

BOARD OF EDUCATION OF CARROLL COUNTY

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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INDEPENDENT AUDITORS' REPORT

Members
Board of Education of Carroll County
Westminster, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Carroll County, Westminster, Maryland (the Board), a component unit of Carroll County, Maryland, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements 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 auditors' 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 Board'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 Board'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, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During fiscal year ended June 30, 2021, the Board adopted GASB Statement No. 84 *Fiduciary Activities*. As a result of the implementation of this standard, the Board reported a restatement for the change in accounting principle (see Note 14). Our auditors' opinion is not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the required supplementary information, as listed in the table of contents on pages 50 through 57 be presented to supplement the basic financial statements. Such information, although not 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2021, on our consideration of the Board'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'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's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 27, 2021

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

As management of the Board of Education of Carroll County (the Board), we offer readers of the Board's financial statements this discussion and analysis of the Board's financial performance during the fiscal year ended June 30, 2021. This section should be read in conjunction with the financial statements, which immediately follow this discussion.

Overview of the Financial Statements

The Board's basic financial statements consist of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements include two kinds of statements that present different views of the Board's financial performance. The report also contains required supplementary information.

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the Board's overall financial strength.
- The next two statements are *fund financial statements* that focus on individual parts of the Board, and provide more detail on individual areas of revenues and expenditures.
- It also contains required supplementary information in addition to the basic financial statements themselves, such as a budgetary basis presentation of financial operations for the general fund, measuring regulatory and budgetary compliance.

The financial statements also include notes that explain some of the information in the statements and, in some cases, provide even greater levels of detail.

Government-Wide Financial Statements

The Board's *Government-Wide Financial Statements* provide a broad view of the Board's operations in a manner similar to a private sector business enterprise. The statements provide both short-term and long-term information about the Board's financial position, which assists in assessing the Board's economic condition at year-end. They are prepared using the economic resources focus and full accrual basis of accounting. These are methods similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if the cash has not been received. The Government-Wide Financial Statements include two statements:

The *Statement of Net Position* presents all of the Board's assets, liabilities, and deferred inflows/outflows of resources with the difference between the three reported as "net position." The statement combines and consolidates all of the Board's current financial resources (short-term spendable resources) with capital assets (net of accumulated depreciation) and liabilities. The end result is net position segregated into three components: net investment in capital assets, restricted, and unrestricted net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The *Statement of Activities* presents information showing how the Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as earned, but unused, vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the Board. The majority of the Board's revenue is general revenue, grants, and contributions from other governments.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Government-Wide Financial Statements (Continued)

The governmental activities of the Board include Administration, Mid-Level Administration, Regular Education, Special Education, Student Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Community Services, Student Activities and Food Services. These activities are mostly supported by county and state appropriations mandated in accordance with state law, and state and federal grants.

Typically, the Board's system-wide financial statements can reflect governmental activities and business-type activities. While the Board's food service operation charges fees, the fee structure is not designed to recover costs including depreciation. Therefore, this function is included as a governmental activity and no business-type activities are presented.

Fund Financial Statements

The fund financial statements focus on major funds and on individual parts of the Board's operations. All of the funds of the Board can be divided into two categories: governmental funds and fiduciary funds, each of which use different accounting approaches and should be interpreted differently. The two categories are as follows:

Governmental Funds Financial Statements – Most of the basic services provided by the Board are accounted for in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on balances of spendable resources at the end of the fiscal year. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

The Board has three governmental funds:

General Fund includes most of the Board's basic functions and generally follows the requirements of the Maryland State Department of Education.

Food Service Fund captures the financial activities of the cafeteria operations.

Capital Project Fund tracks larger construction projects. This fund reports revenue and expenditures on a yearly basis. It should be noted that due to the long-term nature of most projects, the budgetary basis of this fund crosses fiscal years.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in reconciliations found on pages 14 and 16.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Fund Financial Statements (Continued)

Fiduciary Fund Financial Statements – The fiduciary fund is used to account for resources held for the benefit of parties outside of the Board. The fiduciary fund is not included in the government-wide financial statements because the resources of the fund are not available to support the Board's own programs. Accordingly, there is no analysis of the Board's fiduciary fund included in this Management's Discussion and Analysis. The accounting used for the fiduciary fund is the accrual basis of accounting.

The Board has one fiduciary fund, the *Other Postemployment Benefits* (OPEB) Plan Trust. The OPEB Plan Trust accumulates resources for postemployment health benefits.

Budget and Actual Financial Statements

The Budgetary Comparison Schedule is presented for the General Fund, which has a legally adopted annual budget. This statement shows both original and final adopted budgets, along with actual revenues and expenditures compared to the final budget. In these statements, open encumbrances are treated as expenditures. The Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) can be found immediately following the basic governmental fund financial statements on page 50.

Financial Analysis of the Board as a Whole

As noted above, all activities are identified as governmental activities. Current and other assets totaled \$85.9 million, which mostly consists of investments and accounts receivable due from the County Commissioners of Carroll County. Noncurrent assets are composed of capital assets and account for approximately 82% of the Board's total assets. Current liabilities total \$47.9 million, of which approximately \$20.0 million is accrued salaries and fringes. It should be noted that this balance reflects payments made to 10-month staff members (such as teachers) who prefer to continue semi-monthly payrolls during July and August. Since these staff members have fulfilled their contractual obligation as of June 30th, the unpaid wages are reflected in this accrual. The accrued fringe portion of this balance is also primarily associated with the payments that will be made for 10-month staff members during July and August. Noncurrent liabilities are \$598.4 million and are predominantly tied to postemployment benefits.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Financial Analysis of the Board as a Whole (Continued)

Condensed Statement of Net Position

	Governmental Activities	
	June 30, 2021	June 30, 2020*
	(In Millions)	
Current and Other Assets	\$ 85.9	\$ 77.6
Capital Assets	388.7	384.4
Total Assets	474.6	462.0
 Deferred Outflows of Resources	 159.5	 98.9
Current Liabilities	47.9	46.8
Noncurrent Liabilities	598.5	490.0
Total Liabilities	646.4	536.8
 Deferred Inflows of Resources	 4.4	 3.8
Net Position:		
Net Investment in Capital Assets	387.9	384.0
Restricted	1.3	1.1
Unrestricted	(405.9)	(364.8)
Total Net Position	\$ (16.7)	\$ 20.3

*The June 30, 2020 balances have not been restated for the implementation of GASB Statement No. 84.

For budgetary purposes, acquisitions of equipment and capital improvements are considered expenditures. However, in accordance with Generally Accepted Accounting Principles (GAAP) and subject to the Board's Capitalization Policy, equipment and capital improvements for the current year totaled \$21.8 million, of which a net of \$13.5 million was to construction in progress and \$8.3 million to capital assets subject to depreciation. Of the \$8.3 million subject to depreciation, \$5.2 million was transferred from construction in progress during the year.

The associated debt to finance the increase in capital outlay resides on the County Government and state of Maryland financial statements, as it is not a burden of Carroll County Public Schools.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Financial Analysis of the Board as a Whole (Continued)

Changes in Net Position from Operating Results

	Governmental Activities	
	June 30, 2021	June 30, 2020*
	(In Millions)	
Revenues		
Program Revenues:		
Charge for Services	\$ 0.1	\$ 3.3
Operating Grants and Contributions	73.9	53.3
Capital Grants and Contributions	22.2	11.6
General Revenues:		
County Government	198.9	198.0
State (Unrestricted)	104.8	102.6
State Pension Aid	19.6	20.0
Other	5.7	6.5
Total Revenues	425.2	395.3
Expenses		
Instruction (Regular and Special Education)	331.7	301.8
Administration (Central and School)	48.9	45.5
Maintenance and Operations	41.6	40.9
Transportation	22.5	22.5
Student Personnel, Health, and Community Services	10.9	8.9
Student Activities	1.5	-
Food Services	7.7	6.9
Total Expenses	464.8	426.5
Decrease in Net Position	\$ (39.6)	\$ (31.2)

*The June 30, 2020 balances have not been restated for the implementation of GASB Statement No. 84.

All costs identified in the Statement of Activities include the cost of salaries, wages, supplies, contracted services, and depreciation by function. In the case of regular instruction, depreciation expense on the school buildings and equipment in those schools account for \$8.2 million. Fringe benefits and depreciation can be tracked by individual or asset, respectively, and therefore, can be tied to a function. Review of the revenues identifies some fee for services circumstances, including use of facilities and tuition. Operating Grant revenues primarily include State and Federal Grants and reflect restricted sources. As detailed in the Statement of Activities, the general revenues include State and County revenue, as well as interest income, none of which meets the criteria for classification as program revenues.

More specifically:

- The cost of all governmental services this year was \$464.8 million.
- The State and Federal governments subsidized the operations of certain programs with grants and contributions totaling almost \$73.9 million.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Financial Analysis of the Board as a Whole (Continued)

- The majority of the district's costs were financed by Carroll County and the state of Maryland taxpayers. Specifically, \$198.9 million was associated with Carroll County appropriations.
- \$21.8 million of additions to capital projects was financed by capital contributions from the state and county governments.

Financial Analysis of the Board's Funds

In the General Fund, revenues increased by 4.2% to \$392.8 million. The General Fund increase is attributable to a 0.6% increase in the appropriation from the County government, a 1.8% increase in State revenue and the addition of the student activity fund with the implementation of GASB Statement No. 84.

