued leave	(857,137)	
698,550	Accrued leave - retirement	(686,454)	
5,837,927	Retirement incentive plan	(366,835)	
162,829	Capital leases	(4,785,631)	
2,452,038	Net pension liability	(5,067,093)	
317,021	Post-employment benefits	<u>(115,488,590)</u>	(127,251,740)
94,070			
752,245			
<u>11,325,295</u>	Deferred inflows of resources not reported in the fund financial statements		
	Pension (see Note 6)	(442,302)	
5,752	Other post-employment benefits (see Note 7)	<u>(37,516,086)</u>	(37,958,388)
857,137			
269,667			
505,812	<b>Net Position of Governmental Activities</b>		<u><u>\$ (34,875,866)</u></u>
1,466,205			
2,317,189			
<u>5,421,762</u>			
<u>\$ 16,747,057</u>			

THE BOARD OF EDUCATION OF CAROLINE COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2020

	GENERAL FUND	SCHOOL CONSTRUCTION	SCHOOL ACTIVITIES
<b>REVENUES</b>			
County Appropriation	\$ 15,220,217	\$ 4,229,936	\$ -
State of Maryland	58,463,707	551,560	-
Restricted Federal revenues	5,327,303	-	-
Restricted State revenues	3,337,352	-	-
Restricted other revenues	1,248,703	30,000	-
On-behalf State of Maryland	-	5,684,619	-
On-behalf State Retirement contributions	4,682,514	-	-
Other sources	768,827	13,255	-
School activity revenues	-	-	789,717
<b>TOTAL REVENUES</b>	<u>89,048,623</u>	<u>10,509,370</u>	<u>789,717</u>
<b>EXPENDITURES</b>			
Current:			
Administration	2,234,286	-	-
School management and support	5,918,179	-	-
Instructional salaries and wages	31,670,884	-	-
Instructional textbooks and supplies	1,589,056	-	-
Other instructional costs	3,379,899	-	-
Special education	8,444,670	-	-
Pupil personnel services	674,230	-	-
Health services	922,843	-	-
Pupil transportation	5,121,670	-	-
Operation of plant	5,075,863	-	-
Maintenance of plant	1,247,628	-	-
Fixed charges	17,133,613	-	-
Community services	453,089	-	-
School activity expenditures	-	-	741,433
On-behalf State Retirement contributions	4,682,514	-	-
Capital outlay	559,949	11,395,428	-
<b>TOTAL EXPENDITURES</b>	<u>89,108,373</u>	<u>11,395,428</u>	<u>741,433</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(59,750)	(886,058)	48,284
<b>OTHER FINANCING SOURCES</b>			
Proceeds from capital leases	628,517	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>628,517</u>	-	-
Net change in fund balances	568,767	(886,058)	48,284
Fund balances, beginning	<u>4,077,516</u>	<u>1,155,725</u>	<u>457,528</u>
Fund balances, ending	<u>\$ 4,646,283</u>	<u>\$ 269,667</u>	<u>\$ 505,812</u>

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

<p>Total Governmental Funds</p> <p>\$ 19,450,153</p> <p>59,015,267</p> <p>5,327,303</p> <p>3,337,352</p> <p>1,278,703</p> <p>5,684,619</p> <p>4,682,514</p> <p>782,082</p> <p>789,717</p> <hr/> <p>100,347,710</p> <p>2,234,286</p> <p>5,918,179</p> <p>31,670,884</p> <p>1,589,056</p> <p>3,379,899</p> <p>8,444,670</p> <p>674,230</p> <p>922,843</p> <p>5,121,670</p> <p>5,075,863</p> <p>1,247,628</p> <p>17,133,613</p> <p>453,089</p> <p>741,433</p> <p>4,682,514</p> <p>11,955,377</p> <hr/> <p>101,245,234</p> <p>(897,524)</p> <hr/> <p>628,517</p> <hr/> <p>628,517</p> <p>(269,007)</p> <hr/> <p>5,690,769</p> <hr/> <p>\$ 5,421,762</p>	<p><b>Net change in fund balances-total Governmental Funds</b></p> <p><b>Amounts reported for governmental activities in the statement of activities are different because</b></p> <p>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 as depreciation expense.</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Fixed asset additions</td> <td style="width: 10%;"></td> <td style="width: 30%; text-align: right;">12,352,986</td> </tr> <tr> <td>Current year depreciation</td> <td></td> <td style="text-align: right;"><u>(2,956,095)</u></td> </tr> <tr> <td><b>Total</b></td> <td></td> <td style="text-align: right;"><b>9,396,891</b></td> </tr> </table> <p>Proceeds from capital leases are revenues in the governmental funds but increases in liabilities in the statement of net position.</p> <p>Some expenses 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.</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Increase in accrued leave</td> <td style="width: 10%;"></td> <td style="width: 30%; text-align: right;">(119,904)</td> </tr> <tr> <td>Increase in accrued leave - retirement benefit</td> <td></td> <td style="text-align: right;">(91,408)</td> </tr> <tr> <td>Increase in retirement incentive program</td> <td></td> <td style="text-align: right;">(7,361)</td> </tr> <tr> <td>Increase in pension expense due to deferred financing outflow</td> <td></td> <td style="text-align: right;">(33,483)</td> </tr> <tr> <td>Increase in pension expense due to net pension liability</td> <td></td> <td style="text-align: right;">(197,472)</td> </tr> <tr> <td>Increase in pension expense due to deferred financing inflows</td> <td></td> <td style="text-align: right;">(37,524)</td> </tr> <tr> <td>Decrease in post-employment benefits expense due to deferred financing outflow</td> <td></td> <td style="text-align: right;">8,425,054</td> </tr> <tr> <td>Increase in post-employment benefits expense due to net OPEB liability</td> <td></td> <td style="text-align: right;">(17,497,723)</td> </tr> <tr> <td>Decrease in post-employment benefits expense due to deferred financing inflow</td> <td></td> <td style="text-align: right;">5,373,083</td> </tr> </table> <p>Repayment of capital lease obligations and long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;"></td> <td style="width: 10%;"></td> <td style="width: 30%; text-align: right;"><u>735,974</u></td> </tr> </table> <p>Change in net position of Governmental Activities</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;"></td> <td style="width: 10%;"></td> <td style="width: 30%; text-align: right;"><u>\$ 5,048,603</u></td> </tr> </table>	Fixed asset additions		12,352,986	Current year depreciation		<u>(2,956,095)</u>	<b>Total</b>		<b>9,396,891</b>	Increase in accrued leave		(119,904)	Increase in accrued leave - retirement benefit		(91,408)	Increase in retirement incentive program		(7,361)	Increase in pension expense due to deferred financing outflow		(33,483)	Increase in pension expense due to net pension liability		(197,472)	Increase in pension expense due to deferred financing inflows		(37,524)	Decrease in post-employment benefits expense due to deferred financing outflow		8,425,054	Increase in post-employment benefits expense due to net OPEB liability		(17,497,723)	Decrease in post-employment benefits expense due to deferred financing inflow		5,373,083			<u>735,974</u>			<u>\$ 5,048,603</u>	<p>\$ (269,007)</p> <p>(628,517)</p> <p>(119,904)</p> <p>(91,408)</p> <p>(7,361)</p> <p>(33,483)</p> <p>(197,472)</p> <p>(37,524)</p> <p>8,425,054</p> <p>(17,497,723)</p> <p>5,373,083</p> <p>735,974</p> <p>\$ 5,048,603</p>
Fixed asset additions		12,352,986																																										
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		<u>735,974</u>																																										
		<u>\$ 5,048,603</u>																																										

