

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Financial Statements Together with  
Reports of Independent Public Accountants**

**For the Year Ended June 30, 2018**



**JUNE 30, 2018**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

Members of the Board of Education  
St. Mary's County Public Schools  
Leonardtown, Maryland

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Mary's County Public Schools (the School System), a component unit of St. Mary's County, Maryland, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Mary's County Public Schools, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 13 to the financial statements, during the year ended June 30, 2018, the School System adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Required Supplementary Information - Schedule of the Proportionate Share of the Net Pension Liability - Maryland State Retirement and Pension System, Schedule of School System Contributions to Maryland State Retirement and Pension System, Schedule of Changes in the School System's Net OPEB Liability and Related Ratios, Schedule of School System's Contributions - OPEB, Schedule of Investment Returns - OPEB, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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The Budgetary Comparison Schedule - General Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - General Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School System's basic financial statements. The financial information listed as supplementary information in the table of contents on pages 63 through 67 is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Also, the accompanying Schedule of Expenditures of Federal Awards on pages 72 through 76 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018, on our consideration of the School System'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 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 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 School System's internal control over financial reporting and compliance.

Hunt Valley, Maryland  
September 26, 2018

A handwritten signature in cursive script that reads "SB &amp; Company, LLC".

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Management's Discussion and Analysis June 30, 2018

This section of St. Mary's County Public Schools' (School System) annual financial report presents its discussion and analysis of the School System's financial performance during the fiscal year ended June 30, 2018. This is to be read in conjunction with the financial statements, which immediately follow this section.

### Financial Highlights

- The financial status of the School System increased slightly this year. Net change in fund balance of the Governmental Funds increased by \$516,365 (see page 20).
- The net investments in capital assets decreased by \$6.1 million (see Note 4, pages 36-37).
- Governmental Accounting Standard Board (GASB) Statement No. 75 required the school system to restate its beginning net OPEB liability for 2017, which resulted in a change in the net position of the governmental activities (see Note 13, page 51).
- The School System reported a net position for governmental activities in 2017 of \$188,022,651 prior to the implementation of GASB No. 75. The System is now reporting a net position of \$ (76,535,434) for 2018 (see page 19).
- Budgetary savings were recognized in the unrestricted funds due primarily to a pharmaceutical rebate of approximately \$3 million.

### Overview of Financial Statements

This report consists of several sections: Independent auditor's report, management's discussion and analysis, the basic financial statements, required supplemental information, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School System's financial operations/condition.

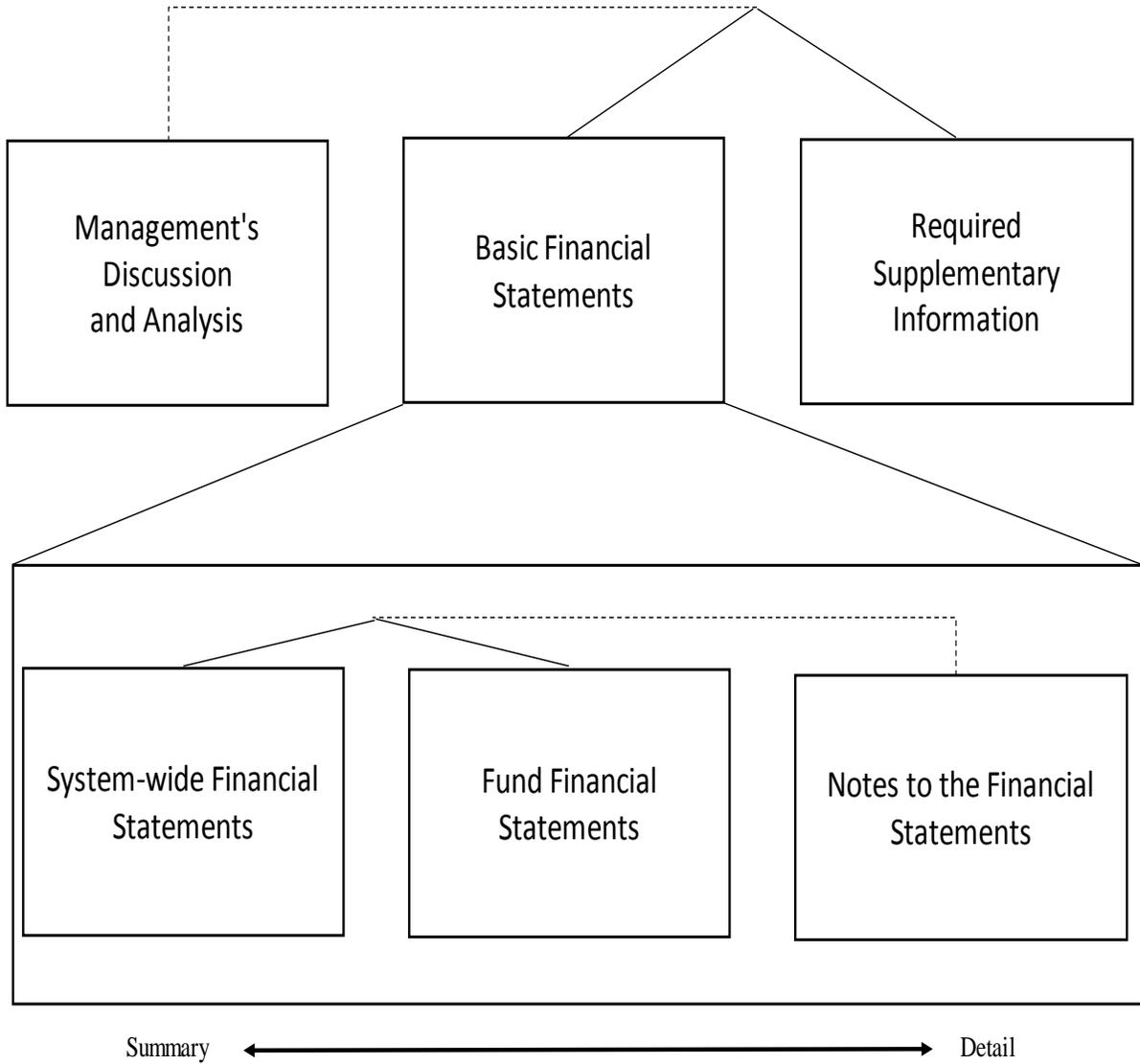
- The first two statements are system-wide financial statements that provide both short-term and long-term information about the School System's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School System's operations. These statements report operations in greater detail than the system-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term, as well as what is available for future spending.
- Proprietary fund statements offer short and long-term financial information about activities that are operated like businesses - Food Services.
- Fiduciary funds statements provide information about financial relationships in which the School System acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detail data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison to the School System's general fund budget and actual for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Management's Discussion and Analysis  
June 30, 2018**

**Figure A-1  
Organization of SMCPS Annual Financial Report**



**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Management's Discussion and Analysis  
June 30, 2018**

Figure A-2 summarizes the major features of the School System's financial statements, including the portion of the School System's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2 Major Features of the District-wide and Fund Financial Statements</b>				
	District-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the system that are not proprietary or fiduciary, such as special education and building maintenance	Activities the system operates similar to private businesses: food services	Instances in which the system administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities includes	All assets and liabilities; both financial and capital, and short-term and long-term	All assets and liabilities; both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods and services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

# **ST. MARY'S COUNTY PUBLIC SCHOOLS**

## **Management's Discussion and Analysis June 30, 2018**

### **System-wide Statements**

The system-wide statements report information about the School System as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School System's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two system-wide statements report the School System's net position and how they have changed. Net position - the difference between the School System's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the School System's financial health or position.

- Over time, increases or decreases in the School System's Net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School System's overall health, one needs to consider additional non-financial factors such as changes to the county's property tax base and the condition of school buildings and facilities.

In the School System-wide financial statements, the School System's activities are divided into two categories:

- Governmental activities: Most of the School System's basic services are included here, such as regular and special education, transportation, and administration. County appropriation and state formula aid finance most of these activities.
- Business-type activities: The School System charges a fee to cover the costs of certain services it supplies. This is where our Food Service activities will be reported.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School System's funds, focusing on its most significant funds - not the School System as a whole. Funds are accounting devices the School System uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law.
- The School System establishes other funds to control and manage money for particular purposes (such as repaying long-term debts) or to show that it is properly using certain revenues such as federal grants.

## **ST. MARY'S COUNTY PUBLIC SCHOOLS**

### **Management's Discussion and Analysis June 30, 2018**

#### **Fund Financial Statements (continued)**

The School System has three kinds of funds:

- **Governmental funds:** Most of the School System's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in future fiscal years to finance School System based programs or new initiatives. Because this information does not encompass the additional long-term focus of the system-wide statements, additional information at the bottom of the governmental funds statement explains the relationship, or difference, between them.
- **Proprietary fund:** Services for which the School System charges a fee are generally reported in proprietary funds. The School System's enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows. Food Services is the only Enterprise Fund of the School System.
- **Fiduciary funds:** The School System is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and student activities funds. The School System is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School System excludes these funds from the system-wide financial statements because it cannot use these assets to finance its operations.

#### **Financial Analysis of the School System as a Whole**

The School System's combined net position decreased \$20.3 million (after the GASB No. 75 restatement), which came predominantly from an increase in OPEB liabilities (see page 17).

ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis  
June 30, 2018

Figure A-3  
Condensed Statement of Net Position (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School System		Total % Change
	2018	2017	2018	2017	2018	2017	
Current and other assets	\$ 40.8	\$ 39.3	\$ 2.1	\$ 2.0	\$ 42.9	\$ 41.2	4.2%
Capital assets	251.7	257.8	0.5	0.5	252.2	258.3	-2.4%
<b>Total Assets</b>	<u>292.5</u>	<u>297.1</u>	<u>2.6</u>	<u>2.5</u>	<u>295.2</u>	<u>299.5</u>	<u>-1.5%</u>
Total Deferred outflows	2.8	3.3	-	-	2.8	3.3	-15.9%
<b>Liabilities</b>							
Long-term outstanding	341.1	85.5	0.2	0.2	341.3	85.7	298.3%
Other liabilities	27.5	26.5	0.9	0.6	28.4	27.1	4.7%
<b>Total Liabilities</b>	<u>368.6</u>	<u>112.0</u>	<u>1.1</u>	<u>0.8</u>	<u>369.7</u>	<u>112.8</u>	<u>227.7%</u>
Deferred inflows	3.2	0.3	-	-	3.2	0.3	977.3%
<b>Net Position</b>							
Net investment in capital assets	250.2	257.5	0.5	0.5	250.7	258.0	-2.8%
Restricted	0.1	0.1	-	-	0.1	0.1	-13.4%
Unrestricted	(326.8)	(69.6)	1.0	1.2	(325.8)	(68.4)	376.2%
<b>Total Net Position, as restated</b>	<u>\$ (76.5)</u>	<u>\$ 188.0</u>	<u>\$ 1.5</u>	<u>\$ 1.7</u>	<u>\$ (75.0)</u>	<u>\$ 189.7</u>	<u>-139.5%</u>

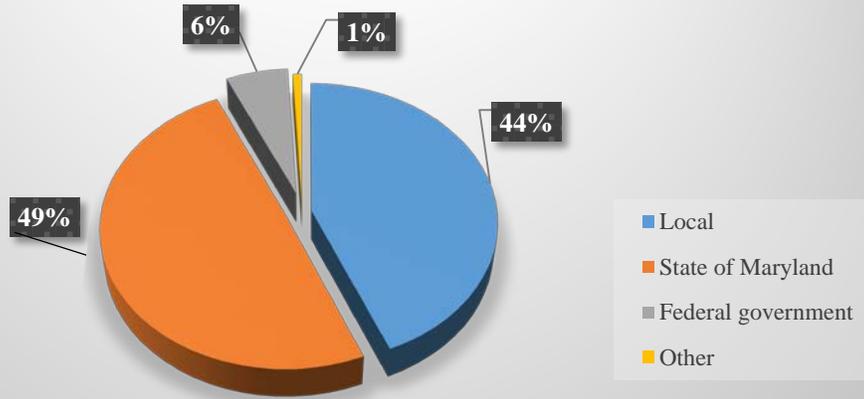
Figure A-4  
Condensed Statement of Net Activities (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School System		Total % Change
	2018	2017	2018	2017	2018	2017	
<b>Revenue</b>							
Program revenues:							
Charges for services	\$ 0.2	\$ 0.2	\$ 2.9	\$ 2.5	\$ 3.2	\$ 2.7	17.2%
Operating grants and contributions	39.3	39.6	4.3	4.3	43.6	43.9	-0.8%
Capital grants and contributions	3.1	5.3	-	-	3.1	5.3	-42.5%
General revenues:							
County	102.2	102.7	-	-	102.2	102.7	-0.5%
State	91.7	88.0	-	-	91.7	88.0	4.3%
Federal	2.4	2.7	-	-	2.4	2.7	-12.5%
Other	1.0	1.0	-	-	1.0	1.0	-1.4%
<b>Total Revenue</b>	<u>239.9</u>	<u>239.5</u>	<u>7.2</u>	<u>6.8</u>	<u>247.1</u>	<u>246.3</u>	<u>0.3%</u>
<b>Expenses</b>							
Administrative	20.4	20.2	-	-	20.4	20.2	1.2%
Instruction	91.5	90.4	-	-	91.5	90.4	1.2%
Special education	22.3	22.1	-	-	22.3	22.1	0.7%
Student personnel & health services	3.7	4.0	-	-	3.7	4.0	-8.7%
Transportation	16.9	15.9	-	-	16.9	15.9	6.5%
Operations & maintenance	28.7	29.1	-	-	28.7	29.1	-1.4%
Fixed charges	76.2	78.1	-	-	76.2	78.1	-2.5%
Other	0.4	0.6	7.4	6.8	7.8	7.4	4.9%
<b>Total Expenses</b>	<u>260.0</u>	<u>260.4</u>	<u>7.4</u>	<u>6.8</u>	<u>267.4</u>	<u>267.2</u>	<u>0.1%</u>
<b>Change in Net Position</b>	<u>\$ (20.2)</u>	<u>\$ (20.9)</u>	<u>\$ (0.2)</u>	<u>\$ -</u>	<u>\$ (20.3)</u>	<u>\$ (20.9)</u>	<u>-3.1%</u>

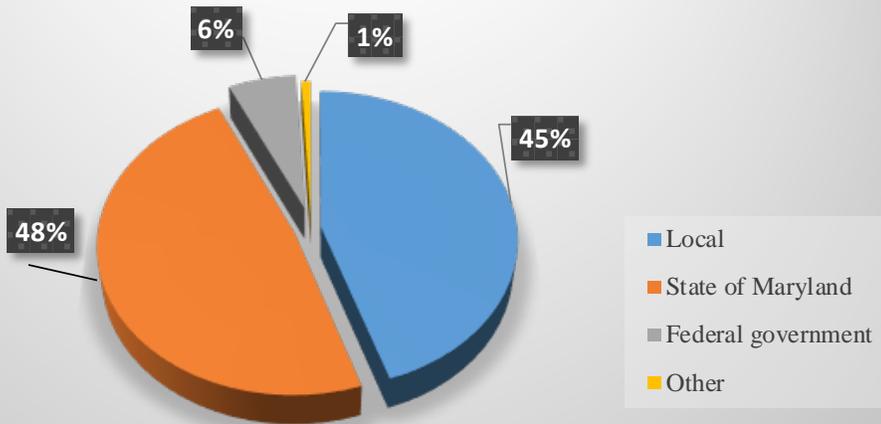
**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Management's Discussion and Analysis  
June 30, 2018**

**Figure A-5: Sources of Revenues FY-2018  
Governmental Activities**



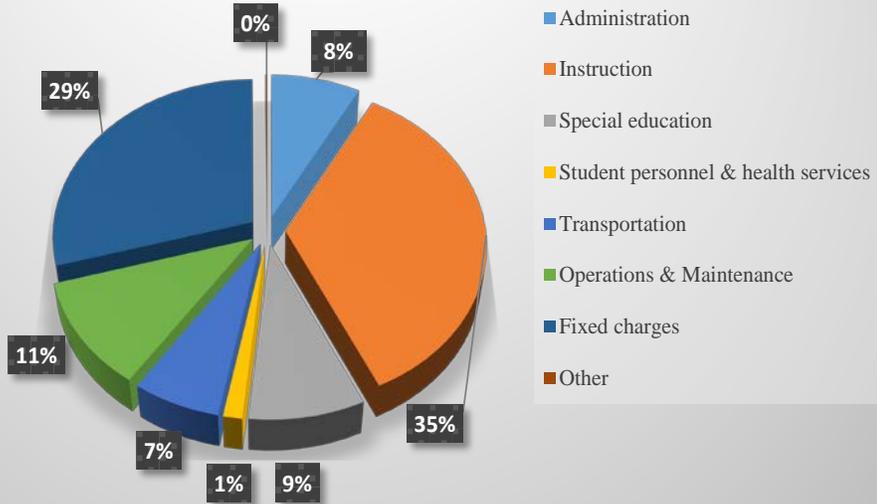
**Figure A-6: Sources of Revenues FY-2017  
Governmental Activities**



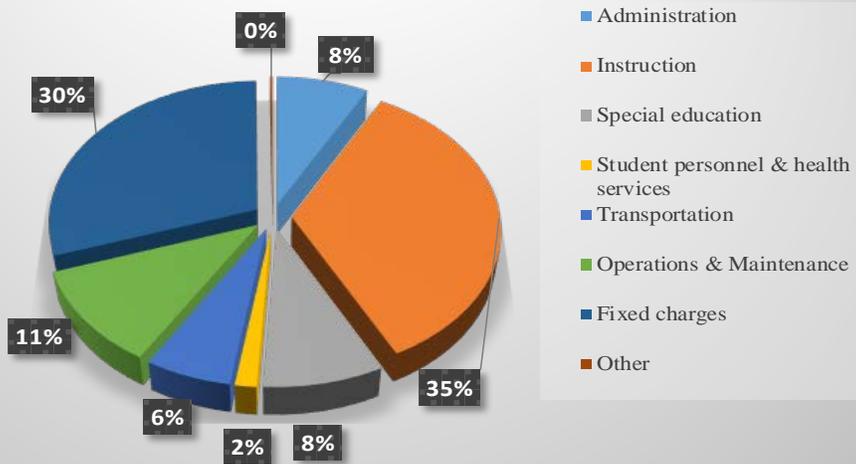
**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Management's Discussion and Analysis  
June 30, 2018**

**Figure A-7: Expenses FY-2018 Governmental Activities**



**Figure A-8: Expenses FY-2017 Governmental Activities**



**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Management's Discussion and Analysis  
June 30, 2018**

**Governmental Activities**

Variations between budgeted Revenues and Expenses and actual Revenues and Expenses can be attributed to:

- Negatives:
  - None.
  
- Positives:
  - Health Insurance Rebate – Pharmaceutical rebate of \$3 million.
  - Interest rates produced higher than budgeted returns on investments.

**Figure A-9  
Net Cost of Governmental Activities (in millions of dollars)**

	Total Cost of Services			Net Cost of Services		
	2018	2017	% change	2018	2017	% change
Administrative	\$ 20.4	\$ 20.2	1%	\$ 19.5	\$ 19.6	0%
Instruction	91.5	90.4	1%	86.4	85.3	1%
Special education	22.3	22.1	1%	12.8	13.2	-3%
Student personnel & health services	3.7	4.0	-9%	3.5	3.8	-9%
Transportation	16.9	15.9	7%	9.2	8.0	15%
Operations & maintenance	28.7	29.1	-1%	25.4	23.1	10%
Fixed charges	76.2	78.1	-2%	60.7	62.3	-3%
Other	0.4	0.6	-35%	0.0	(0.1)	-131%
<b>Total</b>	<b>\$ 260.0</b>	<b>\$ 260.4</b>	<b>0%</b>	<b>\$ 217.5</b>	<b>\$ 215.2</b>	<b>1%</b>

## **ST. MARY'S COUNTY PUBLIC SCHOOLS**

### **Management's Discussion and Analysis June 30, 2018**

#### **Business-Type Activities**

- Net position for Food Service decreased by \$173,712. The costs associated with the second year of a one-hour lunch program at the high school level was not subsidized by the unrestricted fund in 2018 as it had been in 2017.

#### **Financial Analysis of the School System's Funds**

The financial performance of the School System's general operations is reflected in its governmental funds. For FY 2018, the General Fund shows \$535,624 of revenues over expenditures and other financing sources (page 20).

Capital Projects expenditures amounted to \$3.1M for the year ended June 30, 2018 (page 20). As discussed later, these expenditures were for a full array of capital projects.

#### **General Fund Budgetary Highlights**

Overall, revenues came in at 99.99% of the budget. Expenditures came in under budget at 97.07%.

Over the course of the fiscal year, the School System revised the annual operating budget once on a categorical basis and several times for within categorical adjustments. These budget amendments fall into two categories:

- Adjustments outside a category were to recognize a planned \$5.3M of fund balance usage.
- Adjustments within a category to realign the budget to meet emerging needs.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

During FY 2018, the School System invested \$2.7M (prior to depreciation) in a broad range of capital assets, including school buildings, vehicles, and equipment. More information can be found in Note 4 to the basic Financial Statements (page 36).