The Food Service Operation reflected a net change in fund balance of \$2,312,292 for the year ended June 30, 2021 versus a net change in fund balance of \$(261,017) for the prior year. The increase in net change in fund balance resulted from special pandemic funding USDA Child Nutrition Program waivers that allowed for the operation of the Summer Food Service program during the 20-21 school year. This special programming allowed for free meals for all children 18 years or younger. This greatly increased federal reimbursement income in an unprecedented manner.

The Capital Projects Fund reflected a net change in fund balance of \$3,033,477 for the year ended June 30, 2021, versus a net change in fund balance of \$(2,004,515) for the prior year. The change in Fund Balance resulted from a transfer of funds from the General Fund of \$3,500,000 during the year for the purpose of funding projects related to infrastructure renewal projects, security, and technology improvements for which adequate funding would not have been available through other sources. The remaining fund balance at year-end represents amounts of funding for these projects at June 30, 2021.

Limitations affecting the availability of resources in the General Fund include nonspendable resources of \$1,494,241, restricted resources of \$604,801, assigned resources of \$13,419,901, and unassigned resources of \$15,366,219.

Budgetary Highlights

Over the course of each fiscal year, the Board revises the annual current operating budget. Generally, the budgets fluctuate for one of two reasons. First, when grants are awarded during the year, an amendment is made to adjust the budget as a whole. In addition, the system is required by law to maintain budgets by category or function. Therefore, the Board makes transfers between budgeted categorical amounts to more accurately reflect changing conditions. These transfers do not impact the budget total as a whole. As reflected in the Budgetary Comparison Schedule (Non-GAAP Budgetary Basis), none of the Board's categories were overspent at year-end.

The Board ended the fiscal year with an excess of revenues and other financing sources over expenditures (Non-GAAP Budgetary Basis) of \$(3,816,755). Beginning fiscal year 2008, the Board of Carroll County Commissioners, and the Board agreed to create a fund balance reserve account to guard against unanticipated revenue shortfalls and minimize the impact on operations of the Board when unexpected, one-time expenses occur.

The budgetary process is designed to reflect revenues equal to expenditures. However, actual revenues and expenditures, non-GAAP basis, were lower than budgeted. In fiscal year 2021, current operating fund actual revenues fell slightly short of the final budget by \$1,801,686.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Budgetary Highlights (Continued)

Specific categories of expenditures exceeded the original budget. Budget transfers between categories were approved to more closely align with actual expenditures, so that at year-end all categories were in compliance. In fiscal year 2021, current operating fund actual expenses were less than the final budget by approximately \$9.5 million. The majority of the decrease was within the special education and operation of plant categories as fewer expenditures were incurred relating to these categories than originally budgeted.

Capital Asset Administration

By the end of fiscal year 2021, the Board had invested \$388.7 million in capital assets net of depreciation, predominantly buildings. Total depreciation expense for the year approximated \$17.6 million, increasing accumulated depreciation on assets to \$315.3 million. Included in the Construction in Progress balance is the work in progress on the East Middle School Replacement, Winfield Elementary HVAC and the Career & Technology Center Modernization project. The County government issues the debt associated with these capital projects; therefore, the Board financial statements do not reflect outstanding debt associated with these capital assets.

Factors Bearing on the Board's Future

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

- We are concerned about the global pandemic and potential impacts it can have on the finances of Carroll County Public Schools, in particular:
 - Increased expenditures resulting from the expanded reliance on virtual learning, heightened requirements for cleaning and sanitizing buildings and buses, and new expenditures for required personal protective equipment for our students and staff.
 - Decreased funding due to recession and impacts of reduced enrollment on State formula funding.
 - Upcoming funding cliff resulting from reliance on Federal CARES funding that will expire in FY23.
- School Boards are required to pay the normal cost of retirement for teachers and the full cost of retirement for non-teacher employees. Specifically of concern is that future increases in pension costs will outpace future increases in revenues.
- While we continue to experience favorable rates and claims, health care costs are increasing as a percentage of the overall budget. Continued increases in health care costs that outpace increases in revenue would have to be covered by reductions to other mission critical expenditures.

Contacting the Board's Financial Management

This financial report is designed to provide the Board's citizens, taxpayers, customers, stakeholders, and creditors with a general overview of the system's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Carroll County Public Schools, 125 North Court Street, Westminster, Maryland 21157.

**BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2021**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>Governmental Activities</u>
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 3,991,120
Investments	30,000,000
Accounts Receivable	316,279
Due from Primary Government	35,570,983
Due from Other Units of Government	14,211,684
Inventory	1,329,822
Prepaid Expenses	498,231
Total Current Assets	<u>85,918,119</u>
NONCURRENT ASSETS	
Capital Assets:	
Nondepreciable Assets	33,422,112
Depreciable Assets, Net	<u>355,237,098</u>
Total Noncurrent Assets	<u>388,659,210</u>
Total Assets	474,577,329
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pension	5,596,640
Deferred Outflows of Resources Related to OPEB	<u>153,887,378</u>
Total Deferred Outflows of Resources	<u>159,484,018</u>

See accompanying Notes to Basic Financial Statements.

**BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>Governmental Activities</u>
CURRENT LIABILITIES	
Accounts Payable	\$ 6,950,316
Accrued Salaries and Fringes	19,983,196
Accrued Health Claims	8,575,000
Accrued Expenses	9,037,580
Due to Other Governments	787
Due to Primary Government	20,417
Unearned Revenue	1,674,162
Current Portion of Compensated Absences Payable	<u>1,750,000</u>
Total Current Liabilities	47,991,458
NONCURRENT LIABILITIES	
Long-Term Portion of Compensated Absences Payable	12,763,795
Net Other Postemployment Benefits Liability	565,629,000
Net Pension Liability	<u>20,032,714</u>
Total Noncurrent Liabilities	<u>598,425,509</u>
Total Liabilities	646,416,967
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pension	2,149,559
Deferred Inflows of Resources Related to OPEB	<u>2,263,000</u>
Total Deferred Inflows of Resources	4,412,559
NET POSITION	
Net Investment in Capital Assets	387,892,108
Restricted for:	
Grants	604,801
Food Services	727,187
Unrestricted	<u>(405,992,275)</u>
Total Net Position	<u><u>\$ (16,768,179)</u></u>

See accompanying Notes to Basic Financial Statements.

**BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
		Charges for Service	Operating Grants and Contributions		Total Governmental Activities
FUNCTIONS/PROGRAMS					
GOVERNMENTAL ACTIVITIES					
INSTRUCTION					
Regular Education	\$ 263,248,278	\$ 66,995	\$ 59,672,758	\$ 22,159,256	\$ (181,349,269)
Special Education	68,454,678	-	-	-	(68,454,678)
Total Instruction	331,702,956	66,995	59,672,758	22,159,256	(249,803,947)
SUPPORT SERVICES					
Administration	8,828,074	-	295,889	-	(8,532,185)
Mid-Level Administration	40,061,431	-	-	-	(40,061,431)
Student Personnel Services	2,806,892	-	44	-	(2,806,848)
Student Health Services	6,987,840	-	815,661	-	(6,172,179)
Student Transportation Services	22,474,701	-	86,380	-	(22,388,321)
Operation of Plant	32,212,166	-	1,916,393	-	(30,295,773)
Maintenance of Plant	9,370,480	-	64,306	-	(9,306,174)
Community Services	1,070,093	10,490	923,065	-	(136,538)
Student Activities	1,585,223	-	-	-	(1,585,223)
Food Services	7,696,976	14,652	10,096,539	-	2,414,215
Total Support Services	133,093,876	25,142	14,198,277	-	(118,870,457)
Total Governmental Activities	<u>\$ 464,796,832</u>	<u>\$ 92,137</u>	<u>\$ 73,871,035</u>	<u>\$ 22,159,256</u>	(368,674,404)
GENERAL REVENUES					
Local Appropriations					198,924,586
State Aid					124,348,952
Investment Earnings					33,993
Miscellaneous					5,685,379
Total General Revenues					<u>328,992,910</u>
CHANGE IN NET POSITION					
					(39,681,494)
Net Position - Beginning of Year, as restated					<u>22,913,315</u>
NET POSITION - END OF YEAR					<u>\$ (16,768,179)</u>

See accompanying Notes to Basic Financial Statements.

BOARD OF EDUCATION OF CARROLL COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Food Services Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 3,988,637	\$ 2,483	\$ -	\$ 3,991,120
Investments	30,000,000	-	-	30,000,000
Accounts Receivable	304,077	12,202	-	316,279
Due from Other Funds	-	4,405,983	4,758,680	9,164,663
Due from Primary Government	33,000,000	-	2,570,983	35,570,983
Due from Other Units of Government	11,396,775	711,864	2,103,045	14,211,684
Inventory	1,002,530	327,292	-	1,329,822
Prepaid Expenditures	491,711	6,520	-	498,231
Total Assets	<u>\$ 80,183,730</u>	<u>\$ 5,466,344</u>	<u>\$ 9,432,708</u>	<u>\$ 95,082,782</u>
LIABILITIES				
Accounts Payable	\$ 1,589,520	\$ 217,075	\$ 5,143,721	\$ 6,950,316
Accrued Salaries and Fringes	19,612,808	370,388	-	19,983,196
Accrued Health Claims	8,575,000	-	-	8,575,000
Accrued Expenses	9,037,580	-	-	9,037,580
Due to Other Funds	9,163,543	-	1,120	9,164,663
Due to Other Governments	787	-	-	787
Due to Primary Government	20,417	-	-	20,417
Unearned Revenue	1,298,913	375,249	-	1,674,162
Total Liabilities	<u>49,298,568</u>	<u>962,712</u>	<u>5,144,841</u>	<u>55,406,121</u>
FUND BALANCES				
Nonspendable	1,494,241	333,812	-	1,828,053
Restricted	604,801	393,375	-	998,176
Committed	-	-	4,287,867	4,287,867
Assigned	13,419,901	3,776,445	-	17,196,346
Unassigned	15,366,219	-	-	15,366,219
Total Fund Balances	<u>30,885,162</u>	<u>4,503,632</u>	<u>4,287,867</u>	<u>39,676,661</u>
Total Liabilities and Fund Balance	<u>\$ 80,183,730</u>	<u>\$ 5,466,344</u>	<u>\$ 9,432,708</u>	<u>\$ 95,082,782</u>

See accompanying Notes to Basic Financial Statements.