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF FUND NET POSITION  
 PROPRIETARY FUND

June 30, 2020

	<u>Business-Type Activities</u>
	<u>Food Services</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 142,725
Accounts receivable:	
Federal funds from State	203,902
Federal funds from County	115,398
Other receivables	134,153
Inventory	<u>86,129</u>
Total current assets	<u>682,307</u>
Capital assets, net	<u>140,430</u>
<b>TOTAL ASSETS</b>	<u>822,737</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	230
Accrued payroll	117,887
Other Board of Education funds	<u>181,836</u>
<b>TOTAL LIABILITIES</b>	<u>299,953</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	
<b>NET POSITION</b>	
Net investment in capital assets	140,430
Unrestricted	<u>382,354</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 522,784</u></u>

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

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
Year Ended June 30, 2020

	Business-Type Activities
	<u>Food</u>
	<u>Services</u>
OPERATING REVENUES	
Sale of meals	\$ 544,178
Federal assistance	2,528,467
State assistance	261,072
USDA donated commodities	289,691
Other sources	200,920
TOTAL OPERATING REVENUES	<u>3,824,328</u>
OPERATING EXPENSES	
Food	1,521,375
Salaries and wages	1,294,378
Fixed charges	504,240
Contracted services	8,548
Supplies and materials	146,349
Other charges	39,541
USDA donated commodities	289,691
Depreciation	16,430
Additional equipment	38,016
TOTAL OPERATING EXPENSES	<u>3,858,568</u>
OPERATING LOSS	(34,240)
NON-OPERATING REVENUES	
Interest income	<u>1,046</u>
Change in net position	(33,194)
Net position beginning of year	<u>555,978</u>
Net position end of year	<u><u>\$ 522,784</u></u>

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

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF CASH FLOWS  
 FOOD SERVICE FUND  
 Year Ended June 30, 2020

<b>CASH FLOWS FROM OPERATIONS:</b>	
Receipts from students	\$ 544,178
Operating grants received	2,578,582
Other operating receipts	68,522
Payments to food and other suppliers	(1,795,332)
Payments to employees and employee related benefits	(1,805,984)
Net cash used by operating activities	(410,034)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Cash transfers from other Board funds	414,391
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of equipment	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest income	1,046
Net increase in cash	5,403
Cash and investments, beginning of year	137,322
Cash and investments, end of year	\$ 142,725

**Reconciliation of operating loss to net cash used by operating activities:**

Operating loss	\$ (34,240)
Adjustments:	
Depreciation	16,430
(Increase) decrease in assets:	
Federal receivables	(227,404)
State receivables	16,447
Other receivables	(132,398)
Inventory	7,493
Increase (decrease) in liabilities:	
Accounts payable	(48,996)
Accrued payroll	(7,366)
Total adjustments	(375,794)
Net cash used by operating activities	\$ (410,034)

**Noncash items:**

Donation of food commodities	\$ 289,691
------------------------------	------------

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

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

	Retiree Benefit <u>Trust Fund</u>	Agency <u>Funds</u>
ASSETS		
Investments	\$ 1,369,803	\$ -
Accounts receivable:		
Federal funds from State	-	417,327
State of Maryland	-	96,891
Other	-	57,858
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,369,803</u>	<u>\$ 572,076</u>
LIABILITIES		
Accounts payable:		
Vendors	\$ -	\$ 9,648
State of Maryland	-	126,428
Unearned revenue - other	-	25,506
Other Board of Education funds	-	410,494
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 572,076</u>
NET POSITION		
Held in trust for other post-employment benefits	<u>\$ 1,369,803</u>	

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

THE BOARD OF EDUCATION OF CAROLINE COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
RETIREE BENEFIT TRUST FUND  
Year Ended June 30, 2020

	<u>Retiree Benefit Trust Fund</u>
ADDITIONS	
Contributions:	
Investment income	\$ 39,094
TOTAL ADDITIONS	<u>39,094</u>
DEDUCTIONS	
Administrative expenses	6,535
TOTAL DEDUCTIONS	<u>6,535</u>
Change in net position	32,559
Net position held in trust for other post-employment benefits beginning of year	<u>1,337,244</u>
Net position held in trust for other post-employment benefits end of year	<u><u>\$ 1,369,803</u></u>

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

## NOTES TO FINANCIAL STATEMENTS

### **Note 1. The Board of Education of Caroline County and Its Significant Accounting Policies**

The Board of Education of Caroline County (the “Board”) is empowered by Title 13A of the Code of Maryland Regulations to fulfill the elementary and secondary educational needs of students in Caroline County, Maryland (the “County”).

#### **Financial Reporting Entity**

The Board is the basic level of government that has financial accountability and control over all activities related to the public school education in Caroline County, Maryland. The Board receives funding from local, State and Federal government sources and must comply with the requirements of these funding source entities.

The Board is a component unit of Caroline County, Maryland and is included in the County’s reporting entity. This conclusion has been reached based on the following criteria: (1) The County is responsible for approving the Board’s budget and establishing spending limitations and; (2) The Board cannot issue bonded debt, but the County can and does issue bonds to finance school system operations. In addition, there are no component units which are included in the Board's reporting entity.

### **Note 2. Summary of Significant Accounting Policies**

The financial statements of the Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the Board’s accounting policies are described below.

#### **A. Basis of Presentation**

The Board’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the Board. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities. Internal activity between the funds is eliminated from the statements.

The statement of net position presents the financial condition of the governmental and business-type activities of the Board at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Board’s governmental activities and for business-type activities of the Board. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from general revenues of the Board.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### A. Basis of Presentation (continued)

##### FUND FINANCIAL STATEMENTS

During the year, the Board segregates transactions related to certain Board functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. In addition, the Board has presented the School Activities Fund as a major fund because the Board believes this fund is significant to the Board as a whole.

#### B. Fund Accounting

The Board uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

##### GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Board's major governmental funds:

General Fund - The General Fund is the general operating fund of the Board. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund and general operating expenditures are accounted for in this fund.

Capital Projects Fund - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Board administers the construction and repair of public schools and uses the School Construction Fund to record the revenues from the County and other governmental units and the expenditures in connection therewith.

School Activities Fund - The School Activities 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.

##### PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as enterprise.

Enterprise funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Board's major enterprise fund is:

Food service fund - This fund accounts for the financial transactions related to the food service operations of the Board.

##### FIDUCIARY FUNDS

Agency funds - Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### B. Fund Accounting (continued)

Retiree benefit trust fund – This fund consists of contributions of the Board to establish a reserve to pay for health and welfare benefits of future retirees. Contributions to the Trust qualify as contributions and are reported using the economic resource measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Fiduciary funds are not reported in the government-wide financial statements.

#### C. Measurement Focus

Government-wide financial statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Board are included on the statement of net position.

Fund financial statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its proprietary activities.

#### D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

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

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### D. Basis of Accounting (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.

#### 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 object level within each fund and function.

The budget may be amended during the year if projected increases or decreases in revenue are identified. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts when the original budget was adopted.

#### F. Inventory

On government-wide financial statements and the fund financial statements of proprietary funds, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### G. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Board maintains a capitalization threshold of five thousand dollars. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

All reported capital assets except land, land improvements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	15 – 50 years	N/A
Furniture and Equipment	5 – 20 years	15 years
Vehicles	6 – 12 years	6 years
Software	5 years	5 years

#### H. Compensated Absences

##### ACCRUED LEAVE

Employees are allowed to carryover up to 20 days of unused vacation. In addition, certain employees are allowed to carry-over an additional 20 days of unused vacation to be used in the year of retirement. Sick leave vests for certain employees under certain limited circumstances. The Board of Education expenses the cost of vacations as they are earned and the accrued leave account presented in the balance sheet represents vacations earned but not taken at year-end. Compensated absences are reported as accrued in the government wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees, which would be included in accrued leave.