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Management's Discussion and Analysis June 30, 2018

**Figure A-10  
Capital Assets (net of depreciation, in millions of dollars)**

	Governmental Activities		Business-type Activities		Total School System		Total % Change
	2018	2017	2018	2017	2018	2017	
Land	\$ 3.7	\$ 3.7	\$ -	\$ -	\$ 3.7	\$ 3.7	0%
Facilities under construction	26.5	25.1	-	-	26.5	25.1	5%
Buildings	217.8	225.5	-	-	217.8	225.5	-3%
Equipment	3.6	3.5	0.5	0.5	4.2	4.0	5%
<b>Total Capital Assets, net</b>	<b>\$ 251.7</b>	<b>\$ 257.8</b>	<b>\$ 0.5</b>	<b>\$ 0.5</b>	<b>\$ 252.2</b>	<b>\$ 258.3</b>	<b>-2%</b>

### Long-term Debt

The long-term debt is expected to grow over time as funding for OPEB remains at less than desirable amounts. For FY 2018 there was one payment made to the OPEB trust for \$1M and the liability for OPEB increased \$11.6M in the current year (after GASB 75 restatement). GASB 68 required the School System to record a decrease in pension liability for FY 2018 of \$1.5M. Additional information on long-term debt can be found in Note 7 to the basic Financial Statements (page 38).

**Figure A-11  
Outstanding Long-term Debt (in millions of dollars)**

	Governmental Activities		Business-type Activities		Total School System		Total % Change
	2018	2017	2018	2017	2018	2017	
Equipment financing agreements	\$ 1.5	\$ 0.3	\$ -	\$ -	\$ 1.5	\$ 0.3	\$ 4.0
Compensated absences	4.9	4.9	0.2	0.2	5.1	5.1	(0.0)
Net OPEB Liability	323.0	311.5	-	-	323.0	311.5	0.0
Net pension liability	11.7	13.2	-	-	11.7	13.2	(0.1)
<b>Total long-term debt</b>	<b>\$ 341.1</b>	<b>\$ 329.9</b>	<b>\$ 0.2</b>	<b>\$ 0.2</b>	<b>\$ 341.3</b>	<b>\$ 330.1</b>	<b>3%</b>

### Factors bearing on the School System's Future

At the time these financial statements were prepared and audited, the School System was aware of three items that could significantly affect the financial health in the future:

- GASB 75 replaces GASB 45, which requires St. Mary's County Public Schools to recognize the entire unfunded accrued liability associated with post-employment benefits. The School System's current liability is \$323 million as of June 30, 2018. This liability has put the government wide net position into a negative position.
- GASB 68 requires St. Mary's County Public Schools to recognize a long term pension liability of \$11.7 million for the year ending June 30, 2018. All Boards of Education are now responsible for reporting the net unfunded pension liability for participants in the Employees' Pension Systems. This amount will adjust annually and reduce the overall net position of the School System.

## **ST. MARY'S COUNTY PUBLIC SCHOOLS**

### **Management's Discussion and Analysis June 30, 2018**

#### **Factors bearing on the School System's Future (continued)**

- SMCPs will be working with local, state, and federal funding agencies to safety & security enhancements to our schools.

#### **Contacting SMCPs' Financial Management**

This financial report is designed to provide the School System's citizens, stakeholders, elected officials, and the financial market with a general overview of the School System's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Assistant Superintendent of Fiscal Services and Human Resources, St. Mary's County Public Schools, 23160 Moakley Street, Leonardtown, Maryland 20650.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Statement of Net Position As of June 30, 2018

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 34,185,139	\$ 546,963	\$ 34,732,102
Certificate of deposit	87,366	-	87,366
Due from other governments	7,661,889	229,377	7,891,266
Internal balances	(1,133,454)	1,133,454	-
Other receivables, net	37,666	13,381	51,047
Inventory	-	162,772	162,772
Prepaid items	8,551	-	8,551
Capital assets			
Land	3,742,759	-	3,742,759
Building and improvements	373,560,694	-	373,560,694
Furniture and equipment	9,262,863	1,933,176	11,196,039
Equipment leased under financing agreements	6,676,139	-	6,676,139
Construction in process	26,465,856	-	26,465,856
less accumulated depreciation	(168,004,045)	(1,407,991)	(169,412,036)
<b>Total assets</b>	<b>292,551,423</b>	<b>2,611,132</b>	<b>295,162,555</b>
<b>Deferred Outflows</b>			
Deferred outflows related to pensions	2,501,211	-	2,501,211
Deferred outflows related to OPEB	275,586	-	275,586
<b>Total deferred outflows</b>	<b>2,776,797</b>	<b>-</b>	<b>2,776,797</b>
<b>Liabilities</b>			
Accounts payable	6,713,971	386,086	7,100,057
Accrued salaries and related costs	16,260,809	288,487	16,549,296
Due to other governments	6,026	-	6,026
Unearned revenue	4,546,617	178,753	4,725,370
Long-term liabilities			
Due within one year:			
Compensated absences	525,832	14,559	540,391
Financing agreements payable	402,951	-	402,951
Due after one year:			
Compensated absences	4,356,913	190,316	4,547,229
Financing agreements payable	1,141,103	-	1,141,103
Net pension liability	11,668,499	-	11,668,499
Net OPEB liability	323,008,897	-	323,008,897
<b>Total Liabilities</b>	<b>368,631,618</b>	<b>1,058,201</b>	<b>369,689,819</b>
<b>Deferred Inflows</b>			
Deferred inflows related to pension	832,370	-	832,370
Deferred inflows related to OPEB	2,399,666	-	2,399,666
<b>Total deferred inflows</b>	<b>3,232,036</b>	<b>-</b>	<b>3,232,036</b>
<b>Net Position</b>			
Net investment in capital assets	250,160,212	525,185	250,685,397
Restricted - capital projects	86,586	-	86,586
Unrestricted (deficit)	(326,782,232)	1,027,746	(325,754,486)
<b>Total Net Position</b>	<b>\$ (76,535,434)</b>	<b>\$ 1,552,931</b>	<b>\$ (74,982,503)</b>

The accompanying notes are an integral part of this financial statement.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Statement of Activities  
For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenue			Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital grants and contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
Administration	\$ 3,846,202	\$ -	\$ 303,039	\$ -	\$ (3,543,163)	\$ -	\$ (3,543,163)
Mid-level administration	16,601,325	-	639,508	-	(15,961,817)	-	(15,961,817)
Instructional salaries	81,539,875	-	3,570,828	-	(77,969,047)	-	(77,969,047)
Instructional textbooks and supplies	7,832,140	83,060	609,928	-	(7,139,152)	-	(7,139,152)
Other instructional costs	2,139,388	-	838,991	-	(1,300,397)	-	(1,300,397)
Special education	22,254,551	-	9,499,103	-	(12,755,448)	-	(12,755,448)
Student personnel services	1,255,372	-	104,607	-	(1,150,765)	-	(1,150,765)
Student health services	2,396,823	-	87,392	-	(2,309,431)	-	(2,309,431)
Student transportation services	16,933,860	-	7,737,521	-	(9,196,339)	-	(9,196,339)
Operation of plant	24,748,249	155,385	24,663	3,050,150	(21,518,051)	-	(21,518,051)
Maintenance of plant	3,938,005	-	30,109	-	(3,907,896)	-	(3,907,896)
Community services	358,300	-	358,300	-	-	-	-
Fixed charges	76,161,807	-	15,491,154	-	(60,670,653)	-	(60,670,653)
Interest on long-term debt	31,493	-	-	-	(31,493)	-	(31,493)
<b>Total Governmental Activities</b>	<u>260,037,390</u>	<u>238,445</u>	<u>39,295,143</u>	<u>3,050,150</u>	<u>(217,453,652)</u>	<u>-</u>	<u>(217,453,652)</u>
<b>Business-type Activities</b>							
Food services	7,375,549	2,925,288	4,267,749	-	-	(182,512)	(182,512)
<b>Total Government</b>	<u>\$ 267,412,939</u>	<u>\$ 3,163,733</u>	<u>\$ 43,562,892</u>	<u>\$ 3,050,150</u>	<u>(217,453,652)</u>	<u>(182,512)</u>	<u>(217,636,164)</u>
<b>General Revenue</b>							
Unrestricted grants and contributions:							
Local							
					102,189,940	-	102,189,940
State							
					91,742,030	-	91,742,030
Federal							
					2,362,817	-	2,362,817
Investment earnings							
					314,108	6,300	320,408
Other							
					671,711	2,500	674,211
			<b>Total General Revenue</b>		<u>197,280,606</u>	<u>8,800</u>	<u>197,289,406</u>
			<b>Change in Net Position</b>		(20,173,046)	(173,712)	(20,346,758)
			Net position, beginning of year, as restated		<u>(56,362,388)</u>	<u>1,726,643</u>	<u>(54,635,745)</u>
			<b>Net Position, End of Year</b>		<u>\$ (76,535,434)</u>	<u>\$ 1,552,931</u>	<u>\$ (74,982,503)</u>

The accompanying notes are an integral part of this financial statement.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Balance Sheet – Governmental Funds  
As of June 30, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 34,164,186	\$ 20,953	\$ 34,185,139
Certificate of deposit	-	87,366	87,366
Due from other governments	6,967,011	694,878	7,661,889
Due from other funds	-	365,936	365,936
Other receivables	37,666	-	37,666
Prepaid items	8,551	-	8,551
<b>Total assets</b>	<u>\$ 41,177,414</u>	<u>\$ 1,169,133</u>	<u>\$ 42,346,547</u>
<b>Liabilities</b>			
Liabilities			
Accounts payable	\$ 6,205,229	\$ 508,742	\$ 6,713,971
Accrued salaries and related costs	16,260,809	-	16,260,809
Due to other governments	6,026	-	6,026
Due to other funds	1,499,390	-	1,499,390
Unearned revenue	3,972,812	573,805	4,546,617
<b>Total liabilities</b>	<u>27,944,266</u>	<u>1,082,547</u>	<u>29,026,813</u>
Fund balances			
Non-spendable	8,551	-	8,551
Restricted	-	86,586	86,586
Assigned	13,224,597	-	13,224,597
Unassigned	-	-	-
<b>Total fund balance</b>	<u>13,233,148</u>	<u>86,586</u>	<u>13,319,734</u>
<b>Total liabilities and fund balance</b>	<u>\$ 41,177,414</u>	<u>\$ 1,169,133</u>	<u>\$ 42,346,547</u>

The accompanying notes are an integral part of this financial statement.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
As of June 30, 2018**

**Total Fund Balances - Governmental Funds** \$ 13,319,734

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.