**BOARD OF EDUCATION OF CARROLL COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2021**

Total Fund Balances - Governmental Funds (Page 13) \$ 39,676,661

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:**

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of these assets is \$703,950,019, and the accumulated depreciation is \$315,290,809. 388,659,210

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of compensated absences payable of \$14,513,795. (14,513,795)

Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds. (20,032,714)

Other postemployment benefit obligations are not due and payable in the current period and, therefore, are not reported in the funds. (565,629,000)

Deferred outflows of resources related to pensions and OPEB. 159,484,018

Deferred inflows of resources related to pensions and OPEB (4,412,559)

TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES (Page 11) \$ (16,768,179)

BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Food Services Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local Sources	\$ 199,065,200	\$ -	\$ 11,219,187	\$ 210,284,387
State Sources	163,482,687	95,693	10,940,069	174,518,449
Federal Sources	23,069,489	9,930,507	-	32,999,996
Earnings on Investments	33,993	-	-	33,993
Charges for Services	77,485	14,652	-	92,137
Student Activities	1,430,657	-	-	1,430,657
Miscellaneous Revenues	5,685,379	70,339	-	5,755,718
Total Revenues	<u>392,844,890</u>	<u>10,111,191</u>	<u>22,159,256</u>	<u>425,115,337</u>
EXPENDITURES				
Administration	5,899,156	-	-	5,899,156
Instruction	163,540,214	-	-	163,540,214
Student Personnel Services	1,977,955	-	-	1,977,955
Student Health Services	5,023,808	-	-	5,023,808
Student Transportation Services	21,833,258	-	-	21,833,258
Operation of Plant	23,802,577	-	-	23,802,577
Maintenance of Plant	7,009,350	-	-	7,009,350
Fixed Charges	82,155,560	-	-	82,155,560
Mid-Level Administration	27,259,167	-	-	27,259,167
Community Services	911,869	-	-	911,869
Special Education	48,417,235	-	-	48,417,235
Costs of Operation - Food Services	-	7,798,899	-	7,798,899
Student Activities	1,585,222	-	-	1,585,222
Capital Outlay	844,313	-	22,625,779	23,470,092
Total Expenditures	<u>390,259,684</u>	<u>7,798,899</u>	<u>22,625,779</u>	<u>420,684,362</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPEDITURES				
	2,585,206	2,312,292	(466,523)	4,430,975
OTHER FINANCING SOURCES				
Transfers In (Out)	<u>(3,500,000)</u>	-	<u>3,500,000</u>	-
NET CHANGE IN FUND BALANCE				
	(914,794)	2,312,292	3,033,477	4,430,975
Fund Balance - Beginning of Year, as Restated	<u>31,799,956</u>	<u>2,191,340</u>	<u>1,254,390</u>	<u>35,245,686</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 30,885,162</u></u>	<u><u>\$ 4,503,632</u></u>	<u><u>\$ 4,287,867</u></u>	<u><u>\$ 39,676,661</u></u>

See accompanying Notes to Basic Financial Statements.

**BOARD OF EDUCATION OF CARROLL COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Total Net Changes in Fund Balances - Governmental Funds (Page 15) \$ 4,430,975

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:**

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay, which is capitalized \$21,848,188, exceed depreciation expenses, \$17,552,059, in the period. 4,296,129

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This is the amount that vacation and sick leave used exceeded the amounts earned. 327,290

In the Statement of Activities, only the gain or loss on sale of the capital assets is reported. In the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed. (5,717)

OPEB costs reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. (48,382,954)

Governmental funds report Board pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employer contributions is reported as pension expense. (347,217)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (Page 12) \$ (39,681,494)

BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

	<u>OPEB Plan Trust</u>
ASSETS	
Investments	\$ 34,522,755
Total Assets	<u>34,522,755</u>
NET POSITION	
Net Position Restricted for OPEB	<u><u>\$ 34,522,755</u></u>

See accompanying Notes to Basic Financial Statements.

**BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2021**

	OPEB Plan Trust
ADDITIONS	
Contributions:	
Employer	\$ 6,866,378
Total Contributions	6,866,378
 Investment Earnings:	
Net Appreciation in Fair Value of Investments	7,233,540
Total Additions	14,099,918
 DEDUCTIONS	
Benefits Paid to Plan Members	6,366,379
 CHANGE IN NET POSITION	 7,733,539
 Net Position - Beginning of Year	 26,789,216
 NET POSITION - END OF YEAR	 \$ 34,522,755

See accompanying Notes to Basic Financial Statements.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Board of Education of Carroll County (the Board) as currently constituted was established under Title 3, Subtitle 103, Education, of the Annotated Code of Maryland. The Board is a five-member elected body responsible for the operation of Carroll County Public Schools.

The Board of Education of Carroll County is a component unit of Carroll County, Maryland by virtue of the County's responsibility for levying taxes and its budgetary control over the Board of Education. The Board does not have any component units, as it does not have any entities that it is considered to be financially accountable for in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended.

The financial statements of the Board are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governments in the United States of America.

Government-Wide and Fund Financial Statements

The Board follows GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended. The statement makes annual reports easier to understand and more useful to those who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis

GASB Statement No. 34, as amended, requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis many private sector entities provide in their annual reports.

Government-Wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities. Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. Fiduciary funds are not included in government-wide financial statements.

The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. The Board does not engage in business-type activities and, as such, issues single column government-wide financial statements. In the Government-Wide Statement of Net Position, both the governmental activities' assets, liabilities, and deferred inflows/outflows of resources (a) are presented on a consolidated basis and (b) are reflected on a full accrual, economic resource basis, which incorporates noncurrent assets and receivables as well as long-term obligations.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Statement of Net Position

The Statement of Net Position is designed to display the financial position of the primary government. The Board reports all capital assets in the government-wide Statement of Net Position and reports depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The Net Position of the Board is broken down into three categories – 1) net investment in capital assets, 2) restricted; and 3) unrestricted.

Statement of Activities

The Government-Wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each Board function. The expenses of individual functions are compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants). These directly matched revenues are called program revenues. This format enables the Government-Wide Statement of Activities to reflect both the gross and net cost per functional category (regular instruction, special instruction, pupil transportation, etc.) that are otherwise being supported by general government revenues.

Program revenues must be directly associated with a function and are restricted to meeting the operational or capital requirements of a particular function or activity. Multi-purpose grants and other items not properly included among program revenues are reported as general revenues. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Direct expenses are considered those that are clearly identifiable with a specific function or segment. The Board does not allocate indirect expenses.

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the fund financial statements, financial transactions and accounts of the Board are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Budgetary Comparison Schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the financial progress of their governments over the course of the year. The Board and many other governments revise their original budgets over the course of the year for a variety of reasons. A budgetary comparison schedule of the Board's original budget to the final budget and actual results is presented as required supplementary information.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and certain fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Employee and employer contributions to the other employee benefit trust fund are recognized as revenue in the period the contributions are due.

Nonexchange transactions are where the Board either gives or receives value without directly receiving or giving equal value in exchange including, for example, grants and contributions. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This focus is on the determination of, and changes in financial position, and generally only current assets, current liabilities, and deferred inflows/outflows of resources are included on the Balance Sheet. Revenues are recorded as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within a current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major revenue sources subject to the availability criterion are the local, state, and federal revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Expenditures related to compensated absences are recorded when payment is due or when payable resulting from resignations or retirements.

Program revenues include several types of transactions. Tuition paid directly by students and parents and sales associated with the Food Service Operation are identified as charges for services. State and federal support for Food Service Operation is identified as operating grants and contributions. Grant-related revenue that is specifically restricted for use by a particular function is separated in the Statement of Activities.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Board reports the following major governmental funds:

General Fund

The General Fund is the operating fund of the Board and is used to account for the revenues and expenditures necessary for the day-to-day operation of the Board. This fund is used to account for all financial resources except those required to be accounted for in another fund.

Food Service Fund

The Food Service Fund is used to account for the operations of the cafeteria program throughout the Board.

Capital Project Fund

The Capital Project Fund is used to account for the financial resources to be used for the acquisition, construction, or improvement of the Board's major capital facilities.

Additionally, the Board reports the following fiduciary fund:

OPEB Plan Trust

The OPEB Plan Trust is used to account for the collection of medical premiums and the payments of medical claims for the Board's retirees.