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### J. 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.

#### K. 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 liability (Note 6) and OPEB liability (Note 7) for changes in assumptions, the difference between actual and expected experience, the net difference between projected and actual investment earnings on plan investments, and contributions subsequent to the measurement date. These amounts are deferred and recognized as an outflow from resources in the period that the amounts become available.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two items that qualify for reporting in this category. The Board recognizes a deferred inflow of resources related to its pension liability (Note 6) and OPEB liability (Note 7) for changes in assumptions, the difference between actual and expected experience, and the net difference between projected and actual investment earnings on plan investments. This item is deferred and recognized as an inflow from resources in the period that the amounts become available.

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

#### L. Pensions

Certain employees of the Board are members of the Maryland State Retirement and Pension System (“the System”). The Maryland State Retirement and Pension System is considered a single, multi-employer cost-sharing plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Benefit Trust of the Board of Education of Caroline County and additions to/deductions from the Retiree Benefit Trust of the Board of Education of Caroline County's fiduciary net position have been determined on the same basis as they are reported by the Retiree Benefit Trust of the Board of Education of Caroline County. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

#### N. Fund Balance Reserves

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 the highest level of authorities of the government), assigned (i.e. residual amounts in other funds), 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.

#### O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Board, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

#### P. Estimates

The preparation of financial statements in conformity with 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.

#### Q. Cash and Cash Equivalents

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

#### R. Interfund Receivables and Payables

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

#### S. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are reported as assigned fund balance in the governmental fund financial statements. Encumbrances outstanding at June 30, 2020 that were provided for in the current year's budget for the budgetary basis of accounting but will be accounted for under generally accepted accounting principles in the subsequent year totaled \$1,466,205.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Cash and Investments

At June 30, 2020, the Board of Education had bank deposits with various commercial banks totaling \$2,093,707 (carrying value \$1,314,829). As required by law, the depository is to pledge securities in addition to FDIC insurance at least equal to that amount on deposit at all times. The depository banks pledge collateral for specific accounts that are held in the Board's name at the Bank of New York Mellon. As of June 30, 2020, bank deposits were fully collateralized. Investments of \$10,995,963 (carrying value \$11,121,253) consist solely 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 95 §22G of the Annotated Code of Maryland and more recently defined by Title 17, subtitle 3 of the Local Government Article of the Maryland Annotated Code. The MLGIP is managed by PNC Capital Advisors, LLC and custodied by PNC Bank, N.A., 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 semi-annual basis and provide suggestions to enhance the pool. The MLGIP is rated AAAM by Standard and Poor's. 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, banker's acceptance or money market funds.

The Board's exposure to investment 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.

At June 30, 2020, the Board has an agreement with its primary bank to maintain a cash balance of \$200,000 in lieu of payment of service fees.

#### Reconciliation to Statement of Net Position:

Cash at carrying value	\$	1,314,829
<u>Investments</u>		<u>11,121,253</u>
Total cash and investments	\$	<u>12,436,082</u>

#### Investment in External Investment Pool

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

The investments of the MABE Trust are stated at fair value and are deposited with Fidelity as of June 30, 2020. Investments consist of money market funds, U.S. government and agency fixed income and asset backed securities, equity securities, mutual funds and exchange traded funds, and corporate bonds and corporate asset backed securities. The MABE trust categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs. All investments of the MABE Trust are considered Level 1 or Level 2, the Board's membership investment in the MABE Trust are considered Level 2. For investments in mutual funds, there are no unfunded commitments and investments are able to be fully redeemed on a daily basis. As of June 30, 2020, the pooled position of the MABE Trust was \$435,236,445 in total, of which the Board's allocated investment balance was \$1,369,803. The Board may terminate its membership interest in the MABE Trust and withdraw its allocated investment balance by providing written notice six months prior to the intended date of withdraw.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Cash and Investments (continued)

#### Investment in External Investment Pool (continued)

The MABE Trust is audited annually by an independent CPA firm and issues a publicly available audited report. The report may be obtained by sending a request to the Administrator of the MABE Pooled OPEB Investment Trust, 621 Ridgely Avenue, Suite 300, Annapolis, MD 21401-1112 or calling (410) 841-5414.

### Note 4. Interfund Receivables and Payables

	Due From Other Funds	Due To Other Funds
General Fund	\$ 1,290,880	\$ -
School Construction Fund	-	698,550
Food Service - Enterprise Fund	-	181,836
External Parties - Fiduciary Fund	-	410,494
	<u>\$ 1,290,880</u>	<u>\$ 1,290,880</u>

Due to/from other funds represent advances of cash for operating needs. There were no transfers during the year.

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets

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

	Balance June 30, 2019	Additions	Deductions	Transfers	Balance June 30, 2020
<b>Governmental Activities</b>					
<b>Capital Assets, not being depreciated</b>					
Construction in progress	\$ 1,608,118	\$ 10,797,382	\$ -	\$ (11,809)	\$ 12,393,691
Land	308,929	72,766	-	-	381,695
Total capital assets, not being depreciated	<u>1,917,047</u>	<u>10,870,148</u>	<u>-</u>	<u>(11,809)</u>	<u>12,775,386</u>
<b>Capital assets, being depreciated</b>					
Buildings and improvements	128,567,952	785,757	-	11,809	129,365,518
Furniture and equipment	2,144,932	168,614	-	-	2,313,546
Software	361,630	-	-	-	361,630
Vehicles	3,110,700	528,467	-	-	3,639,167
Total capital assets, being depreciated	<u>134,185,214</u>	<u>1,482,838</u>	<u>-</u>	<u>11,809</u>	<u>135,679,861</u>
Less accumulated depreciation:					
Buildings and improvements	(43,404,606)	(2,625,386)	-	-	(46,029,992)
Furniture and equipment	(1,417,075)	(99,280)	-	-	(1,516,355)
Software	(359,912)	(1,716)	-	-	(361,628)
Vehicles	(1,661,489)	(229,713)	-	-	(1,891,202)
Total accumulated depreciation	<u>(46,843,082)</u>	<u>(2,956,095)</u>	<u>-</u>	<u>-</u>	<u>(49,799,177)</u>
Total capital assets, being depreciated, net	<u>87,342,132</u>	<u>(1,473,257)</u>	<u>-</u>	<u>11,809</u>	<u>85,880,684</u>
Governmental activities capital assets, net	<u>\$ 89,259,179</u>	<u>\$ 9,396,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,656,070</u>
<b>Business-type activities</b>					
<b>Capital Assets, being depreciated</b>					
Equipment	\$ 1,030,832	\$ -	\$ -	\$ -	\$ 1,030,832
Software	27,122	-	-	-	27,122
Vehicles	55,670	-	-	-	55,670
Total capital assets, being depreciated	<u>1,113,624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,113,624</u>
Less accumulated depreciation:					
Equipment	(873,972)	(16,430)	-	-	(890,402)
Software	(27,122)	-	-	-	(27,122)
Vehicles	(55,670)	-	-	-	(55,670)
Total accumulated depreciation	<u>(956,764)</u>	<u>(16,430)</u>	<u>-</u>	<u>-</u>	<u>(973,194)</u>
Business-type activities capital assets, net	<u>\$ 156,860</u>	<u>\$ (16,430)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,430</u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 91,377
School management and support	33,765
Other instructional costs	2,625,867
Pupil transportation	167,927
Maintenance of plant	<u>37,159</u>
Total depreciation expense	<u>\$ 2,956,095</u>

## NOTES TO FINANCIAL STATEMENTS

### **Note 6. 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](http://www.sra.maryland.gov).

The System's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

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

##### **General Plan Policies**

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

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

##### **Significant Plan Benefits and Policies**

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

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Pension Plans (continued)

#### Teachers' and Employees' Retirement Systems

##### Retirement Benefits:

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

##### Vested Allowance:

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

##### Employee Contributions:

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

#### Teachers' and Employees' Pension System

##### Pension Benefits:

A member may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. On retirement from service, a member shall receive an annual service pension allowance. The annual pension allowance is equal to 1.2% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued prior to July 1, 1998 and 1.8% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.