Cost of capital assets	\$ 419,708,311	
Accumulated depreciation	<u>(168,004,045)</u>	251,704,266

Long-term liabilities including net pension liability and related deferred inflow and outflow and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Compensated absences	\$ (4,882,745)	
Financing agreements payable	(1,544,054)	
Net OPEB obligation	(323,008,897)	
Net pension Liability	(11,668,499)	
Deferred outflows/inflows - related to pension	1,668,841	
Deferred outflows/inflows - related to OPEB	<u>(2,124,080)</u>	(341,559,434)

**Total net position - governmental activities** \$ (76,535,434)

The accompanying notes are an integral part of this financial statement.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
For the Year Ended June 30, 2018**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Revenue</b>			
St. Mary's County	\$ 102,189,940	\$ 2,610,996	\$ 104,800,936
State of Maryland	118,462,598	439,154	118,901,752
Federal government	14,125,104	-	14,125,104
Tuition	75,391	-	75,391
Investment income	312,767	1,341	314,108
Other	1,647,053	-	1,647,053
<b>Total revenue</b>	<b>236,812,853</b>	<b>3,051,491</b>	<b>239,864,344</b>
<b>Expenditures</b>			
<b>Current</b>			
Administration	3,815,566	-	3,815,566
Mid-level administration	16,577,805	-	16,577,805
Instructional salaries	81,539,875	-	81,539,875
Instructional textbooks and supplies	7,832,140	-	7,832,140
Other instructional costs	2,018,469	-	2,018,469
Special education	22,246,818	-	22,246,818
Student personnel services	1,254,604	-	1,254,604
Student health services	2,396,823	-	2,396,823
Student transportation services	16,775,983	-	16,775,983
Operation of plant	15,020,962	-	15,020,962
Maintenance of plant	3,914,085	-	3,914,085
Community services	358,300	-	358,300
Fixed charges	61,567,310	-	61,567,310
Capital outlay	750,950	3,070,750	3,821,700
<b>Debt service</b>			
Principal	176,046	-	176,046
Interest	31,493	-	31,493
<b>Total expenditures</b>	<b>236,277,229</b>	<b>3,070,750</b>	<b>239,347,979</b>
<b>Net change in fund balances</b>	<b>535,624</b>	<b>(19,259)</b>	<b>516,365</b>
Fund balance, beginning of year	12,697,524	105,845	12,803,369
<b>Fund Balance, End of Year</b>	<b>\$ 13,233,148</b>	<b>\$ 86,586</b>	<b>\$ 13,319,734</b>

The accompanying notes are an integral part of this financial statement.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and  
Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2018**

Total net change in fund balances - governmental funds	\$ 516,365
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	(6,094,914)
Repayment of financing agreement principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	176,046
When you have new financing agreement, it increases revenue in the governmental fund, but it is an increase in liabilities in the statement of net position.	(1,413,414)
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	24,422
Net OPEB current year expense	(11,558,809)
Net pension liabilities	1,561,115
Deferred outflows and inflows of resources related to pensions	(1,259,777)
Deferred outflows and inflows of resources related to OPEB	<u>(2,124,080)</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ (20,173,046)</u></b>

The accompanying notes are an integral part of this financial statement.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Statement of Net Position – Proprietary Fund  
As of June 30, 2018**

**Assets**

Current assets

Cash and cash equivalents	\$	546,963
Due from other governments		229,377
Due from other funds		1,133,454
Accounts receivable, net		13,381
Inventory, at cost		162,772
		<u>2,085,947</u>

Noncurrent Assets

Food service equipment		1,933,176
Less accumulated depreciation		(1,407,991)
		<u>525,185</u>
<b>Total assets</b>		<u>2,611,132</u>

**Liabilities**

Current liabilities

Accounts payable	\$	386,086
Accrued salaries and related costs		288,487
Unearned revenue		178,753
Compensated absences		14,559
		<u>867,885</u>

Noncurrent liabilities

Compensated absences		190,316
<b>Total liabilities</b>		<u>1,058,201</u>

**Net Position**

Net investment in capital assets		525,185
Unrestricted		1,027,746
<b>Total Net Position</b>	\$	<u>1,552,931</u>

The accompanying notes are an integral part of this financial statement.

## ST. MARY'S COUNTY PUBLIC SCHOOLS

### Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund For the Year Ended June 30, 2018

Operating Revenue	
Food service sales	\$ 2,925,288
Federal grants and commodities	4,034,404
State matching and other	233,345
<b>Total operating revenue</b>	<u>7,193,037</u>
Operating Expenses	
Payroll costs	3,958,563
Professional and contract services	52,537
Supplies and materials	3,157,850
Depreciation	88,797
Other operating costs	117,802
<b>Total operating expenses</b>	<u>7,375,549</u>
<b>Operating loss</b>	(182,512)
Non-Operating Revenue	
Interest income	6,300
Donations	2,500
	<u>8,800</u>
Change in net position	(173,712)
Net position, beginning of year	1,726,643
<b>Net Position, End of Year</b>	<u>\$ 1,552,931</u>

The accompanying notes are an integral part of this financial statement.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Statement of Cash Flows – Proprietary Fund For the Year Ended June 30, 2018

Cash Flows from Operating Activities	
Cash received from user charges	\$ 2,926,768
Operating grants and subsidies received	4,191,418
Payments to employees for services	(3,939,999)
Payments to suppliers for goods and services	(2,925,017)
Payments for other operating expenses	(117,802)
<b>Net cash provided by operating activities</b>	<u>135,368</u>
Cash Flows From Non-Capital Financing Activities	
Internal activity - net receipts from other funds	42,565
<b>Net cash used in non-capital financing activities</b>	<u>42,565</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(120,878)
Donations	2,500
<b>Net cash used in capital and related financing activities</b>	<u>(118,378)</u>
Cash Flows From Investing Activities	
Interest received on investments	6,300
<b>Net cash provided by investing activities</b>	<u>6,300</u>
<b>Net decrease in cash and cash equivalents</b>	65,855
Cash and Cash Equivalents	
Beginning	481,108
Ending	<u>\$ 546,963</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Loss	\$ (182,512)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	88,797
Changes in assets and liabilities:	
Due from other governments	(85,613)
Receivables	1,480
Inventory	(18,785)
Accounts payable	304,155
Accrued salaries and related costs	(10,596)
Unearned revenue	9,282
Compensated absences	29,160
<b>Net Cash from Operating Activities</b>	<u>\$ 135,368</u>

The accompanying notes are an integral part of this financial statement.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Statement of Fiduciary Net Position – Fiduciary Funds  
As of June 30, 2018**

	<u>Private-Purpose Trust Fund</u>	<u>Retiree Benefit Trust Fund (OPEB)</u>	<u>School Activity Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 97,812	\$ -	\$ 1,818,406
Investments held in MABE Trust	-	45,472,617	-
	<u>97,812</u>	<u>45,472,617</u>	<u>\$ 1,818,406</u>
<b>Total assets</b>	<u>97,812</u>	<u>45,472,617</u>	<u>\$ 1,818,406</u>
<b>Liabilities</b>			
Accounts payable	1,095	-	\$ -
Due to student groups	-	-	1,818,406
	<u>1,095</u>	<u>-</u>	<u>\$ 1,818,406</u>
<b>Total liabilities</b>	<u>1,095</u>	<u>-</u>	<u>\$ 1,818,406</u>
<b>Net Position</b>			
Reserved for scholarships	<u>\$ 96,717</u>		
Held in trust for retiree benefits		<u>\$ 45,472,617</u>	

The accompanying notes are an integral part of this financial statement.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
For the Year Ended June 30, 2018**

	<u>Private-Purpose Trust Fund</u>	<u>Retiree Benefit Trust Fund (OPEB)</u>
Additions		
Investment and other income (loss), net of administrative fees	\$ 2,688	\$ 3,075,705
Employer Contributions	-	1,000,000
Deductions		
Scholarships awarded	1,550	-
	<u>1,138</u>	<u>4,075,705</u>
<b>Change in net position</b>		
Net position		
Beginning of Year	95,579	41,396,912
End of Year	<u>\$ 96,717</u>	<u>\$ 45,472,617</u>

The accompanying notes are an integral part of this financial statement.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements

June 30, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In Maryland, public schools are part of a statewide system of county school boards. The school boards' political boundaries conform to the county boundaries. The purpose of St. Mary's County Public Schools (the School System) is to operate the local public school system in accordance with state and community standards.

The School System does not have the authority to levy any taxes or incur debt. Schools are funded with local (county), state and federal monies. St. Mary's County, Maryland has oversight responsibility for approval and partial funding of the School System's operating budget.

The School System is a component unit of St. Mary's County, Maryland by virtue of the County's responsibility for levying taxes and its budgetary control over the School System.

The School System's financial statements are prepared in accordance with the Codification of Governmental Accounting and Financial Reporting Standards (the Codification) as promulgated by the Governmental Accounting Standards Board (GASB). The more significant policies of the School System are described below:

#### Reporting Entity

The main criterion used in determining the entity for financial reporting purposes is whether the School System is financially accountable for any governmental department, agency, institution, commission, public authority, or other organization. As part of that criterion, the following factors were considered:

- Financial benefit or burden
- Appoints a voting majority of the component unit board
- Designation of management
- Ability to impose its will
- Fiscally dependent

Based on these factors, no other organizations exist that should have been included in these financial statements.

#### Government-Wide Financial Statements

The government-wide financial statements report information on all of the non-fiduciary activities of the School System as a whole and categorize primary activities as either governmental or business-type. The School System's food service program is classified as a business-type activity.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements

June 30, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Government-Wide Financial Statements (continued)**

In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School System's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The School System first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reduces gross expenses by directly related program revenues. Program revenues include: (1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other income including investment income and grants and contributions that are not restricted to meeting the operational requirements of a particular function are instead reported as general revenues. The School System does not allocate indirect costs.

#### **Fund Financial Statements**

The financial transactions of the School System are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses - expenditures as appropriate. School System resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The emphasis in the fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. The Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The various funds are grouped, in the financial statements in this report, into six generic fund types and three broad fund categories as follows:

#### *Governmental Funds:*

General Fund: The General Fund is the general operating fund of the School System. It is used to account for all financial resources except those required to be accounted for in another fund. This fund includes appropriations and grants for both restricted and unrestricted purpose. The operations of the Chesapeake Public Charter School are also accounted for in the General Fund.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements June 30, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fund Financial Statements (continued)

Capital Projects Fund: The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Both the General and Capital Projects Funds have been classified as major funds in the accompanying fund financial statements. While the fund does not meet the criteria set forth by the Codification, the School System has elected to present the Capital Projects Fund as a major fund, due to public interest.