As a general rule, the effect of interfund and internal activity has been eliminated from the government-wide financial statements including the Statement of Activities. Interfund balances are not included in the Government-Wide Statement of Net Position. The Board distinguishes overhead costs, which are eliminated in the preparation of the Statement of Activities from interfund services provided and used between functions, which are not eliminated in the Statement of Activities in the financial statement closing process. The Board does not allocate indirect expenses to functions in the fund financial statements.

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity

Investments

Investments, including OPEB Plan Trust investments consisting of money market and mutual funds are stated at fair value.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity (Continued)

Receivables and Payables

All interfund receivables and payables are displayed in the fund statements as “due to/due from other funds.” These amounts offset each other and are eliminated from the Government-Wide Statement of Net Position, so as to not overstate the Board’s assets and liabilities. All trade receivables are deemed fully collectible by management.

Inventory

Inventory consists of expendable supplies and food held for consumption and is valued at cost (first-in, first-out). Inventory is reflected in the financial statements by the consumption method. Under this method, the expenditure is recognized when inventory is used. In the fund financial statements, these inventories are considered nonspendable which indicates that they do not constitute available expendable resources, even though they are a component of assets.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are considered nonspendable in the fund financial statements since they do not constitute available expendable resources.

Capital Assets

Capital assets, which include land and improvements, buildings and improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of the donation.

There is no depreciation recorded for land. Construction in progress is depreciated when it is put in use.

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 Years
Improvements	20 Years
Equipment	3 to 10 Years

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity (Continued)

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period.

Unearned Revenues

Unearned revenues represent amounts received from grantors in advance of incurrence of eligible expenditures for grants and unused commodities at June 30, 2021, since title does not pass to the Board until the commodities are used.

Compensated Absences Payable

Compensated absences consist primarily of sick and vacation time earned but not taken. Employees hired prior to July 1, 1997 meeting specified service requirements are eligible to accumulate sick time and upon retirement, are entitled to payment for unused sick time at 50% of their accrued sick leave balance at their previous three-year average daily rate. Employees hired prior to July 1, 1997 may accumulate unused sick time and will be paid for a maximum of 250 days or their accumulated balance at June 30, 2003, whichever is greater. Employees hired July 1, 1997 and later are eligible for accumulated unlimited sick time but are not entitled to payment for unused sick time upon retirement. The Board pays out accumulated sick time over a five-year period upon retirement. There is a maximum accrual of 40 paid vacation days for those employees eligible to earn and accumulate vacation time, which is paid out immediately upon retirement or resignation. Vested absences are accrued when incurred in the government-wide financial statements.

School Construction Debt

The Board is not obligated to repay principal or interest on any debt incurred for school construction. Such bonds and loans are obligations of the County government. Accordingly, the Board does not record school construction debt service revenues, expenditures, or outstanding school construction debt. The authorization for annual expenditures related to debt service emanate from the Carroll County Operating Budget Ordinance.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Maryland State Retirement and Pension System (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 the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (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 Carroll County Public Schools Retiree Health Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Net Position/Fund Equity

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

Net Investment in Capital Assets – This category groups all capital assets including infrastructure into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents net position with external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

Unrestricted Net Position – This category presents the net position of the Board, not restricted for any purpose.

Fund balance amounts are reported within one of the fund balance categories listed below.

Nonspendable – Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity (Continued)

Net Position/Fund Equity (Continued)

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes as determined by a formal action of the Board of Education, which is the highest level of decision-making authority for the Board. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Board's adopted policy, the Superintendent, Assistant Superintendent, or Supervisor of Purchasing may assign amounts for specific purposes.

Unassigned – Unassigned fund balance represents all other spendable amounts not included in the other categories. The General Fund is the only fund that reports a positive fund unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Board considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Board considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

In-Kind Contributions

In-kind contributions represent noncash transactions for costs of services provided by Carroll County, Maryland, which are primarily for use of facilities (including rent, utilities, insurance, and maintenance costs). The fair value of these services was \$516,884 for the year ended June 30, 2021. These services are included as in-kind contributions in county revenue and a corresponding amount in the operating expenses of the Board.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 BUDGETS AND BUDGETARY ACCOUNTING POLICIES

Legal budgetary control is employed for the General Fund only. Capital Projects are budgeted on a project basis only. Management employs budgetary control over the Food Service Fund for operational purposes only.

The Board follows these procedures in establishing the budgetary data reflected in these financial statements:

1. Prior to December, the staff accumulates and summarizes data for a proposed operating budget (General Fund).
2. During January, the Superintendent of Schools submits a proposed operating budget to the Board.
3. Public hearings are held to obtain citizens' comments.
4. During February, the Board adopts the proposed budget.
5. On March 1, the budget is submitted to the Carroll County Commissioners for approval.
6. During May, the County Commissioners hold final hearings and adopt the budget which becomes effective July 1.
7. The General Fund budget is adopted on a basis consistent with GAAP except for the inclusion of encumbrances as expenditures and the exclusion of pension payments made by the State on behalf of the Board. Budget comparisons presented in this report are on a non-GAAP budgetary basis. The required supplementary information budgetary comparison schedule reflects the budget as amended.
8. Request for adjustments to major categories must be submitted to the County Commissioners for approval or denial. No action within 30 days of submission constitutes approval.
9. Requests for transfers between major categories must be submitted to the County Commissioners for approval or denial. No action within 30 days of submission constitutes approval.
10. Expenditures may not legally exceed appropriations at the major category level. In addition, all appropriations lapse at year-end.

During the year, the Board of Education required one supplemental appropriation. The original operating budget approved by the County Commissioners is presented below:

Original Operating Budget Approved by the County Commissioners	\$ 371,355,385
Approved Supplemental Appropriations	<u>9,885,741</u>
Amended Operating Budget for Fiscal Year 2021	<u><u>\$ 381,241,126</u></u>

NOTE 3 CASH AND CASH EQUIVALENTS

The Board of Education maintains pooled and various separate cash accounts for its funds. The cash balances of the schools' activity consist of individual demand accounts maintained by the schools. The Board considers any instrument with a maturity of three months or less when purchased to be a cash equivalent.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits

At year-end, the carrying value of the Board's combined deposits was \$3,987,382 and cash on hand was \$3,738. The bank balance of deposits was \$5,388,355. The bank balance was covered either by federal depository insurance or collateral held by the financial institution's trust department in the Board's name. Statutes authorize secured time deposits in Maryland banks and requires uninsured deposits to be fully collateralized. Therefore, under the reporting requirements of GASB Statement No.40, the Board's deposits are not subject to custodial or credit risk at year-end.

Investments

Statutes authorize the Board to invest in obligations of the U.S. Government, federal government agency obligations, and repurchase agreements secured by direct government or agency obligations.

At June 30, 2021, the Board had investments totaling \$30,000,000 in the Maryland Local Government Investment Pool (MLGIP), which is under the administration of the State Treasurer. The MLGIP was established under the Annotated Code of Maryland and is rated AAAM by Standard and Poor's, their highest rating for money market funds. MLGIP is a 2a7 like pool, which is not registered with the Securities and Exchange Commission, but generally operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 (Rule 2a7). Unit value is computed using the amortized cost method and maintains a \$1 per share value.

OPEB Plan Trust (the Trust) investments of \$34,522,755 are invested in the Carroll County Master Retiree Benefit Trust, which consists of money market and mutual funds. The Trust investments are reported at fair value. The Trust categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America, as follows:

- *Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access.
- *Level 2* – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation of other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- *Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

The following is a description of the valuation methodology used for assets measured at fair value:

Carroll County Master Retiree Benefit Trust (Trust): The underlying investments of the Trust are reported at fair value based on quoted prices for similar assets in active markets.

The Trust is valued using Level 2 measurements at June 30, 2021.

The Carroll County Master Retiree Benefit Trust is not rated by the rating agencies.

Interest Rate Risk

Fair value fluctuates with interest rates and increasing rates could cause fair value to decline below original cost. To limit the Board's exposure to fair value losses arising from increasing interest rates, the Board's investment policy limits the term of investment maturities other than the Fiduciary Funds to overnight repurchase agreements and requires that collateral securities underlying the repurchase agreements have a market value equal to the cost of the agreement.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the Board will not be able to recover all or a portion of its investments or collateral securities that are in the possession of an outside party. In this regard, the Board limits its investments, other than investments in the OPEB Plan Trust to overnight deposits that are insured or collateralized with securities held by a custodian in the Board's name. Statutes require that deposits be in Maryland banks and that uninsured deposits be fully collateralized and authorize the Board to invest in obligations of the United States government, federal agency obligations and repurchase agreements secured by direct government or agency obligations.