##### 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.

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Pension Plans (continued)

#### Employee Contributions:

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

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

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

#### Employer Contributions:

For the year ended June 30, 2020 the Board's total payroll for all employees was \$53,067,974. Total covered payroll was \$42,497,498. Covered payroll refers to all compensation paid by the Board to active employees covered by either the Teachers' Systems or Employees' Systems.

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay 100% of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. The related payment for fiscal year ending 2020 was \$1,774,956. In addition, the State of Maryland contributed \$4,682,514 on behalf of the Board. The Board has recognized the State on-behalf payments as both a revenue and expense.

During fiscal year 2020, the Board reported expense of \$669,893 related to the Employees' Systems in the fund financial statements.

#### 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.

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

	<b>2020</b>
Board's proportionate share of the net pension liability (Employees' Systems)	\$ 5,067,093
State's proportionate share of the net pension liability (Teachers' Systems)	<u>45,567,434</u>
Total	<u>\$ 50,634,527</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Pension Plans (continued)

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. As of June 30, 2019 the Board's proportion of the net pension liability was .025%, which was substantially the same as its proportion measured as of June 30, 2018. Due to the proportion remaining substantially the same, the pension expense related to the change in proportion from June 30, 2018 to June 30, 2019 for the net pension liability, deferred financing outflows and deferred financing inflows is recognized as pension expense in the government-wide financial statements.

For the year ended June 30, 2020, the Board recognized pension expense of \$2,713,328 in the government-wide financial statements. \$2,444,849 was recognized in the fund financial statements. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ 72,628	\$ 137,903
Net difference between projected and actual investment earnings on pension plan investments	100,661	-
Differences between expected and actual experience	-	304,399
Board contributions subsequent to measurement date	669,893	-
	\$ 843,182	\$ 442,302
Total	\$ 843,182	\$ 442,302

The \$669,893 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, 2021. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life ranging from 5.68 to 5.87 years. The net difference in investment earnings are being amortized over a closed five-year period. These amounts will be recognized in pension expense as follows as of June 30, 2020:

<b>Year Ending June 30,</b>	<b>Amortization of Pension Expense</b>
2021	\$ 949
2022	(136,040)
2023	(76,993)
2024	(29,422)
2025	(27,507)
	\$ (269,013)
	\$ (269,013)

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Pension Plans (continued)

#### *Actuarial Assumptions*

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

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.65% general, 3.15% wage
Salary increases	3.10% to 11.60%, including inflation
Discount rate	7.40%
Investment rate of return	7.40%
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

#### *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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	6.30%
Private Equity	13%	7.50%
Rate Sensitive	19%	1.30%
Credit Opportunity	9%	3.90%
Real Asssets	14%	4.50%
Absolute Return	8%	3.00%
Total	<u>100%</u>	

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Pension Plans (continued)

#### *Discount rate*

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

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

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

	<u>Discount Rate</u>	<u>Board's Net Pension Liability</u>
1% decrease	6.40%	\$ 7,334,109
Current discount rate	7.40%	\$ 5,067,093
1% increase	8.40%	\$ 3,178,953

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Other Postemployment Benefits

#### Plan Description

The Board administers a single employer defined benefit plan, The Caroline County Public Schools Post-Retirement Medical and Life Insurance Benefits Plan (the “Plan”), that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees, their spouses and eligible dependents. The Plan does not issue a publicly available financial report.

#### Plan Administration

In May 2009, the Board created the Retiree Benefit Trust of the Board of Education of Caroline County (the “Trust”) in order to facilitate the funding or partial funding of the actuarially calculated OPEB liability. The Trust established a trust account with, and became a member of, the Maryland Association of Boards of Education Pooled OPEB Investment Trust (MABE Trust). It is a member owned trust that provides the Board and the other nine members a structure to pool assets to reduce investment costs and share administrative expenses. The Board reserves the right to establish and amend the provisions of its relationship with the MABE Trust with respect to participants, and benefit provided thereunder, or its participation therein, in whole or in part at any time, by resolution of the governing body and upon advance notice to the Trustees of the MABE Trust.

The MABE Trust was established to pool assets of its members for investment purposes only. Each member of the MABE Trust is required to designate a member trustee. The member trustees of the MABE Trust shall ensure that the MABE Trust keep such records as are necessary in order to maintain a separation of the assets of the MABE Trust from the assets of trusts maintained by other governmental employers. Assets of the member trusts are reported in the respective financial statements using the economic resources measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, if available. 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.

The MABE Trust issues a publicly available audited GAAP-basis report that includes financial statements and required supplementary information for the MABE Trust. This report may be obtained by writing to the Trust Administrator, Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, MD 21401 or calling (410) 841-5414.

#### Plan Membership

At May 1, 2018 (valuation date), the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	399
Inactive plan members or beneficiaries entitled but not yet receiving benefits	-
Active plan members	695
	<hr/>
	1,094
	<hr/>

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Other Postemployment Benefits (continued)

#### Benefits Provided

The Plan provides medical, prescription drug, dental, and vision benefits to eligible retirees, their spouses and eligible dependents. The benefits provided are the same as those provided to active employees. Retirees receive a subsidy for their post-retirement medical insurance based on the years of service with the Board. Retirees with at least 5 years of service receive a subsidy based on 90% of the single rate prior to age 65. Retirees with less than 15 years of service receive no employer subsidy after attaining age 65. After attaining age 65, retirees with at least 15 years of service receive a subsidy of up to 100% of the pre-Medicare subsidy amount. There is no explicit subsidy for dependents or surviving spouses, although they are allowed access to the plan and pay 100% of the costs. There is no subsidy for dental premiums once the participant reaches Medicare age.

#### Benefits Provided (continued)

Participants must meet the eligibility requirements of the Maryland State Teachers'/Employees' pension system (EPS). For members hired before July 1, 2011, the earliest retirement eligibility is 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 eligibility is age 60 with 15 years of service, age 65 with 10 years of service, or age plus service is at least 90 (Rule of 90). Participants must also have at least 5 years of service in Caroline County (15 years of service if hired after 7/1/2013). Disability health benefits require the participant meet the retirement eligibility requirements noted above or have 5 years of service (15 years if hired after 7/1/2013). The disability benefit is until age 65 unless the retirement eligibility requirements above are met. Eligible spouses and dependents must be enrolled in the plan immediately prior to the retiree's effective date of retirement to receive coverage.

#### Contributions

The employer's contributions are financed on a pay-as-you-go basis, and the future payment of these benefits is contingent upon annual approval of the operating budget.