#### *Proprietary Funds:*

Enterprise Fund: The Enterprise Fund is used to account for the operations of the food service program. The Enterprise Fund is presented in the business-type activities column in the government-wide financial statements.

The Proprietary Fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with a proprietary fund's ongoing operations. Operating revenue of the Enterprise Fund consists of fees charged to users of food services along with state and federal subsidies and grants received for providing such services. Operating expenses of the Enterprise Fund consist of employee salaries and benefits, supplies, materials, administrative costs, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

#### *Fiduciary Funds:*

Agency Funds: Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School Activity Funds account for the funds of other persons or organizations which are the direct responsibility of the principals of the respective schools.

Private-Purpose Trust Fund: The Private-Purpose Trust Fund accounts for the assets donated to the School System to finance memorial scholarships, which are limited to revenues earned (additions).

Retiree Benefit Trust Fund: The Retiree Benefit Trust Fund (OPEB) consists of contributions of the School System to establish a reserve to pay for health and welfare benefits of future retirees. Contributions to the Trust qualify as contributions and are reported as additions using the economic resource measurement focus and the accrual basis of accounting, under which expenses (deduction) are recorded when the liability is incurred or benefits are paid.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements

June 30, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fund Financial Statements (continued)

By definition, Fiduciary Funds assets are being held for the benefit of a third party and cannot be used to satisfy obligations of the School System, and are, therefore, not incorporated into the government-wide financial statements.

#### Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. United States Department of Agriculture (USDA) food commodities are recorded as revenue and expense when they are consumed.

The governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School System considers revenues to be available if they are collected within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include general long-term liabilities. As such, debt service expenditures, expenditures related to compensated absences and future pension and other retirement obligations are recorded only when payment is due.

#### Cash and Cash Equivalents

The School System's cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less. Short-term investments are stated at amortized cost, and consist of investments in the Maryland Local Government Investment Pool (MLGIP). Amortized cost generally approximates fair value.

#### Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation in the government-wide financial statements.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements June 30, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Interfund Activity (continued)

Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as internal balances. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

#### Accounts Receivable

Food services are accounted for in the Enterprise Fund. Receivables are carried at original invoice less an estimate for doubtful accounts. It is management's policy to provide an allowance for all balances greater than one year old. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

#### Inventory

Inventory is valued at the lower of cost, determined by using the first-in, first-out method of accounting, or market. Inventory in the Enterprise Fund consists of expendable food and supplies held for consumption. The cost is recorded as an asset at the time individual inventory items are purchased. As inventory is consumed, the cost is charged to expenses.

#### Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Library books are expensed at the time they are purchased. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset, are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight- line basis over the following estimated useful lives:

Buildings and improvements	20 – 50 years
Furniture and equipment	5 – 15 years

#### Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements June 30, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Deferred Outflows of Resources (continued)

The School System has four items that meet this criterion at June 30, 2018; contributions made to a pension plan in the current fiscal year, the net difference between projected and actual investment earnings on pension plan assets, net difference in actual and expected experience in OPEB plan activity, and changes in actuarial assumptions.

#### Accrued Salaries

Teachers' salaries are considered earned at the completion of the school year and are recognized as expenses/ expenditures over the school year. Teachers are paid their ten-month salary over twelve months. The accrued salaries are paid within the first two months of the succeeding fiscal year.

#### Long-Term Debt

The School System is not obligated to repay principal or interest on any bonds or loans issued for school construction. Such bonds or loans are obligations of the county and state governments. The authorization for expenditures related to debt service for school construction is in the County's Operating Budget. The County, not the School System, reflects annual debt service expenditures for school construction in their annual financial statements. However, the School System does reflect long-term debt in their financial statements for financing agreement obligations incurred by the School System for the lease-purchase of certain office and computer equipment.

#### Compensated Absences

The School System accrues accumulated unpaid vacation and sick leave and associated employee- related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30. The accrual of sick leave is based on payment upon retirement or death of a maximum of \$3,250 for each non-exempt employee and \$6,200 for each exempt employee, based on sick leave balances if the employee has worked for the school system for 10 years. Sick leave is estimated to be earned once an employee has attained either 55 years of age with 10 years of service in the School System, or 30 years of service with the School System, or 20 years of service in the State of Maryland regardless of age.

For governmental funds, the amount of accumulated unpaid vacation and sick leave which is payable from available resources, is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations. As of June 30, 2018, no accumulated unpaid vacation or sick leave had matured, resulting in them being maintained separately and being a reconciling item between the fund and government-wide financial statement presentations.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements June 30, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School System has three items that meets this criterion at June 30, 2018; the net difference between projected and actual investment earnings on OPEB plan assets, changes in actuarial assumptions, and the net difference in actual and expected experience in pension plan activity.

#### **Fund Balances**

The Board of Education must approve a motion in order to establish a fund balance commitment or assignment and only needs to approve the elimination of a fund balance commitment. The School System first considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. When unrestricted amounts are considered to have been spent, the School System considers committed amounts first, then assigned, and finally unassigned when an expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.

#### **Net Position**

Net position equals assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net position, net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position, net investment in capital assets, excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School System or through external restrictions imposed by creditors, granters or laws or regulations of other governments.

The School System first applies restricted resources when an expense is incurred, for purposes for which both restricted and unrestricted net position are available.

#### **Post-Employment Benefits**

By terms of a negotiated contract with employee associations, the School System partially supports the group insurance plan for retired employees who have been employed by the School System for ten or more years. Effective July 1, 2007, these negotiated agreements provide that the Board will contribute from 45% to 65% of a retirees' group health insurance premium for years of experience ranging from 10 years to 30 or more years, respectively. The School System has elected to partially fund the actuarially determined costs for future periods as further discussed in Note 11.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements

June 30, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 2. DEPOSITS AND INVESTMENTS

#### Deposits

Custodial credit risk: Custodial credit risk for deposits is the risk that in the event of a bank failure, the School System's deposits may not be returned to it. Maryland State Law prescribes that local government units such as the School System must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2018, all of the School System's deposits, including the certificate of deposit, were either covered by federal depository insurance or were covered by collateral held by the School System's agent in the School System's name.

#### Short-Term Investments

Maryland State Law authorizes the School System to invest in obligations of the United States government, federal government obligations and repurchase agreements secured by direct government or agency obligations, the State's sponsored investment pool, or interest bearing accounts in any bank. At June 30, 2018, short-term investments consist primarily of deposits in the MLGIP. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The School System has no policy on credit risk.

The carrying amount and market value of such investments were \$22,543,818, \$414,371, and \$590,289 for governmental activities, business-type activity, and fiduciary responsibilities, respectively.

The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the State Treasurer. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. The pool is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940, which is MLGIP's share price.

The School System is not subject to any limitations or restrictions on withdrawals of its investments in MLGIP.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements

June 30, 2018

### 2. DEPOSITS AND INVESTMENTS (continued)

#### Long-Term Investments

As of June 30, 2018, the Capital Projects Fund's long-term investment consisted of a certificate of deposit which had a maturity of greater than one year but less than five years.

The Retiree Benefit Trust Fund (OPEB)'s investments are invested in the Maryland Association of Board of Educations Pooled OPEB Trust (MABE Trust). The MABE Trust is administered by the Maryland Association of Board of Education, and is a wholly-owned instrumentality of its members. The nine members who are the sole contributors to the MABE Trust are the boards of education of the following counties in Maryland: Allegany, Caroline, Cecil, Charles, Harford, Kent, Prince George's, St. Mary's, and Washington.

The investments of the MABE Trust are stated at fair value and are managed by Wells Fargo Advisors and consist of money market funds, U.S. government and agency fixed income and asset backed securities, equity securities, mutual funds and exchange traded funds, and corporate bonds and corporate asset backed securities. The MABE Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Although all of the investments in the MABE Trust are considered Level 1 and Level 2, the School Systems membership investment in the MABE Trust is considered Level 2. At June 30, 2018, the pooled net position of the MABE Trust was \$339,856,457 in total, of which the School System's allocated investment balance was \$45,471,986. The School System places no limits on the amount they may be invested with any one issuer. The School System may terminate its membership in the MABE Trust and withdrawal its allocated investment balance by providing written notice six months prior to the intended date of withdrawal.

The MABE Trust is audited annually by an independent CPA firm. Since 2010, Arthur Bell and Associates of Hunt Valley, Maryland has performed this service. The audit report is usually issued by September 1st each year, a copy of which can be obtained by sending a request to the following address: Administrator of the MABE Pooled Investment Trust, 621 Ridgely Road, Suite 300, Annapolis, Maryland 21401-1112.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Notes to the Financial Statements  
June 30, 2018**

**3. RECEIVABLES AND PAYABLES**

Receivables and payables at June 30, 2018, consist of the following:

	<u>Governmental Activities</u>			<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Business-Type Activities</u>	
Due from other governments				
Local	\$ 3,167,598	\$ 657,241	\$ 1,650	\$ 3,826,489
State	399,957	37,637	23,284	460,878
Federal	3,399,456	-	204,443	3,603,899
	<u>\$ 6,967,011</u>	<u>\$ 694,878</u>	<u>\$ 229,377</u>	<u>\$ 7,891,266</u>
Other receivables				
Accounts	\$ 37,666	\$ -	13,381	\$ 51,047
	<u>\$ 37,666</u>	<u>\$ -</u>	<u>\$ 13,381</u>	<u>\$ 51,047</u>
Accounts payable				
Vendors	\$ 6,205,229	\$ 442,221	\$ 386,086	\$ 7,033,536
Contractor retainages	-	66,521	-	66,521
	<u>\$ 6,205,229</u>	<u>\$ 508,742</u>	<u>\$ 386,086</u>	<u>\$ 7,100,057</u>
Due to other governments				
Local	\$ 6,026	\$ -	\$ -	\$ 6,026

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, is as follows:

	<u>Balance, June 30, 2017</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance, June 30, 2018</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 3,742,759	\$ -	\$ -	\$ 3,742,759
Construction in process	25,099,603	1,558,084	(191,831)	26,465,856
	<u>28,842,362</u>	<u>1,558,084</u>	<u>(191,831)</u>	<u>30,208,615</u>
Capital assets being depreciated				
Buildings and improvements	372,906,801	462,062	191,831	373,560,694
Furniture and equipment	9,092,372	719,007	(548,516)	9,262,863
Equipment leased under financing agreements	6,676,139	-	-	6,676,139
	<u>388,675,312</u>	<u>1,181,069</u>	<u>(356,685)</u>	<u>389,499,696</u>
Accumulated depreciated for				
Building and improvements	(147,437,291)	(8,276,809)	-	(155,714,100)
Furniture and equipment	(12,281,203)	(531,771)	523,029	(12,289,945)
	<u>(159,718,494)</u>	<u>(8,808,580)</u>	<u>523,029</u>	<u>(168,004,045)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 257,799,180</u>	<u>\$ (6,069,427)</u>	<u>\$ (25,487)</u>	<u>\$ 251,704,266</u>

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Notes to the Financial Statements  
June 30, 2018**

**4. CAPITAL ASSETS (continued)**

	<u>Balance, June 30, 2017</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance, June 30, 2018</u>
<b>Business-type activities</b>				
Capital assets being depreciated				
Furniture and equipment	\$ 1,882,102	\$ 120,878	\$ (69,803)	\$ 1,933,177
	<u>1,882,102</u>	<u>120,878</u>	<u>(69,803)</u>	<u>1,933,177</u>
Accumulated depreciated for				
Furniture and equipment	(1,388,998)	(88,797)	69,803	(1,407,992)
	<u>(1,388,998)</u>	<u>(88,797)</u>	<u>69,803</u>	<u>(1,407,992)</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 493,104</u>	<u>\$ 32,081</u>	<u>\$ -</u>	<u>\$ 525,185</u>

Depreciation expense that was charged in the statement of activities for the year ended June 30, 2018, was as follows:

<b>Governmental activities</b>	
Administration	\$ 27,213
Mid-level administration	20,892
Other instructional costs	107,408
Special education	6,869
Student personnel services	682
Student transportation services	140,237
Operation of plant	8,484,032
Maintenance of plant	21,247
	<u>\$ 8,808,580</u>
<b>Business-type activities</b>	
Food service	<u>\$ 88,797</u>

**5. UNEARNED REVENUE**

General Fund: Unearned revenue primarily consists of payments received under restricted programs in excess of the expenses/ expenditures incurred to date under those programs at June 30, 2018, of \$3,972,812.

Capital Projects Fund: Unearned revenue consists of prefunding in the amount of \$491,968 for construction projects at Spring Ridge Middle School and funds received for a removal security deposit to be used either towards the purchase of, or removal of an installed solar generating facility upon the expiration of a solar power purchase agreement in the amount of \$81,837.

Enterprise Fund: Unearned revenue of \$178,753 represents student lunch ticket sales collected in advance which will be consumed by students in fiscal year 2019.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Notes to the Financial Statements  
June 30, 2018**

**6. INTERFUND BALANCES**

The composition of interfund balances as of June 30, 2018, was as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	
	<u>Capital Projects</u>	<u>Enterprise</u>
General	\$ 365,936	\$ 1,133,454

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund receivables and payables are non-interest-bearing and are normally settled in the subsequent period.

**7. LONG-TERM LIABILITIES**

Long-term debt at June 30, 2018, consists of equipment financing obligations, accumulated compensated absences payable, net OPEB obligation, and net pension liability. The following is a summary of changes in the School System's long-term liabilities for the year ended June 30, 2018:

	<u>Balance, June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2018</u>	<u>Amounts Due Within one Year</u>
<b>Governmental activities</b>					
Equipment financing agreements	\$ 306,686	\$ 1,413,414	\$ 176,046	\$ 1,544,054	\$ 402,951
Compensated absences	4,907,167	367,204	391,626	4,882,745	525,832
Net OPEB liability*	311,450,088	25,506,396	13,947,587	323,008,897	-
Net pension liability	13,229,614		1,561,115	11,668,499	-
	<u>\$ 329,893,555</u>	<u>\$ 27,287,014</u>	<u>\$ 16,076,374</u>	<u>\$ 341,104,195</u>	<u>\$ 928,783</u>
<b>Business-type activities</b>					
Compensated absences	<u>\$ 175,715</u>	<u>\$ 33,652</u>	<u>\$ (4,492)</u>	<u>\$ 204,875</u>	<u>\$ 14,559</u>

\* As restated for the implementation of GASB 75.

The compensated absences liability attributable to the governmental activities will be liquidated solely by the General Fund.

The School System entered into various lease-purchase agreements to acquire certain office equipment and various student, teacher and administrative computers. These agreements have varying terms consisting of combined monthly payments of \$28,768 at interest rates ranging from 1.99% to 4.00%, expiring through 2023. All items purchased under the lease-purchase agreements are pledged as collateral under the agreements. Principal and interest payments for lease-purchase agreements are recorded as expenditures of the General Fund when due. Principal payments are reported as reductions of long-term obligations in the government-wide financial statements.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Notes to the Financial Statements  
June 30, 2018**

**7. LONG-TERM LIABILITIES (continued)**

The future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2018, under these equipment financing agreements are as follows:

<u>Years Ending June 30,</u>		
2019		\$ 402,951
2020		385,676
2021		299,297
2022		299,297
2023		299,297
		<u>1,686,518</u>
Less amount representing interest		(142,464)
Present value of minimum lease payments		<u>\$ 1,544,054</u>

**8. GOVERNMENTAL FUND BALANCES**

Governmental fund balances at June 30, 2018, are summarized as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
Non-spendable			
Prepaid items	\$ 8,551	\$ -	\$ 8,551
Restricted for			
Capital projects	\$ -	\$ 86,586	\$ 86,586
Assigned to			
Purchase orders:			
Instructional textbooks and supplies	82,268	-	82,268
Operation of plant	168,805	-	168,805
Maintenance of plant	47,855	-	47,855
Fixed charges	28,354	-	28,354
<b>Total purchase orders</b>	<u>327,282</u>	<u>-</u>	<u>327,282</u>
Healthcare	4,000,000	-	4,000,000
Wellness – Restricted Fund	1,217,516	-	1,217,516
FY 19 Safety & Security (CIP)	2,500,000	-	2,500,000
FY 19 Technology	1,500,000	-	1,500,000
FY 19 School Maintenance (CIP)	472,929	-	472,929
FY 19 Healthcare Holiday	1,422,000	-	1,422,000
FY 19 Textbooks	150,000	-	150,000
CPCS	34,870	-	34,870
FY 19 adopted budget	200,000	-	200,000
Lease - Building Purchase Option	400,000	-	400,000
Fuel	500,000	-	500,000
Snow / Emergency	500,000	-	500,000
	<u>13,224,597</u>	<u>-</u>	<u>13,224,597</u>
Unassigned	-	-	-
<b>Total fund balances</b>	<u>\$ 13,233,148</u>	<u>\$ 86,586</u>	<u>\$ 13,319,734</u>

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements

June 30, 2018

### 9. RISK MANAGEMENT

The School System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; personal injury; and natural disasters. The School System is one of 17 Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Group Insurance Pool (the Pool), a public entity risk pool organized as a trust.

The School System pays an annual premium to the Pool for its property, liability, and automobile coverage. Such premiums are actuarially calculated for the Pool as a whole, based on loss data, and are allocated to members based on student enrollment and number and type of vehicles as well as experience modification factors. The Pool is reinsured on a claims-made basis for legal liability, covering claims aggregating \$5 million per district per year.

Additionally, the School System is one of 17 Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Workers' Compensation Group Self-Insurance Fund (the Fund). The Fund was established to provide workers' compensation indemnity and medical benefits coverage for participating school boards. The Fund is operated under regulations promulgated by the State's Workers' Compensation Commission (COMAR 14.09.02). Each Fund participant pays an annual premium calculated on its payroll, according to the standard classifications, with an experience modification applied. Although premiums billed to the Fund members are determined on an actuarial basis, ultimate liability for claims remains with the respective members and accordingly, the insurance risks are not transferred to the Fund. Six months following the end of the Fund's fiscal year, the Fund's trustees declare unneeded funds as surplus and distribute as dividends to the Fund members. This dividend distribution is made no sooner than one year after the close of that fiscal year. The Fund carries an excess insurance policy providing specific excess and employer liability protection coverages, thus reducing the potential of assessment against Fund members. The Fund provides coverage for up to a maximum of \$475,000 for each worker's compensation claim. The School System carries commercial insurance on all other risks of loss.

Settled claims from these risks have not exceeded the planned coverage during any of the past three years.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements June 30, 2018

### 10. PENSION PLANS

#### Plan Description, Benefits, and Funding Policy

Plan Description: The employees of the School System are covered by one of the following pension plans (Pension Plans) affiliated with the State Retirement and Pension System of Maryland (SRPS), a cost-sharing multiple-employer public employee retirement system administered by the State Retirement Agency (Agency):

- The Teachers' Retirement System of the State of Maryland
- The Employees' Retirement System of the State of Maryland
- The Pension System for Teachers of the State of Maryland
- The Pension System for Employees of the State of Maryland

During the 1979 legislative session, the Maryland General Assembly created, effective January 1, 1980, the "Pension System for Teachers of the State of Maryland" and the "Pension System for Employees of the State of Maryland." Prior to this date, all teachers and related positions were required to be members of the "Teachers' Retirement System of the State of Maryland," and non-certificated positions were members of the "Employees' Retirement System of the State of Maryland." All School System employees who were members of the "Retirement System" may remain in that System, or they may elect to join the "Pension System." All teachers hired within the State after December 31, 1979, must join the "Pension System for Teachers." All non-certificated employees hired within the State after December 31, 1979, must join the "Pension System for Employees." The "Employees' Retirement System" and the "Pension System for Employees" cover those employees not covered by the teachers' plans. These employees are principally custodial, maintenance, and food service employees.

In addition to the Pension Plans discussed above, the SRPS is also comprised of the State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System. The State of Maryland is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits of the System. The Agency is legally authorized to use all assets accumulated for the payment of benefits to pay such obligations to any plan member or beneficiary as defined by the terms of the plan. Consequently, the System is accounted for as a single plan as defined in GASB Statement No. 67, Financial Reporting for Pension Plans -An Amendment of GASB Statement No. 25. Additionally, the SRPS is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies, and administrative budget. Accordingly, the SRPS is included in the State's reporting entity and disclosed in its financial statements as a pension trust fund. Additionally, the Agency issues a Comprehensive Annual Financial Report (CAFR) for the SRPS. That report may be obtained by writing to State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, by calling 410-625-5555, or online at <http://www.sra.state.md.us/>.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements June 30, 2018

### 10. PENSION PLANS (continued)

#### **Plan Description, Benefits, and Funding Policy (continued)**

Benefits: These pension plans provide pension benefits and death and disability benefits. A member may retire after 25 years of service from the Retirement Systems, and as early as age 55 and 15 years of service from the Pension Systems. Benefits generally vest after ten years of service.