NOTE 4 INVENTORY

Inventory consists of the following for the General Fund and Food Services Funds:

General Fund:	
Custodial Supplies	\$ 824,909
Equipment, Repair, and Maintenance Supplies	177,621
Total General Fund	1,002,530
Food Services Fund:	
Supplies	45,138
Food	282,154
Total Food Services Fund	327,292
Total Inventories	\$ 1,329,822

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 CAPITAL ASSETS

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

Governmental Activities	Balance at June 30, 2020	Increases	Decreases	Balance at June 30, 2021
Capital Assets not Being Depreciated				
Land and Improvements	\$ 14,142,128	\$ 2,400	\$ -	\$ 14,144,528
Construction in Progress	5,730,023	18,746,356	5,198,795	19,277,584
Total Capital Assets, not Being Depreciated	19,872,151	18,748,756	5,198,795	33,422,112
Capital Assets Being Depreciated				
Equipment	47,492,842	3,099,429	785,881	49,806,390
Building and Improvements	615,522,719	5,198,798	-	620,721,517
Total Capital Assets, Being Depreciated	663,015,561	8,298,227	785,881	670,527,907
Less: Accumulated Depreciation				
Equipment	36,977,119	2,419,646	780,164	38,616,601
Building and Improvements	261,541,795	15,132,413	-	276,674,208
Total Accumulated Depreciation	298,518,914	17,552,059	780,164	315,290,809
Total Capital Assets Being Depreciated, Net	364,496,647	(9,253,832)	5,717	355,237,098
Capital Assets, Net	<u>\$ 384,368,798</u>	<u>\$ 9,494,924</u>	<u>\$ 5,204,512</u>	<u>\$ 388,659,210</u>

Depreciation expense for the year was charged to functions as follows:

Regular Education	\$ 8,162,916
Special Education	104,006
Mid Level Administration	26,060
Student Personnel Services	6,754
Student Transportation Services	60,920
Operation of Plant	742,784
Maintenance of Plant	874,554
Food Services	77,155
Capital Outlay	7,496,910
Total Depreciation Expense - Governmental Activities	<u>\$ 17,552,059</u>

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 CAPITAL ASSETS (CONTINUED)

At June 30, 2021, the Board has construction commitments consisting of the following:

	<u>Future Amounts to be Expended</u>	<u>Future Funding to be Provided</u>
Career and Technology Center	\$ 56,331,015	\$ 56,331,015
East Middle School Replacement	31,452,000	31,452,000
Winfield Elementary HVAC	3,068,590	3,068,590
Spring Garden Elementary HVAC	2,726,000	2,726,000
Winfield Elementary Roof	1,851,000	1,851,000
General Paving	1,048,864	1,048,864
Aging School Project	137,261	137,261
Infrastructure Renewal	78,710	78,710
Total	<u>\$ 96,693,440</u>	<u>\$ 96,693,440</u>

NOTE 6 INTERFUND BALANCES

The composition of interfund balances as of June 30, 2021 is as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Food Service	\$ -	\$ 4,404,863
Capital Projects	-	4,758,680
Total General Fund	<u>-</u>	<u>9,163,543</u>
Food Service Fund:		
General	4,404,863	-
Capital Projects	1,120	-
Total Food Service Fund	<u>4,405,983</u>	<u>-</u>
Capital Projects Fund:		
General	4,758,680	-
Food Service	-	1,120
Total Capital Projects Fund	<u>4,758,680</u>	<u>1,120</u>
Total Interfund Balances	<u>\$ 9,164,663</u>	<u>\$ 9,164,663</u>

The interfund balances resulted from the time lag between the dates that payments of expenses and cash collections by one fund on behalf of another are made.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 INTERFUND BALANCES (CONTINUED)

The composition of interfund transfers as of June 30, 2021 is as follows:

	Transfer Out	Transfer In
General Fund	\$ 3,500,000	\$ -
Capital Projects	-	3,500,000
Total Interfund Balances	\$ 3,500,000	\$ 3,500,000

The transfer of funds from the General Fund to Capital Projects was for the purpose of funding projects related to infrastructure renewal, security and technology improvements for which adequate funding would not have been available through other sources.

NOTE 7 LONG-TERM DEBT

Long-term debt at June 30, 2021 consisted of compensated absences payable as further discussed in Note 1.

Changes in compensated absences payable for the year ended June 30, 2021 were as follows:

Balance - June 30, 2020	\$ 14,841,085
Additions	1,848,570
Reductions	(2,175,860)
Balance - June 30, 2021	14,513,795
Amounts Due Within One Year	(1,750,000)
Compensated Absence Noncurrent Portion	\$ 12,763,795

Compensated absence liabilities are generally liquidated by the General Fund.

NOTE 8 PENSION PLANS

General Information about the Plan

Plan Description. The employees of the Board are covered by the Maryland State Retirement and Pension System (the System), which is a cost sharing defined benefit public employee retirement system. While there are five retirement and pension systems under the System, employees of the Board are a member of either the Teachers' Retirement and Pension Systems or the Employees' Retirement and Pension Systems. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to state employees, teachers, police, judges, legislators, and employees of participating governmental units. The plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publicly available financial report that can be obtained at <http://www.sra.maryland.gov>.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 PENSION PLANS (CONTINUED)

General Information about the Plan (Continued)

Benefits Provided Benefits Provided. The System provides retirement allowances and other benefits to state teachers and employees of participating governmental units, among others. For individuals who become members of the Teachers' Retirement and Pension Systems and the Employees' Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the Teachers' Pension System and Employees' Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefits allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals $1/55$ (1.81%) of the member's average final compensation (AFC) multiplied by the number of years of accumulated creditable service.

A member of either the Teachers' or Employees' Pension System on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the members' combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 PENSION PLANS (CONTINUED)

General Information about the Plan (Continued)

Benefits Provided. (Continued) For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the members AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.4% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998 plus 1.8% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. Beginning in July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employees' Pension System.

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

Beginning in FY2017, the Board pays 100% of the normal cost for their teachers in the Teachers' Retirement and Pension System while the State contributes on behalf of the Board, the unfunded liability portion of the Board's annual required contribution to the Teachers' Retirement and Pension System. For the year ended June 30, 2021, the Board's contribution was \$7,700,871. The state's contributions on behalf of the Board for the year ended June 30, 2021 was \$19,601,930. The fiscal 2021 contribution made by the state on behalf of the Board have been included as both revenues and expenditures in the general fund in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances and are also included as revenues and expenses in the Statement of Activities.

The Board's contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2021, was 6.75% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Board made its share of the required contributions during the year ended June 30, 2021 of \$2,091,881.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 PENSION PLANS (CONTINUED)

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

Employees' Retirement and Pension Systems

At June 30, 2021, the Board reported a liability of \$20,032,714 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2020. The contributions were increased to adjust for differences between actuarially determined contributions and actual contributions by the state of Maryland. As of June 30, 2020, the Board's proportionate share was 0.088635%, which is an increase of 0.0024938% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Board recognized pension expense of \$2,439,099. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 758,204
Changes in Assumptions	89,894	380,264
Change in Proportion	1,900,995	1,010,264
Net Difference Between Projected and Actual Earnings		
Earnings on Pension Plan Investments	1,504,505	-
Difference Between Board Contributions and Proportionate Share of Contributions	9,365	827
Board Contributions Subsequent to the Measurement Date	<u>2,091,881</u>	<u>-</u>
Total	<u>\$ 5,596,640</u>	<u>\$ 2,149,559</u>

\$2,091,881 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ (136,795)
2023	327,841
2024	693,693
2025	431,424
2026	39,037
Total	<u>\$ 1,355,200</u>

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 PENSION PLANS (CONTINUED)

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

Teachers' Retirement and Pension Systems

At June 30, 2021, the Board did not report a liability related to the Teachers' Retirement and Pension Systems due to a special funding situation. The state of Maryland pays the unfunded liability for the Board and the Board pays the normal cost related to the Board's members in the Teachers' Retirement and Pension Systems; therefore, the Board is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the state of Maryland. 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:

State's Proportionate Share of the Net Pension Liability	\$ 211,123,094
Board's Proportionate Share of the Net Pension Liability	-
Total	<u><u>\$ 211,123,094</u></u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2021, the Board recognized pension expense of \$27,302,801 and revenue of \$19,601,930 in the General Fund for support provided by the state. In the Statement of Activities, the Board recognized pension expense of \$31,237,699 and revenue of \$23,536,828 for support provided by the State. Due to the special funding situation noted above related to the Teachers' Retirement and Pension Systems, the Board did not report deferred outflows of resources and deferred inflows of resources related to the Teachers' Retirement and Pension Systems.

Actuarial Assumptions

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

Inflation	2.60% General, 3.10% Wage
Salary Increases	3.10% to 11.60%, Including Inflation
Investment Rate of Return	7.40%

Mortality rates were based on Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale.

The economic and demographic actuarial assumptions used in the June 30, 2020 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2015-2019, after completion of the June 30, 2019 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2019. As a result, an investment return assumption of 7.40% and an inflation assumption of 2.60% were used in the June 30, 2020 valuation.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 PENSION PLANS (CONTINUED)

Rate of Return

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

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Asset Class:		
Public Equity	37 %	5.2 %
Private Equity	13	6.5
Rate Sensitive	19	(0.3)
Credit Opportunity	9	2.8
Real Assets	14	4.3
Absolute Return	8	1.8
Total	<u>100 %</u>	

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2020.

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 3.50%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The single discount rate used to measure the total pension liability was 7.40%. This 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.

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 PENSION PLANS (CONTINUED)

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Board's net pension liability, calculated using a single discount rate of 7.40%, as well as what the Board's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher for the Employees' Retirement and Pension Systems:

	<u>One Percent Decrease (6.40%)</u>	<u>Current Discount Rate (7.40%)</u>	<u>One Percent Increase (8.40%)</u>
Board's Proportionate Share of the Net Pension Liability	<u>\$ 28,519,814</u>	<u>\$ 20,032,714</u>	<u>\$ 12,963,760</u>

Due to the special funding situation noted above related to the Teachers' Retirement and Pension Systems, the Board did not record a net pension liability related to the Teachers Retirement and Pension Systems.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System's financial report.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS

Plan Description

Plan Administration. The Board administers the Carroll County Public Schools Retiree Health Plan (the Plan), a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) to eligible employees who retire from employment with the Carroll County Public School System.