#### Investment Policy

The MABE Trust's policy in regard to the allocation of invested assets is established and may be amended by the Trustees by a majority vote of its members. It is the policy of the Trust to pursue an investment strategy that emphasizes growth of principal while avoiding excess risk. Short-term volatility will be tolerated inasmuch as it is consistent with volatility of a comparable market index. The MABE Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	67.10%
Fixed income	27.30%
Cash	5.60%
Total	<u>100.00%</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Other Postemployment Benefits (continued)

#### Rate of Return

Best estimates of real rates of return for each major asset class included in the target asset allocations as of June 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	6.75%
Fixed income	2.85%
Cash	1.10%

For the year ended June 30, 2020, the total rate of return, net of investment expense, was 2.44%. The total rate of return represents a hypothetical return on capital balance invested in the Trust during the entire year. Actual returns may vary due to the timing of capital contributions and redemptions.

#### Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of May 1, 2018 rolled forward to the June 30, 2020 measurement date. The methods, assumptions, and participant data used are detailed in the fiscal year 2019 GASB 74 and 75 actuarial valuation report dated August 26, 2019 with the exception of the discount rate, medical trend, and baseline trend assumption. The December 2019 Federal appropriations bill eliminated the excise tax on high-cost plans that was part of the Affordable Care Act and as such the impact was excluded. The baseline trend assumption was also updated to the latest Society of Actuaries Long-Run Medical Cost Trend Model baseline assumption. The discount rate used to determine liabilities under GASB 75 is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The rate was 3.13% as of June 30, 2019 and 2.45% as of June 30, 2020.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Other Postemployment Benefits (continued)

#### Actuarial Assumptions

Projections of benefits for financial reporting are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and Plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of net assets, consistent with the long-term perspective of the calculations.

Significant valuation methods and assumptions are as follows:

Actuarial cost method - GASB 74 and 75	Entry age normal
Actuarial valuation date	May 1, 2018
Measurement date	June 30, 2020
Amortization method	Level percentage of projected payroll
Actuarial Assumptions:	
Discount rate - June 30, 2019	3.13%
Discount rate - June 30, 2020	2.45%
Economic Assumptions:	
Inflation rate	2.40%
Rate of growth in real income/GDP per capita	1.50%
Extra trend due to technology and other factors	1.20%
Health share of GDP resistance point	25.00%
Year for limiting cost growth to GDP growth	2075
Medical trend	Based on Society of Actuaries Long Term Medical Trend Model, baseline assumption. The Society of Actuaries Model was released in October 2010 and updated in September 2019.
Mortality	The mortality rates for healthy active and inactive retirees was calculated using the Pub T.H-2010 Mortality Table (teacher, headcount-weighted), Fully Generational, Projected using Scale MP-2018 and base year 2010. The mortality rates for disabled retirees was calculated using the RP 2014 Disabled Annuitant Mortality Tables, Not Generational, Set forward 1 year for males.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Other Postemployment Benefits (continued)

#### Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from a range of 20-Year Municipal Bond Indices and include the Bond Buyer 20-Bond GO Index, the S&P Municipal Bond 20-Year High Grade Rate Index, and the Fidelity 20-Year GO Municipal Bond Index. The final equivalent single discount rate used for this year's valuation is 2.45% as of June 30, 2020. This rate has been adjusted from 3.13% as of June 30, 2019.

#### Change in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2019	\$ 99,328,111	\$ 1,337,244	\$ 97,990,867
Changes for the Year			
Service Cost	5,189,980	-	5,189,980
Interest	3,074,589	-	3,074,589
Changes of Benefit Terms	-	-	-
Experience Losses/Gains	356,379	-	356,379
Trust Contributions - Employer	-	2,553,233	(2,553,233)
Net Investment Income	-	39,080	(39,080)
Changes in Assumptions	11,462,567	-	11,462,567
Benefit Payments (net of retiree contributions)	(2,553,233)	(2,553,233)	-
Administrative Expense	-	(6,521)	6,521
Net Changes	17,530,282	32,559	17,497,723
<b>Balance as of June 30, 2020</b>	<b>\$ 116,858,393</b>	<b>\$ 1,369,803</b>	<b>\$ 115,488,590</b>

Plan fiduciary net position as a percentage of the total OPEB liability at June 30, 2020 is approximately .0112%.

#### Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following amounts present the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) than the current discount rate:

	Discount Rate	Net OPEB Liability
1% decrease	1.45%	\$ 140,172,993
Current discount rate	2.45%	\$ 115,488,590
1% increase	3.45%	\$ 95,258,676

NOTES TO FINANCIAL STATEMENTS

**Note 7. Other Postemployment Benefits (continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current healthcare cost trend rates:

	<b>Healthcare Cost Trend Rate</b>	<b>Net OPEB Liability</b>
1% decrease	3.00%	\$ 90,862,255
Current healthcare cost trend rate	4.00%	\$ 115,488,590
1% increase	5.00%	\$ 149,510,062

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

For the year ended June 30, 2020, the Board will recognize OPEB expense in the amount of \$6,252,819 on the government-wide statements. At June 30, 2020, the Board reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ 25,052,996	\$ 530,912
Net difference between projected and actual investment earnings	43,471	-
Differences between expected and actual experience	316,781	36,985,174
Total	\$ 25,413,248	\$ 37,516,086

The deferred inflows and outflows related to non-investment activity are being amortized over nine years. The net difference in investment earnings are being amortized over a closed five-year period. The following table shows the amortization of these balances:

<b>Year Ending June 30,</b>	<b>Amortization</b>
2021	\$ (1,924,892)
2022	(1,924,894)
2023	(1,923,889)
2024	(1,924,570)
2025	(1,935,429)
Thereafter	(2,469,164)
	\$ (12,102,838)

## NOTES TO FINANCIAL STATEMENTS

### Note 8. 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. In 1986, the Maryland Association of Boards of Education Group Insurance Pool (the Pool) was formed when several Maryland boards of education joined together to pool their casualty risks. Property insurance coverage was added in 1988. The Board pays an annual premium to the Pool that is calculated by an actuary. It is intended that the Pool be self-sustaining through member premiums. Reinsurance is carried through commercial companies for claims that exceed coverage limits as specified in the agreement. Should the Pool encounter deficits in its casualty and/or property funds, such deficits may be made up from assessments of the participating boards on a pro rata basis.

The Board continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. The Board purchases health insurance from a provider through a modified retrospective rating arrangement agreement. The Board is a member of the Eastern Shore of Maryland Educational Consortium Health Insurance Alliance (the Alliance), a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that the Alliance be self-sustaining through member premiums. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. Callable deficits, which are paid to ESMEC to cover potential shortfalls, are 8% of total premiums. Currently, ESMEC keeps on hand 12% as a recommended conservative reserve. As of December 31, 2019, the Board's funds held by ESMEC exceeded the recommended reserve by \$1,789,227. All funds held by ESMEC are restricted to being used only for health care expenses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### Note 9. Capital Leases

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

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

Building renovation, Capital One Public Funding, LLC, interest at 3.95%; payable in semi-annual installments of approximately \$64,000, including interest through October 2038	\$ 1,660,873
Vehicles, bank, interest at 2.94%; payable in annual installments of approximately \$94,000, including interest through 2023	266,265
Vehicles, bank, interest at 1.95%; payable in semi-annual installments of approximately \$36,000, including interest through 2023	209,035
Energy equipment, bank, interest at 3.816%; payable in annual installments ranging from approximately \$42,000 to \$470,000 through October 2025	1,354,022
Energy equipment, General Capital Management, Inc., interest at 3.126%; payable in annual installments ranging from approximately \$111,000 to \$175,000 through October 2029	1,295,436
	<hr/> <hr/> \$ 4,785,631

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Capital Leases (continued)

The vehicle and equipment leases are secured by the vehicles and equipment financed under the related agreements. In the event of nonappropriation of funds in a given year, the vehicle and equipment leases would be deemed terminated. The building renovation agreement is the result of the Board entering into a ground lease with Capital One Public Funding, LLC for property owned by the Board for a total of \$10 through August 2048. Capital One Public Funding, LLC immediately subleased this property back to the Board and provided funding for renovations on the property. In the event of default by the Board on the sublease, the property is available for Capital One Public Funding, LLC to use through the term of the ground lease. Under the terms of the ground lease, it expires on full payment under the terms of the sublease agreement.