Funding Policy: Contributions to the SRPS are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. The State Personnel and Pensions Article requires both active members and their respective employers to make contributions to the respective Systems. Rates for required contributions by active members are established by law. Under the "Retirement System" employees contribute 5% or 7% of their earnable compensation depending upon the retirement option selected, and under the "Pension System" employees contribute 7% of their earnable compensation.

Effective, July 1, 1980, in accordance with the law governing the Systems, all benefits of the Systems are funded in advance.

Contribution rates for employer and other non-employer contributing entities (including the State of Maryland) are established by annual actuarial valuations using the individual entry age normal cost method. The method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and (2) the amount for amortization of the unfunded actuarial accrued liability. The School System made required contributions totaling \$6,172,196 or 4.83% of current covered payroll, and the State of Maryland made contributions on behalf of the School System totaling \$12,933,614 or 10.11% of current covered payroll for fiscal year 2018. The contributions made by the State of Maryland on behalf of the School System were recognized as both revenue and expenditures in the General Fund as required by the GASB Codification.

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

The 24 Boards of Education in the State of Maryland have a special funding situation as defined within GASB 68. Because the State of Maryland pays the unfunded liability and the local jurisdictions pay the normal costs for the Teachers' Pension Systems, the local Boards of Education are not required to record their share of the unfunded pension liability associated with the Teachers' Pension Systems, but instead, that liability is recorded by the State of Maryland. However, Boards of Education are responsible for any net unfunded pension liability for participants in the Employees' Pension Systems.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Notes to the Financial Statements  
June 30, 2018**

**10. PENSION PLANS (continued)**

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

Because the State of Maryland must record the liability for the Boards of Education and because the State of Maryland and the Boards of Education did not fully contribute their normal and past service costs for the Teachers' Pension Systems, the net proportionate share calculation has been adjusted to account for total contributions to ensure the Boards of Educations' liability was not improperly allocated to other participating government units. Actual employer contributions billed to participating government units for the year ending June 30, 2017, are used as the basis for determining each employer's proportionate share of the net pension liability. As of June 30, 2018, the School System reported a liability of \$11,668,499 of the SRPS total liability of \$21,623,701,000.

As of June 30, 2018, the School System's proportion was 0.054 percent, which was a decrease of 0.002 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the School System recognized pension expense of approximately \$1,561,111. At June 30, 2018, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<hr/>	<hr/>
2018 Contributions	\$ 1,227,914	\$ -
Change in assumptions	462,136	-
Actual and expected experience	-	832,370
Difference in investment earnings	811,161	-
<b>Total</b>	<hr/> <b>\$ 2,501,211</b> <hr/>	<hr/> <b>\$ 832,370</b> <hr/>

\$1,227,914 reported as deferred outflows of resources related to pensions resulting from School System contributions to the employees' pension system subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Notes to the Financial Statements  
June 30, 2018**

**10. PENSION PLANS (continued)**

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

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 ended June 30:</u>	
2019	\$ 203,717
2020	432,657
2021	147,205
2022	(241,195)
2023	(101,457)
	<u>\$ 440,927</u>

Actuarial Methods and Assumptions: The total pension liability of the SRPS in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.65% general, 3.15% wage
Salary increases	3.15% to 9.15%, including wage inflation
Investment rate of return	7.50%
Mortality	RP-2014 Mortality Tables with generational mortality improvements based on the MP-2014 2-dimensional mortality improvement scale.

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

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Notes to the Financial Statements  
June 30, 2018**

**10. PENSION PLANS** (continued)

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

For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	36%	5.30%
Private Equity	11%	7.00%
Rate sensitive	21%	1.20%
Credit opportunity	9%	3.60%
Real return	15%	5.70%
Absolute return	8%	3.10%
	<u>100%</u>	

The above was the Pension Systems' Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2017. For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 1.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate: A single discount rate of 7.55% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the School System's proportionate share of the net pension liability, calculated using a single discount rate of 7.55%, as well as what the School System's proportionate share of the 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:

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Notes to the Financial Statements  
June 30, 2018**

**10. PENSION PLANS (continued)**

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

	<b>1% Decrease to 6.55%</b>	<b>Current Discount</b>	<b>1% Increase to 8.55%</b>
School System's proportionate share of the net pension liability	\$ 16,536,574	\$ 11,668,499	\$ 7,629,374

Detailed information about the SRPS' fiduciary net position is available in the separately issued CAFR by the Agency which may be obtained by writing to State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, by calling 410-625-5555, or online at <http://www.sra.state.md.us/>.

**11. POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE PLAN**

Plan Description: In addition to providing the pension benefits described in Note 10, the School System provides post-employment health care and life insurance benefits (OPEB Plan) to employees, former employees, or beneficiaries who meet retirement eligibility requirements of the pension plans. Effective July 1, 2007, by terms of a negotiated contract with employee associations, the School System partially supports the group insurance plan for retired employees who have been employed by the School System for ten or more years. These negotiated agreements provide that the School System will contribute from 45% to 65% of a retirees' group health insurance premium for years of experience ranging from 10 years to 30 or more years, respectively. In addition, the School System pays 100% of life insurance premiums based upon 50% of final salary coverage.

In March 2009, the School System established the Retiree Benefit Trust of the Board of Education of St. Mary's County (Benefit Trust) in order to facilitate the partial funding of the actuarially calculated OPEB liability. The Benefit Trust established a trust account with, and became a member of, the Maryland Association of Boards of Education Pooled OPEB Investment Trust (MABE Trust). The School System reserves the right to establish and amend the provisions of its relationship with the MABE Trust with respect to participants, any benefit provided there under, or its participation therein, in whole or in part at any time, by resolution of its governing body and upon advance written notice to the Trustees of the MABE Trust.

The MABE Trust was established to pool assets of its member Boards of Education for investment purposes only. Each member of the Investment Trust is required to designate a member trustee who is a trustee of the member trust. The member trustees of the MABE Trust shall ensure that the MABE Trust keep such records as are necessary in order to maintain a separation of the assets of the MABE Trust from the assets of trusts maintained by other governmental employers. Assets of the member trusts are reported in their respective financial statements using the economic resources measurement focus and the accrual basis of accounting, under which expenses are recorded when the liability is incurred.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Notes to the Financial Statements  
June 30, 2018**

**11. POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE PLAN (continued)**

Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, if available.

The MABE Trust issues a publicly available audited GAAP-basis report that includes financial statements and required supplementary information for the Investment Trust. This report may be obtained by writing to the Trust Administrator, Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401-1112, or calling 410-841-5414.

Membership of the OPEB Plan currently enrolled in medical/drug coverage consisted of the following at July 1, 2017, the date of the actuarial valuation:

**Number of Participants**

Active employees	1,553
Retirees - pre-medicare*	276
Retirees - post-medicare*	818
Total	<u><u>2,647</u></u>

Contribution: The School System contributes the pay as you go portion, along with an annually budgeted prefunding amount of the annual determined contribution (ADC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Codification. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ADC rate is 11.26% of annual covered payroll. The ADC consisted of the normal cost of \$5,268,000, and the amortization of unfunded accrued liability of \$9,133,000. The School System contributed \$8,300,000, for the year ended June 30, 2018, entirely consisting of contributions towards current healthcare and life insurance premiums accounted for in the general fund with no additional contributions in the current year to prefund future benefits to the retirement benefit trust fund.

**Investments**

*Investment policy:* The school System's policy in regard to the allocation of invested assets is established and may be amended by the School System board by a majority vote of its members. It is the policy of the board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The School System's target asset allocation policy was 100% in the MABE Trust as of June 30, 2018.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Notes to the Financial Statements  
June 30, 2018**

**11. POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE PLAN (continued)**

**Investments** (continued)

*Rate of return.* For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.43 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Liability**

The components of the net OPEB liability of the School System at June 30, 2018, were as follows:

Total OPEB liability	\$ 368,481,514
Plan fiduciary net position	(45,472,617)
Net OPEB liability	<u><u>\$ 323,008,897</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	12.34%
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*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions below, applied to all periods included in the measurement, unless otherwise specified.

Actuarial assumptions used in the latest actuarial valuation were:

Inflation rate	2.40%
Salary increases	3.5%
Investment rate of return	7.0%
Discount rate	3.62%
Healthcare cost trend rate	5.7% initially reduced annually to an ultimate rate of 4% (pre-Medicine) 3.9% (post- Medicine)
Mortality	RP 2014 fully generational

The actuarial assumptions used in the June 30, 2018, valuation was based on the results of an actuarial experience study for the period July 1, 2013 to December 31, 2018.

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 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 target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the MABE Trust as of June 30, 2018, was 3.62%.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Notes to the Financial Statements  
June 30, 2018**

**11. POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE PLAN (continued)**

*Discount rate.* The discount rate used to measure the total OPEB liability was 3.62 percent. The projection of cash flow used to determine the discount rate assumed that the School System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the net OPEB liability to changes in the discount rate.*

The following presents the net OPEB liability of the School System, as well as what the School System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate:

	<b>1% Decrease 2.62%</b>	<b>Discount Rate 3.62%</b>	<b>1% Increase 4.62%</b>
Net OPEB liability	\$ 404,849,519	\$ 323,008,897	\$ 260,251,354

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate.*

The following presents the net OPEB liability of the School System, as well as what the School System's net OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage-point lower (2.90%) or 1-percentage-point higher (4.90%) than the current healthcare cost trend rate:

	<b>1% Decrease 2.90%</b>	<b>Healthcare Cost Trend Rates 3.90%</b>	<b>1% Increase 4.90%</b>
Net OPEB liability	\$ 254,572,607	\$ 323,008,897	\$ 416,085,179

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2018, the Board recognized OPEB expense of \$21,969,947. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Actual and expected experience	\$ 275,586	\$ -
Change in assumptions	-	2,274,613
Projected and actual earnings	-	125,053
<b>Total</b>	<b>\$ 275,586</b>	<b>\$ 2,399,666</b>

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Notes to the Financial Statements  
June 30, 2018**

**11. POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE PLAN (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	<u>Total</u>
2019	\$ (281,142)
2020	(281,142)
2021	(281,142)
2022	(281,143)
2023	(249,879)
Thereafter	(749,632)
	<u>\$ (2,124,080)</u>

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2017, actuarial valuation, the projected unit credit, with proration to assumed retirement date, actuarial cost method was used. Significant actuarial assumptions used, include (a) a rate of return on the investment of 7.00% per year compounded annually, (b) projected salary increases of 3.50% compounded annually (used for amortization purposes), (c) additional projected salary increases ranging from 2.00% to 6.50% per year, attributable to seniority/merit (used for life insurance purposes), (d) annual healthcare cost trend rate of 5.7% initially, reduced annually to arrive at an ultimate healthcare cost trend of 3.90%, (e) rates of mortality based upon RP 2014 Combined Healthy Mortality Table, (f) termination of service rates based upon age and sex, ranging from 1.00% to 18.00%, disablement rates based on age, ranging from 0.03% to 0.46%, (h) retirement rates based on age, sex, and length of service, ranging from 1.00% to 33.00%, and (i) medical claims including prescription drugs are based on actual experience during the period from July 1, 2013 through December 31, 2016, and were projected with annual increases of 5.00% for medical claims and 5.00% for prescription drug claims. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a period of 21 years for the year ended June 30, 2018.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements

June 30, 2018

### 12. COMMITMENTS AND CONTINGENCIES

Legal Proceedings: In the normal course of operations, the School System is subject to lawsuits and claims. In the opinion of management, the disposition of such lawsuits and claims will not have a material effect on the School System's financial position or results of operations.