Management of the Plan is vested in the Board of Education of Carroll County.

Benefits Provided. The Board provides medical and prescription drug benefits to retirees pursuant to two medical plans for retired employees based on negotiated agreements with various bargaining groups. Benefits are provided by a third-party insurer.

Contributions. For retirees over the age of 65 who retired prior to September 1, 1988, the percentage of the stipend paid by the Board was dependent upon the retiree's years of service and ranged from 10% to 100%. For retirees who retired after September 1, 1988, the percentage of the stipend paid by the Board is dependent upon the retiree's years of service and ranges from 0% to 100%. These percentages are applied to stipends established annually by the Board for individual, husband/wife, parent/child, and family coverages. Only Carroll County Board of Education years of service are considered. Additional employer contributions to the Plan may be budgeted if funding is available. The Board does not have an actuarially determined contribution, or a statutory or contractual required contribution to the Plan.

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

GASB 74 – Financial Reporting for Postemployment Benefits other than Pensions

Plan Membership. At April 1, 2021, Plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently	
Receiving Benefit Payments	1,453
Inactive Plan Members Entitled to but not Yet	
Receiving Benefit Payments	-
Active Plan Members	<u>3,101</u>
Total Plan Members	<u><u>4,554</u></u>

Investments

Investment Policy. The following was the Board's adopted asset allocation policy as of June 30, 2021:

Asset Class:	<u>Target Allocation</u>
U.S. Equities	43 %
Foreign Equities	22
Real Estate (REITs)	9
Core Fixed Income	24
Cash	<u>2</u>
Total	<u><u>100 %</u></u>

Rate of Return. For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 24.03%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Board

The components of the net OPEB liability of the Board at June 30, 2021 were as follows:

Total OPEB Liability	\$ 659,510,000
Plan Fiduciary Net Position	<u>34,523,000</u>
Board's Net OPEB Liability	<u><u>\$ 624,987,000</u></u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.23%
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**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

**GASB 74 – Financial Reporting for Postemployment Benefits other than Pensions
(Continued)**

Net OPEB Liability of the Board (Continued)

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	7.00%
Healthcare Cost Trend Rates	4.90% Initial/4.00% Ultimate

Mortality rates were based on the Pub T.H-2010 Mortality Table (teachers, headcount-weighted), Fully Generational, projected using Scale MP-2020 and base year 2010.

The actuarial assumptions used to measure the total OPEB liability in the June 30, 2021 valuation was based on the results of an actuarial experience study for the period 2010-2014 after completion of the June 30, 2014 valuations.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net 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 arithmetic real rates of return for each major class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class:	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equities	6.8%
Foreign Equities	8.0%
Real Estate (REITs)	5.7%
Core Fixed Income	1.6%
Cash	0.0%
Inflation	3.0%

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

**GASB 74 – Financial Reporting for Postemployment Benefits other than Pensions
(Continued)**

Net OPEB Liability of the Board (Continued)

Discount Rate. The discount rate used to measure the total OPEB liability was 1.99% at the end of the measurement period as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Board's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected not to be available to make all projected benefit payments of current members for more than 10 years after June 30, 2021. Future benefits payments beyond 10 years were discounted using the fidelity municipal general obligation bonds rated AA or better rate at June 30, 2021, of 1.92%. The long-term expected rate of return on investment at 7.00% was blended with the index rate of 1.92% for tax exempt general obligation municipal bonds rated AA or better in the Bond Buyer 20-Bond Index as published by the Bond Buyer at June 30, 2021, to arrive at a discount rate of 1.99% used to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. 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 a discount rate that is 1-percentage point lower (0.99%) or 1-percentage point higher (2.99%) than the current discount rate:

	One Percent Decrease 0.99%	Discount Rate 1.99%	One Percent Increase 2.99%
Net OPEB Liability	\$ 770,713,000	\$ 624,987,000	\$ 511,370,000

Sensitivity of the Net OPEB Liability to Changes in the Health Care 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 health care cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	One Percent Decrease 3.00%	Trend Rate 4.00%	One Percent Increase 5.00%
Net OPEB Liability	\$ 490,829,000	\$ 624,987,000	\$ 807,863,000

GASB 75 – Accounting and Financial Reporting for Postemployment Benefits other than Pensions Plans

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

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

GASB 75 – Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans (Continued)

Net OPEB Liability of the Board (Continued)

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

Inflation	2.40%
Salary Increases	3.00%
Investment Rate of Return	7.00%
Health Care Cost Trend Rates:	
Pre-65 Medical	5.4% Initial/4.1% Ultimate (Not Applicable to Life)
Post-65 Medical	5.4% Initial/3.9% Ultimate (Not Applicable to Life)

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used to measure the total OPEB liability in the June 30, 2020 valuation was based on the results of an actuarial experience study for the period 2010-2014 after completion of the June 30, 2014 valuation.

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

Asset Class:	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	43 %	6.8 %
Foreign Equities	22	8.0
Real Estate (REITs)	9	5.7
Core Fixed Income	24	1.6
Cash	2	-
Total	100 %	

Discount Rate. The discount rate used to measure the total OPEB liability was 2.52% at the end of the measurement period as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Board's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected not to be available to make all projected benefit payments of current members for more than 10 years after June 30, 2020.

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

Future benefits payments beyond 10 years were discounted using the fidelity municipal general obligation bonds rated AA or better rate at June 30, 2020, of 3.13%. The long-term expected rate of return on investment at 7.00% was blended with the index rate of 3.13% for tax exempt general obligation municipal bonds rated AA or better in the Bond Buyer 20-Bond Index as published by the Bond Buyer at June 30, 2020, to arrive at a discount rate of 2.52% used to determine the total OPEB liability.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

GASB 75 – Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans (Continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance - June 30, 2020	\$ 484,963,000	\$ 25,788,000	\$ 459,175,000
Changes for the Year:			
Service Cost	21,813,000	-	21,813,000
Interest	15,678,000	-	15,678,000
Differences Between Expected and Actual Experience	(2,111,000)	-	(2,111,000)
Contributions - Employer	-	6,378,000	(6,378,000)
Net Investment Income	-	601,000	(601,000)
Change in Assumptions	78,053,000	-	78,053,000
Benefit Payments	(5,978,000)	(5,978,000)	-
Administrative Expense	-	-	-
Net Changes	<u>107,455,000</u>	<u>1,001,000</u>	<u>106,454,000</u>
Balance - June 30, 2021	<u>\$ 592,418,000</u>	<u>\$ 26,789,000</u>	<u>\$ 565,629,000</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. 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 a discount rate that is 1-percentage-point lower (1.52%) or 1-percentage-point higher (3.52%) than the current discount rate:

	One Percent Decrease 1.52%	Discount Rate 2.52%	One Percent Increase 3.52%
Net OPEB Liability	<u>\$ 699,885,000</u>	<u>\$ 565,629,000</u>	<u>\$ 461,676,000</u>

Sensitivity of the Net OPEB Liability to Changes in the Health Care 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 health care cost trend rates that are 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current health care cost trend rates:

	One Percent Decrease 4.00%	Healthcare Cost Trend Rates 5.00%	One Percent Increase 6.00%
Net OPEB Liability	<u>\$ 440,910,000</u>	<u>\$ 565,629,000</u>	<u>\$ 736,976,000</u>

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

GASB 75 – Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans (Continued)

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

For the year ended June 30, 2021, the Board recognized OPEB expense of \$55,248,976. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Projected and Actual Earnings	\$ 8,070,000	\$ 1,876,000
Change in Assumptions	137,976,000	-
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	975,000	387,000
Employer Contributions Subsequent to the Measurement Date	6,866,378	-
Total	<u>\$ 153,887,378</u>	<u>\$ 2,263,000</u>

Employer contributions made subsequent to the measurement date totaling \$6,866,378 will be recognized as a reduction of the net OPEB liability in fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 19,577,000
2023	19,694,000
2024	19,751,000
2025	19,803,000
2026	19,559,000
Thereafter	46,374,000
Total	<u>\$ 144,758,000</u>

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 FUND BALANCE

Fund balance at June 30, 2021 consists of the following:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Capital Projects Fund</u>
Nonspendable for:			
Inventory	\$ 1,002,530	\$ 327,292	\$ -
Prepaid Expenses	491,711	6,520	-
Total Nonspendable	<u>1,494,241</u>	<u>333,812</u>	<u>-</u>
Restricted for:			
Regular Instruction	62,893	-	-
Student Health Services	86,982	-	-
Maintenance of Plant	12,261	-	-
Cost of Operation - Food Service	-	393,375	-
Community Services	34,134	-	-
Special Education	408,531	-	-
Total Restricted	<u>604,801</u>	<u>393,375</u>	<u>-</u>
Committed for:			
Capital Outlay	-	-	4,287,867
Total Committed	<u>-</u>	<u>-</u>	<u>4,287,867</u>
Assigned to:			
Subsequent Year's Budget	7,621,651	-	-
Student Activities	2,428,019	-	-
Cost of Operation - Food Service	-	3,776,445	-
Encumbrances:			
Administration	84,018	-	-
Regular Instruction	2,155,332	-	-
Student Personnel	55,302	-	-
Student Health Services	1,197	-	-
Student Transportation Services	1,906	-	-
Operation of Plant	152,116	-	-
Maintenance of Plant	537,722	-	-
Fixed Charges	3,750	-	-
Mid-Level Administration	269,476	-	-
Special Education	100,191	-	-
Capital Outlay	9,221	-	-
Total Assigned	<u>13,419,901</u>	<u>3,776,445</u>	<u>-</u>
Unassigned	<u>15,366,219</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$ 30,885,162</u>	<u>\$ 4,503,632</u>	<u>\$ 4,287,867</u>

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary integration in the General Fund and Food Service Fund, and encumbrances outstanding at year-end are reported as commitments or assignments of fund balances since they do not constitute expenditures or liabilities.