Future minimum lease payments under these capital leases, which will be funded from the General Fund, are as follows:

	2021		\$	858,149
	2022			881,410
	2023			905,170
	2024			316,059
	2025			320,453
	2026-2030			1,504,008
	2031-2035			636,924
	2036-2039			445,848
				5,868,021
	Less amounts representing interest			1,082,390
	Present value of net minimum lease payments			\$ 4,785,631

Interest expense on the above capital leases was approximately \$191,000 for the year ended June 30, 2020.

The cost of items acquired under capital lease arrangements, as included in capital assets and construction in progress, totaled \$6,858,939 and the related accumulated depreciation was \$1,158,700 at June 30, 2020.

### Note 10. Long-Term Liabilities

Changes in long-term liabilities were as follows:

	Balance		Balance		Due within
	June 30, 2019	Increases	Decreases	June 30, 2020	one year
Capital leases	\$ 4,893,088	\$ 628,517	\$ 735,974	\$ 4,785,631	\$ 689,423
Compensated absences	928,630	816,719	725,383	1,019,966	162,829
Compensated absences - retirement	595,046	91,408	-	686,454	-
Retirement incentive plan	359,474	7,361	-	366,835	-
Net pension liability (Note 6)	4,869,621	197,472	-	5,067,093	-
Net OPEB liability (Note 7)	97,990,867	17,497,723	-	115,488,590	-
	\$ 109,636,726	\$ 19,239,200	\$ 1,461,357	\$ 127,414,569	\$ 852,252

Long-term liabilities are generally liquidated by the General Fund.

## NOTES TO FINANCIAL STATEMENTS

### Note 11. Operating Lease

The Board leases administrative copy machines, computer equipment, and office space over terms ranging from three to five years.

Approximate future minimum lease commitments are as follows:

Fiscal year ending June 30,

2021	\$	367,876
2022		108,629
2023		45,491
2024		-
2025		-

Rent expense, under these leases, totaled approximately \$527,500 for the year ended June 30, 2020.

### Note 12. 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. In the opinion of the Board, there are no approved contracts that would have a material effect on the financial statements.

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 are 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.

There are various legal claims pending against the Board that arise in the normal course of the Board's activities. In the opinion of legal counsel and management, the ultimate disposition of these various claims will have no adverse impact on the financial position of the Board.

The Board has active school construction projects as of June 30, 2020. At June 30, 2020 the Board's commitments with contractors were as follows:

Projects	Expenditures to Date	Remaining Commitments
Greensboro Elementary School Architectural Design	\$ 10,811,003	\$ 35,930,830
VFW Renovation	1,487,926	99,913

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

REQUIRED SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGETARY BASIS

GENERAL FUND

Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
County appropriation	\$ 15,220,217	\$ 15,220,217	\$ 15,220,217	\$ -
State revenues:				
Current expense	30,386,665	30,386,665	30,386,559	(106)
Transportation	2,960,058	2,960,058	2,960,058	-
Guaranteed tax base	1,827,147	1,827,147	1,827,147	-
Handicapped children	2,726,261	2,726,261	2,726,261	-
Limited English proficiency	2,770,871	2,770,871	2,770,871	-
Supplemental grant	966,820	966,820	966,820	-
Compensatory education	16,119,610	16,119,610	16,119,610	-
Salary incentive	706,381	706,381	706,381	-
Total state revenues	58,463,813	58,463,813	58,463,707	(106)
Other sources:				
Tuition	7,000	7,000	16,400	9,400
Interest income	105,000	105,000	161,969	56,969
Miscellaneous	600,000	600,000	590,458	(9,542)
Total other sources	712,000	712,000	768,827	56,827
Total unrestricted revenues	74,396,030	74,396,030	74,452,751	56,721
Restricted revenues:				
Restricted Federal revenues	5,619,811	5,619,811	5,954,161	334,350
Restricted State revenues	3,749,585	3,749,585	3,341,743	(407,842)
Restricted other revenues	-	-	1,644,670	1,644,670
Total restricted revenues	9,369,396	9,369,396	10,940,574	1,571,178
TOTAL REVENUES	83,765,426	83,765,426	85,393,325	1,627,899

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGETARY BASIS

GENERAL FUND

Year Ended June 30, 2020

(continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
<b>EXPENDITURES</b>				
Administration:				
Salaries and wages	\$ 1,392,306	\$ 1,392,306	\$ 1,403,180	\$ (10,874)
Contracted services	337,677	337,677	384,564	(46,887)
Supplies and materials	76,950	76,950	66,547	10,403
Other charges	319,458	319,458	265,511	53,947
Equipment	21,350	21,350	1,928	19,422
Transfers	-	-	(61,791)	61,791
Total Administration	2,147,741	2,147,741	2,059,939	87,802
School management and support:				
Salaries and wages	4,773,976	4,773,976	4,889,288	(115,312)
Contracted services	4,000	4,000	2,897	1,103
Supplies and materials	128,409	128,409	128,759	(350)
Other charges	589,504	589,504	634,363	(44,859)
Equipment	10,369	10,369	3,698	6,671
Total school management and support	5,506,258	5,506,258	5,659,005	(152,747)
Instructional salaries and wages:				
Salaries and wages	30,180,661	30,180,661	29,120,190	1,060,471
Instructional textbooks and supplies:				
Supplies and materials	844,047	844,047	840,766	3,281
Other instructional costs:				
Contracted services	760,193	760,193	799,577	(39,384)
Other charges	187,350	187,350	156,361	30,989
Equipment	1,239,253	1,239,253	989,887	249,366
Transfers	21,400	21,400	(41,474)	62,874
Total other instructional costs	2,208,196	2,208,196	1,904,351	303,845
Special education:				
Salaries and wages	4,692,800	4,692,800	4,996,305	(303,505)
Contracted services	24,980	24,980	46,185	(21,205)
Supplies and materials	60,657	60,657	55,382	5,275

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGETARY BASIS

GENERAL FUND

Year Ended June 30, 2020

(continued)

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Favorable (Unfavorable)
Other charges	\$ 28,500	\$ 28,500	\$ 20,178	\$ 8,322
Equipment	9,441	9,441	1,380	8,061
Transfers	1,238,005	1,238,005	1,224,314	13,691
<b>Total special education</b>	<b>6,054,383</b>	<b>6,054,383</b>	<b>6,343,744</b>	<b>(289,361)</b>
<b>Pupil personnel services:</b>				
Salaries and wages	538,373	538,373	465,232	73,141
Contracted services	27,550	27,550	194,834	(167,284)
Supplies and materials	16,000	16,000	5,939	10,061
Other charges	10,100	10,100	8,225	1,875
<b>Total pupil personnel services</b>	<b>592,023</b>	<b>592,023</b>	<b>674,230</b>	<b>(82,207)</b>
<b>Health services:</b>				
Salaries and wages	664,575	664,575	709,346	(44,771)
Contracted services	6,000	6,000	4,780	1,220
Supplies and materials	27,200	27,200	13,069	14,131
Other charges	4,500	4,500	3,674	826
Equipment	5,500	5,500	2,800	2,700
<b>Total health services</b>	<b>707,775</b>	<b>707,775</b>	<b>733,669</b>	<b>(25,894)</b>
<b>Pupil transportation:</b>				
Salaries and wages	1,805,390	1,805,390	1,794,900	10,490
Contracted services	2,101,480	2,101,480	1,800,224	301,256
Supplies and materials	220,836	220,836	225,395	(4,559)
Other charges	51,664	51,664	64,698	(13,034)
Equipment	266,720	266,720	264,170	2,550
<b>Total pupil transportation</b>	<b>4,446,090</b>	<b>4,446,090</b>	<b>4,149,387</b>	<b>296,703</b>
<b>Operation of plant:</b>				
Salaries and wages	1,804,588	1,804,588	1,862,941	(58,353)
Contracted services	1,105,323	1,105,323	1,042,673	62,650
Supplies and materials	257,650	257,650	275,655	(18,005)
Other charges	1,700,084	1,700,084	1,765,630	(65,546)
Equipment	17,500	17,500	65,901	(48,401)
<b>Total operation of plant</b>	<b>4,885,145</b>	<b>4,885,145</b>	<b>5,012,800</b>	<b>(127,655)</b>

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGETARY BASIS

GENERAL FUND

Year Ended June 30, 2020

(continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
Maintenance of plant:				
Salaries and wages	\$ 594,463	\$ 594,463	\$ 604,376	\$ (9,913)
Contracted services	216,400	216,400	343,116	(126,716)
Supplies and materials	106,000	106,000	140,111	(34,111)
Other charges	16,260	16,260	13,765	2,495
Equipment	71,486	71,486	59,404	12,082
Total maintenance of plant	1,004,609	1,004,609	1,160,772	(156,163)
Fixed charges:				
Insurance and employee benefits	15,574,758	15,574,758	15,612,659	(37,901)
	15,574,758	15,574,758	15,612,659	(37,901)
Capital outlay:				
Contracted services	18,000	18,000	600	17,400
Building improvements	226,344	226,344	413,172	(186,828)
Total capital outlay	244,344	244,344	413,772	(169,428)
TOTAL EXPENDITURES OF LOCAL AND UNRESTRICTED FUNDS	74,396,030	74,396,030	73,685,284	710,746
Restricted programs				
Restricted Federal programs	5,619,811	5,619,811	5,954,161	(334,350)
Restricted State programs	3,749,585	3,749,585	3,341,743	407,842
Restricted other programs	-	-	1,644,670	(1,644,670)
Total restricted programs	9,369,396	9,369,396	10,940,574	(1,571,178)
TOTAL UNRESTRICTED AND RESTRICTED EXPENDITURES	83,765,426	83,765,426	84,625,858	(860,432)
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 767,467	\$ 767,467

THE BOARD OF EDUCATION OF CAROLINE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2020

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

As of June 30,	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Total OPEB liability</b>										
Service cost								\$ 5,201,246	\$ 5,344,777	\$ 5,189,980
Interest								4,096,803	4,331,478	3,074,589
Changes of benefit terms								-	-	-
Differences between expected and actual experience								-	(47,552,366)	356,379
Changes of assumptions								(796,367)	19,110,918	11,462,567
Benefit payments								(3,406,859)	(3,140,788)	(2,553,233)
<b>Net change in OPEB liability</b>								5,094,823	(21,905,981)	17,530,282
<b>Total OPEB liability - beginning</b>								116,139,269	121,234,092	99,328,111
<b>Total OPEB liability - ending (a)</b>								<u>\$ 121,234,092</u>	<u>\$ 99,328,111</u>	<u>\$ 116,858,393</u>
<b>Plan fiduciary net position</b>										
Contributions - employer								\$ 3,406,860	\$ 3,186,788	\$ 2,553,233
Net investment income								83,935	82,805	39,080
Benefit payments								(3,406,859)	(3,140,788)	(2,553,233)
Administrative expenses								(5,958)	-	(6,521)
<b>Net change in plan fiduciary net position</b>								77,978	128,805	32,559
<b>Plan fiduciary net position - beginning</b>								1,130,461	1,208,439	1,337,244
<b>Plan fiduciary net position - ending (b)</b>								<u>\$ 1,208,439</u>	<u>\$ 1,337,244</u>	<u>\$ 1,369,803</u>
<b>Board's net OPEB liability - ending (a) - (b)</b>								<u>\$120,025,653</u>	<u>\$ 97,990,867</u>	<u>\$115,488,590</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>								1.00%	1.35%	1.17%
<b>Covered employee payroll</b>								\$ 38,356,101	\$ 39,053,847	\$ 42,497,498
<b>Board's net OPEB liability as a percentage of covered employee payroll</b>								312.92%	250.91%	271.75%
<b>Expected Average Remaining Service Years of All Participants</b>								9	9	9

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

THE BOARD OF EDUCATION OF CAROLINE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2020

SCHEDULE OF INVESTMENT RETURNS

	<u>Fiscal Year</u>									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Annual money-weighted rate of return, net of investment							10.52%	6.84%	6.63%	2.44%

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

THE BOARD OF EDUCATION OF CAROLINE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2020

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Fiscal Year	Measurement Date	Board's	Board's	State's	Total	Board's Covered Payroll	Board's	Plan's	Plan's Total Pension Liability	Plan's
		Proportion (Percentage) of the NPL	Proportionate Share of the NPL	Proportionate Share of the NPL			Share as a Percentage of Covered Payroll	Fiduciary Net Position		Fiduciary Net Position as a Percentage of Total Pension Liability
		A	B	C	(B+C)	D	(B / D)	E	F	(E / F)
2011										
2012										
2013										
2014										
2015	June 30, 2014	0.0180451%	\$ 3,202,423	\$32,296,888	\$ 35,499,311	\$ 33,545,377	9.55%	\$45,339,988,000	\$63,086,719,000	71.87%
2016	June 30, 2015	0.0200659%	\$ 4,170,028	\$42,446,720	\$ 46,616,748	\$ 34,560,151	12.07%	\$45,789,840,000	\$66,571,552,000	68.78%
2017	June 30, 2016	0.0198918%	\$ 4,693,266	\$52,612,087	\$ 57,305,353	\$ 37,308,221	12.58%	\$45,365,927,000	\$68,959,954,000	65.79%
2018	June 30, 2017	0.0192341%	\$ 4,159,121	\$47,736,155	\$ 51,895,276	\$ 38,356,101	10.84%	\$48,987,184,000	\$70,610,885,000	69.38%
2019	June 30, 2018	0.0232090%	\$ 4,869,621	\$45,495,750	\$ 50,365,371	\$ 39,053,847	12.47%	\$51,827,233,000	\$72,808,833,000	71.18%
2020	June 30, 2019	0.0245670%	\$ 5,067,093	\$45,567,434	\$ 50,634,527	\$ 42,497,498	11.92%	\$53,943,420,000	\$74,569,030,000	72.34%

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

THE BOARD OF EDUCATION OF CAROLINE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2020

SCHEDULE OF CONTRIBUTIONS

<b>Fiscal Year</b>	<b>Measurement Date</b>	<b>Contractually Required Contribution</b> <b>A</b>	<b>Actual Contribution</b> <b>B</b>	<b>Contribution Deficiency (Excess)</b> <b>(A - B)</b>	<b>Board's Covered Payroll</b> <b>C</b>	<b>Actual Contribution as a Percentage of Covered Payroll</b> <b>(B / C)</b>
2011						
2012						
2013						
2014						
2015	June 30, 2014	\$ 1,721,938	\$ 1,721,938	\$ -	\$ 33,545,377	5.13%
2016	June 30, 2015	\$ 1,889,117	\$ 1,889,117	\$ -	\$ 34,560,151	5.47%
2017	June 30, 2016	\$ 1,991,654	\$ 1,991,654	\$ -	\$ 37,308,221	5.34%
2018	June 30, 2017	\$ 2,160,014	\$ 2,160,014	\$ -	\$ 38,356,101	5.63%
2019	June 30, 2018	\$ 2,294,732	\$ 2,294,732	\$ -	\$ 39,053,847	5.88%
2020	June 30, 2019	\$ 2,444,849	\$ 2,444,849	\$ -	\$ 42,497,498	5.75%

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.