Encumbrances at June 30, 2021 are for the following uses:

	General Fund	Food Service Fund
Administration	\$ 84,018	\$ -
Regular Instruction	2,218,225	-
Student Personnel	55,302	-
Student Health Services	88,179	-
Student Transportation Services	1,906	-
Operation of Plant	152,116	-
Maintenance of Plant	549,983	-
Fixed Charges	3,750	-
Mid-Level Administration	269,476	-
Community Services	34,134	-
Special Education	508,722	-
Cost of Operation - Food Service	-	393,375
Capital Outlay	9,221	-
Total Encumbrances	\$ 3,975,032	\$ 393,375

NOTE 12 LITIGATION AND CONTINGENCIES

Several lawsuits have been filed arising from personnel grievances, personal injury, and other matters. It is anticipated by the Board that an adverse decision in excess of insurance coverage on any or all of these lawsuits would not have a material adverse effect on these financial statements.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Amounts, if any, of expenditures that may be disallowed by grantors cannot be determined at this time, although the Board expects such amounts, if any, to be immaterial.

The Board leases equipment under agreements reported as operating leases. The annual lease payments are recorded as expenses in the Government-Wide Statement of Activities and expenditures in the General Fund. Operating lease terms extend through the year ending June 30, 2026.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 LITIGATION AND CONTINGENCIES (CONTINUED)

Future minimum payments on operating leases with an initial or remaining noncancellable term in excess of one year are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Annual Lease Payments</u>
2022	\$ 377,560
2023	317,669
2024	95,141
2025	13,176
2026	1,098
Total	<u>\$ 804,644</u>

Operating lease expenditures/expenses for the year ended June 30, 2021 were \$408,069.

NOTE 13 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; and natural disasters for which the Board participates in the Maryland Association of Boards of Education Group Insurance Pool (MABE). MABE is a public entity risk pool currently operating as a common risk management and insurance program for fourteen member counties to reduce the amount of claims expenditures incurred. The Board pays an annual premium to MABE for its general insurance coverage. The Formation Agreement of MABE provides that MABE will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of established loss limits, which range from \$2,500 to \$5 million for each insured event depending on the type of loss. Settled claims have not exceeded coverage in any of the past three years.

Commercial insurance policies are purchased to provide coverage including workers' compensation coverage. Settled claims did not exceed coverage in any of the past three years.

The Board has also established limited risk management programs for health care insurance. The Board, with Aetna U.S. Healthcare, has an arrangement for providing coverage for future medical claims. Employees contribute 15% towards this coverage. Deposits are made by the Board into a bank account used only for payments resulting from health insurance claims.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 RISK MANAGEMENT (CONTINUED)

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. At June 30, 2021, liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated by an actuary based on the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The estimate of the claims liability also includes amounts for non-incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example, from salvage or subrogation are another component of the claim's liability estimate.

The liability for claims and judgments are reported in the General Fund. Changes in the balances of claims liabilities are as follows:

	June 30, 2021	June 30, 2020
Accrued Health Claims:		
Unpaid Claims - Beginning of Year	\$ 8,750,000	\$ 7,750,000
Incurred Claims (Including IBNR)	56,423,224	54,865,624
Claim Payments	<u>(56,598,224)</u>	<u>(53,865,624)</u>
Unpaid Claims - End of Year	<u>\$ 8,575,000</u>	<u>\$ 8,750,000</u>

NOTE 14 RESTATEMENT

The Board adopted GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying fiduciary activities for all state and local governments. The implementation of this standard is a change in accounting principle, which resulted in the school activity fund being reclassified from an agency fund to the general fund. The pronouncement requires the restatement of the July 1, 2020 net position/fund balance as follows:

	General Fund	Total Governmental Funds	Statement of Net Position
Fund balance/net position July 1, 2020, as previously stated	\$ 29,188,050	\$ 32,633,780	\$ 20,301,409
Reclassification of school activity fund	<u>2,611,906</u>	<u>2,611,906</u>	<u>2,611,906</u>
Fund balance/net position, July 1, 2020, as restated	<u>\$ 31,799,956</u>	<u>\$ 35,245,686</u>	<u>\$ 22,913,315</u>

**BOARD OF EDUCATION OF CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Non-GAAP Actual	Variances Positive (Negative) Final Budget To Actual
REVENUES				
Local Sources	\$ 199,157,700	\$ 199,157,700	\$ 198,924,586	\$ (233,114)
State Sources	144,162,713	144,162,713	143,639,033	(523,680)
Federal Sources	14,594,592	24,480,333	23,075,416	(1,404,917)
Other Revenues	5,436,831	5,436,831	5,796,856	360,025
Total Revenues	<u>363,351,836</u>	<u>373,237,577</u>	<u>371,435,891</u>	<u>(1,801,686)</u>
EXPENDITURES				
Administration	5,608,750	5,684,750	5,354,853	329,897
Instructional Salaries	132,526,765	133,750,517	133,192,790	557,727
Student Personnel Services	1,877,118	1,937,118	1,852,307	84,811
Student Health Services	4,174,398	4,958,210	4,584,597	373,613
Student Transportation Services	23,511,131	22,321,131	21,650,107	671,024
Operation of Plant	22,859,098	25,114,798	23,561,044	1,553,754
Maintenance of Plant	6,295,983	7,154,983	6,897,127	257,856
Fixed Charges	82,951,725	83,437,225	82,144,560	1,292,665
Community Services	1,173,769	973,769	945,403	28,366
Capital Outlay	4,290,662	4,290,662	4,255,476	35,186
Mid-Level Administration	24,757,987	24,932,987	24,898,057	34,930
Special Education	49,736,598	49,208,786	45,035,456	4,173,330
Instructional Textbooks/Supplies	9,152,218	15,025,007	14,939,368	85,639
Other Instructional Costs	2,439,183	2,451,183	2,441,501	9,682
Total Expenditures	<u>371,355,385</u>	<u>381,241,126</u>	<u>371,752,646</u>	<u>9,488,480</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(8,003,549)</u>	<u>(8,003,549)</u>	<u>(316,755)</u>	<u>7,686,794</u>
OTHER FINANCING SOURCES				
Use of Prior Year Fund Balance	8,003,549	\$ 8,003,549	-	(8,003,549)
Transfers Out	-	-	(3,500,000)	(3,500,000)
Total Other Financing Sources	<u>8,003,549</u>	<u>8,003,549</u>	<u>(3,500,000)</u>	<u>(11,503,549)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES				
	<u>\$ -</u>	<u>\$ -</u>	<u>(3,816,755)</u>	<u>\$ (3,816,755)</u>
Fund Balance - Beginning of Year			<u>24,727,251</u>	
FUND BALANCE - END OF YEAR			<u>\$ 20,910,496</u>	

**BOARD OF EDUCATION OF CARROLL COUNTY
RECONCILIATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS
AND OUTFLOWS AND GAAP BASIS REVENUES AND EXPENDITURES
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

Under the budgetary basis of accounting, revenues are recognized when cash is received, and expenditures are recognized upon the commitment of an encumbrance. Pension payments made by the state on behalf of the Board are not considered revenues and expenditures on the budgetary basis of accounting.

A reconciliation of the revenues and expenditures for the funds which are affected by the adjustments necessary to present the statement of revenues and expenditures and changes in fund balance on a GAAP basis follows:

Revenues (Non-GAAP Budgetary Basis)	\$ 371,435,891
Decrease in Fiscal Year Revenues Generated by Fiscal Year	
Changes in Encumbrances of Expenditure Driven Grants	376,412
Student Activities Adjustment	1,430,657
State Pension Payments	<u>19,601,930</u>
Revenues and Other Financing Sources (GAAP Basis)	<u>\$ 392,844,890</u>
Expenditures (Non-GAAP Budgetary Basis)	\$ 371,752,646
Encumbrance Adjustment, Net	(2,680,114)
Student Activities Adjustment	1,585,222
State Pension Payments	<u>19,601,930</u>
Total Expenditures (GAAP Basis)	<u>\$ 390,259,684</u>

**BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
LAST TEN FISCAL YEARS**

	Measurement Date						
	2020	2019	2018	June 30, 2017	2016	2015	2014
Employees' Retirement and Pension System:							
Board's Proportion of the Net Pension Liability	0.08863500%	0.0861412000%	0.0826669000%	0.0728809000%	0.0810533000%	0.0860101000%	0.0810239000%
Board's Proportionate Share of the Net Pension Liability	\$ 20,032,714	\$ 17,767,148	\$ 17,344,838	\$ 15,759,548	\$ 19,123,733	\$ 17,874,364	\$ 14,379,091
Board's Covered Employee Payroll	\$ 20,529,041	\$ 20,592,566	\$ 19,224,863	\$ 18,066,196	\$ 18,450,534	\$ 18,578,684	\$ 18,923,349
Board's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	97.58%	86.28%	90.22%	87.23%	103.65%	96.21%	75.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.29%	67.98%	68.36%	66.71%	62.97%	66.26%	69.53%
Teachers' Retirement and Pension System:							
Board's Proportion of the Net Pension Liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Board's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability of the Board	211,123,094	192,168,576	199,179,050	222,226,515	241,411,271	273,808,237	201,622,624
Total	\$ 211,123,094	\$ 192,168,576	\$ 199,179,050	\$ 222,226,515	\$ 241,411,271	\$ 273,808,237	\$ 201,622,624
Board's Covered Payroll	\$ 177,415,307	\$ 172,411,108	\$ 167,638,683	\$ 162,004,457	\$ 157,648,906	\$ 158,300,988	\$ 161,727,709
Board's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.84%	75.43%	73.35%	71.41%	67.95%	70.76%	69.53%

The Board implemented GASB 68 during fiscal year 2015. As such, only seven years of information is available.

See accompanying Notes to Required Supplementary Information – Maryland State Retirement and Pension System.

**BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF CONTRIBUTIONS
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
LAST TEN FISCAL YEARS**

Employees' Retirement and Pension System

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 2,091,881	\$ 1,900,389	\$ 1,768,908	\$ 1,648,441	\$ 1,483,375	\$ 1,578,985	\$ 1,812,859	\$ 1,888,149	\$ 1,700,004	\$ 2,138,012
Contributions in Relation to the Contractually Required Contribution	(2,091,881)	(1,900,389)	(1,768,908)	(1,648,441)	(1,483,375)	(1,578,985)	(1,812,859)	(1,888,149)	(1,700,004)	(2,138,012)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's Covered Employee Payroll	\$ 20,865,321	\$ 20,529,041	\$ 20,592,566	\$ 19,224,863	\$ 18,066,196	\$ 18,450,534	\$ 18,578,684	\$ 18,923,349	\$ 19,401,668	\$ 19,437,320
Contributions as a Percentage of Covered Payroll	10.0%	9.3%	8.6%	8.6%	8.2%	8.6%	9.8%	10.0%	8.8%	11.0%

Teachers' Retirement and Pension System

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012*
Contractually Required Contribution	\$ 7,700,871	\$ 7,556,167	\$ 7,364,920	\$ 7,260,805	\$ 6,934,964	\$ 7,468,196	\$ 6,495,621	\$ 5,077,441	\$ 4,005,782	\$ -
Contributions in Relation to the Contractually Required Contribution	(7,700,871)	(7,556,167)	(7,364,920)	(7,260,805)	(6,934,964)	(7,468,196)	(6,495,621)	(5,077,441)	(4,005,782)	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's Covered Employee Payroll	\$ 182,474,520	\$ 177,415,307	\$ 172,411,108	\$ 167,638,683	\$ 162,004,457	\$ 157,648,906	\$ 158,300,988	\$ 161,727,709	\$ 164,766,880	\$ -
Contributions as a Percentage of Covered Payroll	4.2%	4.3%	4.3%	4.3%	4.3%	4.7%	4.1%	3.1%	2.4%	0.0%

* The Board was not contractually required to contribute to the Teachers' Retirement and Pension System prior to fiscal year 2013.

See accompanying Notes to Required Supplementary Information – Maryland State Retirement and Pension System.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
JUNE 30, 2021

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the years 2016 through 2020.

NOTE 2 CHANGES IN ASSUMPTIONS

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2020 valuation:

- Inflation assumption changed as follows:
 - 6/30/2020 2.60%
 - 6/30/2019 2.60%
 - 6/30/2018 2.60%
 - 6/30/2017 2.65%
 - 6/30/2016 2.70%
 - 6/30/2015 2.70%

- Investment return assumption changed as follows:
 - 6/30/2020 7.40%
 - 6/30/2019 7.40%
 - 6/30/2018 7.50%
 - 6/30/2017 7.50%
 - 6/30/2016 7.55%
 - 6/30/2015 7.65%

**BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLANS – GASB 74
LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017
Total OPEB Liability:					
Service Cost	\$ 28,737,000	\$ 21,813,000	\$ 14,859,000	\$ 13,764,000	\$ 13,259,000
Interest Cost	14,819,000	15,678,000	13,717,000	12,981,000	12,317,000
Experience Losses/(Gains)	(14,757,000)	(2,111,000)	8,656,000	2,006,000	-
Changes in Assumptions	44,659,000	78,053,000	80,796,000	8,632,000	-
Benefit Payments	(6,366,000)	(5,978,000)	(5,588,000)	(9,153,000)	(9,150,000)
Net Change in Total OPEB Liability	67,092,000	107,455,000	112,440,000	28,230,000	16,426,000
Total OPEB Liability - Beginning of the Year	592,418,000	484,963,000	372,523,000	344,293,000	327,867,000
Total OPEB Liability - End of the Year	<u>\$ 659,510,000</u>	<u>\$ 592,418,000</u>	<u>\$ 484,963,000</u>	<u>\$ 372,523,000</u>	<u>\$ 344,293,000</u>
Plan Fiduciary Net Position:					
Contributions - Employer	\$ 6,866,000	\$ 6,378,000	\$ 6,838,000	\$ 5,995,000	\$ 7,363,000
Contributions - Member	7,233,000	3,822,000	3,847,000	3,908,000	4,037,000
Net investment Income	(6,366,000)	601,000	1,890,000	1,724,000	1,790,000
Benefit Payments	-	(9,800,000)	(9,435,000)	(9,153,000)	(9,150,000)
Net Change in Fiduciary Net Position	7,733,000	1,001,000	3,140,000	2,474,000	4,040,000
Fiduciary Net Position - Beginning of the Year	26,790,000	25,789,000	22,649,000	20,175,000	16,135,000
Fiduciary Net Position - End of the Year	<u>\$ 34,523,000</u>	<u>\$ 26,790,000</u>	<u>\$ 25,789,000</u>	<u>\$ 22,649,000</u>	<u>\$ 20,175,000</u>
Net OPEB Liability	<u>\$ 624,987,000</u>	<u>\$ 565,628,000</u>	<u>\$ 459,174,000</u>	<u>\$ 349,874,000</u>	<u>\$ 324,118,000</u>
Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.23%	4.52%	5.32%	6.08%	5.86%
Covered Employee Payroll*	N/A	N/A	N/A	N/A	N/A
Net OPEB Liability as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A
<i>*Contributions to the OPEB Plan are not based on a measure of pay, therefore, covered employee payroll is not applicable.</i>					
	2021	2020	2019	2018	2017
Average Money-Weighted Rate of Return, Net of Investment Expense	24.03%	2.31%	8.12%	8.40%	11.10%

The Board implemented GASB 74 during fiscal year 2017. As such, only five years of information is available.

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO REQUIRED SCHEDULES
OTHER POSTEMPLOYMENT BENEFIT PLANS – GASB 74
LAST TEN FISCAL YEARS**

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

Discount Rate:

June 30, 2018 – 3.72%
June 30, 2019 – 3.26%
June 30, 2020 – 2.52%
June 30, 2021 – 1.99%

**BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLANS – GASB 75
LAST TEN FISCAL YEARS**

	Measurement Date - June 30 2020	Measurement Date - June 30 2019	Measurement Date - June 30 2018	Measurement Date - June 30 2017
Total OPEB Liability:				
Service Cost	\$ 21,813,000	\$ 14,859,000	\$ 13,764,000	\$ 13,259,000
Interest	15,678,000	13,717,000	12,981,000	12,317,000
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	(2,111,000)	8,656,000	2,006,000	-
Changes of Assumptions	78,053,000	80,796,000	8,632,000	-
Benefit Payments	(5,978,000)	(5,588,000)	(9,153,000)	(9,150,000)
Net Change in Total OPEB Liability	107,455,000	112,440,000	28,230,000	16,426,000
Total OPEB Liability - Beginning	484,963,000	372,523,000	344,293,000	327,867,000
Total OPEB Liability - Ending (a)	\$ 592,418,000	\$ 484,963,000	\$ 372,523,000	\$ 344,293,000
Plan Fiduciary Net Position:				
Contributions - Employer	\$ 6,378,000	\$ 6,838,000	\$ 9,903,000	\$ 7,363,000
Net Investment Income	601,000	1,890,000	1,724,000	1,790,000
Benefit Payments	(5,978,000)	(5,588,000)	(9,153,000)	(5,113,000)
Administrative Expense	-	-	-	-
Net Change in Plan Fiduciary Net Position	1,001,000	3,140,000	2,474,000	4,040,000
Total Fiduciary Net Position - Beginning	25,788,000	22,649,000	20,175,000	16,135,000
Total Fiduciary Net Position - Ending (b)	\$ 26,789,000	\$ 25,789,000	\$ 22,649,000	\$ 20,175,000
Board's Net OPEB Liability - Ending (a) - (b)	\$ 565,629,000	\$ 459,174,000	\$ 349,874,000	\$ 324,118,000
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.52%	5.32%	6.08%	5.86%
Covered-Employee Payroll	\$ 223,605,389	\$ 214,130,851	\$ 208,486,138	\$ 202,552,220
Board's Net OPEB Liability as a Percentage of Covered Employee Payroll	253%	214%	168%	160%

Notes to Schedule:

Benefit Changes: None

Changes of Assumptions: None

This schedule is presented to illustrate the requirement to show information for 10 years. However, the Board implemented GASB 75 in fiscal year 2018. As such, only four years of information is available.