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### Note 1. Budgetary Comparison Schedule

The Board of Education annually adopts budgets for the General Fund and Food Service Fund. All appropriations are legally controlled at the departmental level for the General Fund and the Food Service Fund.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. The budgetary schedule for the Food Service Fund is included in the additional supplementary information section. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Adjustments necessary to convert the results of operations and fund balances at the end of the year on the GAAP basis to the budgetary basis are as follows:

	June 30, 2020		
	GENERAL FUND		
	Revenues and other financing sources	Expenditures and other financing uses	Fund Balance
GAAP BASIS	\$ 89,677,140	\$ 89,108,373	\$ 4,646,283
Encumbrances at June 30, 2019	(208,470)	(637,689)	-
Encumbrances at June 30, 2020	1,235,686	1,466,205	(230,519)
Proceeds from capital leases	(628,517)	(628,517)	
Payments made on-behalf of the Board by the State of Maryland	(4,682,514)	(4,682,514)	-
<b>BUDGETARY BASIS</b>	<b>\$ 85,393,325</b>	<b>\$ 84,625,858</b>	<b>\$ 4,415,764</b>

	June 30, 2020		
	FOOD SERVICE FUND		
	Revenues	Expenditures	Fund Balance
GAAP BASIS	\$ 3,825,374	\$ 3,858,568	\$ 522,784
Capital asset additions	-	-	-
Commodities donated by the State of Maryland	(289,691)	(289,691)	-
<b>BUDGETARY BASIS</b>	<b>\$ 3,535,683</b>	<b>\$ 3,568,877</b>	<b>\$ 522,784</b>

### Note 2. Required Fund Disclosures

The General Fund had an excess of actual expenditures over budgeted expenditures of \$860,432 for the year ended June 30, 2020 attributable to an increase in grant funds. Additional revenues of \$1,627,899 provided for the excess expenditures as restricted expenditures were over budget by \$1,571,178 and unrestricted expenditures were under budget by \$710,746.

### Note 3. Pensions

#### Change in Benefit Terms

There were no benefit changes during the year.

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### Note 3. Pensions (continued)

#### Changes in Assumptions

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

- Inflation assumption changed from 2.60% to 2.65% for general and from 3.10% to 3.15% for wage
- Salary increase assumption changed from 3.10% - 9.10% to 3.10% - 11.60%, including inflation
- Investment rate of return assumption changed from 7.45% to 7.40%

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

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years for State system
Asset valuation method	5-year smoothed market; 20% collar
Inflation	2.65% general, 3.15% wage
Salary increases	3.10% to 11.60%, including inflation
Investment rate of return	7.40%
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### Note 4. Other Postemployment Benefits (OPEB)

#### Change in Benefit Terms

There were no benefit changes during the year.

#### Change in Assumptions

- The medical trend was revised to exclude the impact of the excise tax on high-cost plans.
- The baseline trend assumption was updated to the latest SOA model.
- The discount rate was changed from 3.13% at June 30, 2019 to 2.45% at June 30, 2020.

#### Methods and Assumptions

Actuarial cost method - GASB 74 and 75	Entry age normal
Actuarial valuation date	May 1, 2018
Measurement date	June 30, 2020
Amortization method	Level percentage of projected payroll
Actuarial Assumptions:	
Discount rate - June 30, 2019	3.13 %
Discount rate - June 30, 2020	2.45 %
Economic Assumptions:	
Inflation rate	2.40 %
Rate of growth in real income/GDP per capita	1.50 %
Extra trend due to technology and other factors	1.20 %
Health share of GDP resistance point	25.00 %
Year for limiting cost growth to GDP growth	2075
Medical trend	Based on Society of Actuaries Long Term Medical Trend Model, baseline assumption. The Society of Actuaries Model was released in October 2010 and updated in September 2019.

ADDITIONAL SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF CAROLINE COUNTY  
SCHOOL ACTIVITIES FUND

BALANCE SHEET AND STATEMENT OF  
REVENUES, EXPENDITURES AND FUND BALANCE  
June 30, 2020

<u>Fund title</u>	<u>Fund Number</u>	<u>June 30, 2019 Fund Balance</u>	<u>Year Ended June 30, 2020</u>							<u>Fund Balance</u>
			<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>Cash</u>	<u>Receivables</u>	<u>Payables</u>		
Central Office	100	\$ 17,214	\$ 53,770	\$ 34,142	\$ (5,542)	\$ 31,503	\$ -	\$ -	\$ 31,300	
Administration and Faculty	150	9,746	17,916	13,339	2,000	16,323	-	-	16,323	
Athletics	200	73,184	287,432	257,141	(17,249)	86,500	-	274	86,226	
Graduating Class Activities	250	50,111	40,277	58,679	(1,745)	30,425	-	461	29,964	
Clubs, Groups and Organizations	300	73,720	97,376	88,200	(483)	82,413	-	-	82,413	
School Publications	350	33,102	12,341	13,735	1,137	32,845	-	-	32,845	
General Instruction Fund	400	85,651	144,677	138,717	3,458	94,829	-	-	95,069	
School General Fund	650	114,800	135,928	137,480	18,424	131,826	-	117	131,672	
Certificate of deposit		-	-	-	-	30,019	-	-	-	
<b>Total</b>		<b>\$ 457,528</b>	<b>\$ 789,717</b>	<b>\$ 741,433</b>	<b>\$ -</b>	<b>\$ 536,683</b>	<b>\$ -</b>	<b>\$ 852</b>	<b>\$ 505,812</b>	

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES AND EXPENSES - BUDGETARY BASIS  
 FOOD SERVICES FUND  
 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Sale of meals	\$ 810,610	\$ 810,610	\$ 544,178	\$ (266,432)
Federal assistance	2,600,000	2,600,000	2,528,467	(71,533)
State assistance	270,000	270,000	261,072	(8,928)
Interest income	200	200	1,046	846
Other	40,000	40,000	200,920	160,920
<b>TOTAL REVENUES</b>	<b>3,720,810</b>	<b>3,720,810</b>	<b>3,535,683</b>	<b>(185,127)</b>
<b>EXPENDITURES</b>				
Current:				
Food	1,866,000	1,866,000	1,521,375	344,625
Depreciation	-	-	16,430	(16,430)
Salaries and wages	1,180,145	1,180,145	1,294,378	(114,233)
Fixed charges	455,615	455,615	504,240	(48,625)
Contracted services	35,500	35,500	8,548	26,952
Supplies and materials	112,000	112,000	146,349	(34,349)
Other charges	30,550	30,550	39,541	(8,991)
Capital outlay	41,000	41,000	38,016	2,984
<b>TOTAL EXPENDITURES</b>	<b>3,720,810</b>	<b>3,720,810</b>	<b>3,568,877</b>	<b>151,933</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (33,194)</b>	<b>\$ (33,194)</b>