School Construction: As of June 30, 2018, the School System had entered into various school construction commitments which are not reflected in the statement of net position or balance sheet - governmental funds. They will be funded by the State of Maryland or County bond issues, totaling approximately \$9,547,617.

Grant Program: The School System participates in a number of state and federally assisted grant programs which are subject to financial and compliance audits by the granters or their representatives. Such federal programs were audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for the current year. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School System expects such amounts, if any, to be immaterial.

Health Insurance: The School System is under a modified retrospective billing arrangement with a commercial insurance carrier to provide group health coverage. Under this arrangement, the insurance carrier assesses an initial charge paid by the School System through monthly premiums. At the end of the coverage period, there is a settlement of the difference between the billed premium and the actual claims and expenses. A deficiency in the billed premium represents the callable margin, which is owed by the School System, up to a maximum of 5%. If the actual claims and expenses are less than the billed premium, the School System would be entitled to a refund. For the year ended June 30, 2018, management anticipates a refund in the amount of \$2,995,878.

### 13. CHANGE IN ACCOUNTING PRONOUNCEMENTS

The School System adopted Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ending June 30, 2018. The implementation of the statement required the School System to restate the beginning net OPEB liability. As a result, the net position restatement for the governmental activities decreased by \$244,385,039.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements June 30, 2018

### 14. NEW GOVERNMENTAL ACCOUNTING BOARD STANDARDS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2018, that have effective dates that may impact future financial presentations. Management will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

- GASB Statement No. 87, *Leases*, and will be effective for the School System beginning with its year ending June 30, 2021. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

**REQUIRED SUPPLEMENTARY INFORMATION**

## ST. MARY'S COUNTY PUBLIC SCHOOLS

### Schedule of the Proportionate Share of the Net Pension Liability – Maryland State Retirement and Pension System June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School System's proportion of the net pension liability	0.054%	0.056%	0.060%	0.054%
School System's proportionate share of the ERS net pension liability	\$ 11,668,499	\$ 13,229,614	\$ 12,514,609	\$ 9,640,511
School System's proportionate share of the TRS net pension liability	53,069,752	57,905,405	49,876,109	42,592,154
	<u>\$ 64,738,251</u>	<u>\$ 71,135,019</u>	<u>\$ 62,390,718</u>	<u>\$ 52,232,665</u>
School System's covered-employee payroll	\$ 127,901,817	\$ 125,980,783	\$ 121,123,057	\$ 115,255,917
School System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	9.123%	10.501%	10.332%	8.364%
Plan fiduciary net position as a percentage of the total pension liability	69.380%	65.790%	68.780%	71.870%

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Schedule of School System Contributions to Maryland State Retirement and Pension System June 30, 2018

	2018	2017	2016	2015	2014	2013	2012
Contractually required contributions	\$ 6,172,196	\$ 5,879,367	\$ 5,726,546	\$ 5,299,971	\$ 4,416,608	\$ 3,626,191	\$ 1,428,621
Actual contributions made:							
Employee systems	1,227,914	1,098,302	1,092,326	1,269,260	1,265,916	1,140,494	1,428,621
Teacher system	4,944,282	4,781,065	4,634,220	4,030,711	3,150,692	2,485,697	-
	<u>6,172,196</u>	<u>5,879,367</u>	<u>5,726,546</u>	<u>5,299,971</u>	<u>4,416,608</u>	<u>3,626,191</u>	<u>1,428,621</u>
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School system's covered- employee payroll	\$ 127,901,817	\$ 125,980,783	\$ 121,123,057	\$ 115,255,917	\$ 118,651,284	\$ 116,191,213	\$ 114,323,669
Contributions as a percentage of covered-employee payroll	4.826%	4.667%	4.728%	4.598%	3.722%	3.121%	1.250%

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Schedule of Changes in the School System's Net OPEB Liability and Related Ratios June 30, 2018

	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 12,676,617	\$ 12,238,000
Interest	12,506,803	11,001,955
Changes of benefit terms	-	-
Differences between expected and actual experience	310,034	3,131,014
Changes of assumptions	(2,558,940)	(56,209,000)
Benefit payments	(7,300,000)	(6,696,969)
Net change in total OPEB liability	<u>15,634,514</u>	<u>(36,535,000)</u>
Total OPEB liability - beginning	352,847,000	389,382,000
Total OPEB liability - ending (a)	<u>\$ 368,481,514</u>	<u>\$ 352,847,000</u>
 <b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 8,300,000	\$ 6,696,969
Net investment income	3,088,647	4,215,949
Benefit payments	(7,300,000)	(6,696,969)
Administrative expense	(12,942)	(15,243)
Net change in plan fiduciary net position	<u>4,075,705</u>	<u>4,200,706</u>
Plan fiduciary net position - beginning	41,396,912	37,196,206
Plan fiduciary net position - ending (b)	<u>\$ 45,472,617</u>	<u>\$ 41,396,912</u>
 School System's net OPEB liability (a) - (b)	<u>\$ 323,008,897</u>	<u>\$ 311,450,088</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	12.34%	11.73%
 Covered-employee payroll	\$ 127,901,817	\$ 125,980,783
 School System's net OPEB liability as a percentage of covered-employee payroll	252.54%	247.22%

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Schedule of School System's Contributions - OPEB  
June 30, 2018**

	<u>2018</u>	<u>2017</u>
Actuarial determined contribution	\$ 14,401,000	\$ 22,393,000
Contributions in relation to the actuarially determined contribution	<u>8,300,000</u>	<u>6,630,000</u>
Contribution deficiency	<u>\$ 6,101,000</u>	<u>\$ 15,763,000</u>
Covered-employee payroll	\$ 127,901,817	\$ 125,980,783
Contributions as a percentage of covered employee payroll	6.49%	5.26%

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Schedule of Investment Returns – OPEB  
June 30, 2018**

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	7.43%	11.29%

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Budgetary Comparison Schedule – General Fund  
June 30, 2018**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Amended Budget Favorable (Unfavorable)
	Original	Amended		
<b>Revenues</b>				
Local	\$ 102,222,186	\$ 102,189,940	\$ 102,189,940	\$ -
State of Maryland	105,790,411	105,687,826	105,528,982	158,844
Federal government	19,541,352	18,607,756	14,125,102	4,482,654
Tuition	77,655	77,655	54,898	22,757
Investment income	50,000	50,000	312,767	(262,767)
Utilization of fund balance				
Unassigned	57,566	5,357,566	5,357,566	-
Other	4,162,442	3,074,039	1,667,550	1,406,489
	<u>231,901,612</u>	<u>235,044,782</u>	<u>229,236,805</u>	<u>5,807,977</u>
<b>Expenditures</b>				
Administration	3,649,023	3,827,378	3,724,635	102,743
Mid-level administration	16,812,066	16,799,273	16,577,804	221,469
Instructional salaries	83,761,606	83,309,109	81,539,852	1,769,257
Intruactional textbooks and supplies	3,793,709	7,795,365	7,454,183	341,182
Other instructional costs	2,305,336	2,629,768	2,018,501	611,267
Special education	23,961,648	23,545,675	22,246,813	1,298,862
Student personnel services	1,364,878	1,373,674	1,254,602	119,072
Student health services	2,482,812	2,470,838	2,396,823	74,015
Student transportation services	17,378,121	17,381,125	16,752,171	628,954
Operation of plant	16,435,814	16,488,945	15,342,765	1,146,181
Maintenance of plant	4,030,954	4,019,686	3,942,551	77,135
Fixed charges	54,397,174	54,226,651	48,577,522	5,649,129
Community services	758,701	407,527	358,300	49,226
Capital outlays	769,769	769,769	750,951	18,818
	<u>231,901,612</u>	<u>235,044,782</u>	<u>222,937,472</u>	<u>12,107,310</u>
<b>Net change in fund balance</b>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>6,299,333</u>	<u>\$ (6,299,333)</u>
Adjustments to conform with generally accepted accounting principles			(5,763,709)	
Fund Balance				
Beginning			<u>12,697,524</u>	
Ending			<u>\$ 13,233,148</u>	

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to Required Supplementary Information June 30, 2018

### 1. BUDGETS AND BUDGETARY ACCOUNTING

The School System generally follows these procedures in establishing the budgetary data reflected in the required supplementary information:

#### Operating Budget (General Fund)

1. Subsequent to December 31, the School System submits a proposed operating budget to the St. Mary's County Commissioners for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and revenues.
2. The approved appropriation is generally returned to the School System by the County Commissioners on or before June 1.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Enterprise Fund.
4. Budgets are adopted on a basis consistent with GAAP except for: (1) the inclusion of encumbrances and operating transfers as expenditures, (2) annual debt service requirements on financing agreements which are recognized as a current expense rather than as debt service expense in the General Fund, (3) financing agreement proceeds and corresponding acquisition costs which are not recognized as another financing source and current expense, (4) the inclusion of the previous years' unexpended budgetary appropriations as revenue, (5) retirement contributions made by the State on behalf of the School System are not recognized as revenue and current expense, and (6) value of donated capital assets is not recognized as revenue and current expense.
5. Reallocation of the appropriation between budget categories requires the approval of both the Board of Education and the Board of County Commissioners. Reallocations of appropriations of federal programs administered by the state must have state approval. The Superintendent has the authority to make necessary transfers of funds between and within object appropriations.

Budgetary comparisons presented in the required supplementary information are on a non-GAAP budgetary basis.

Capital Budget: School construction is budgeted on a project basis with funds primarily provided by the State of Maryland and St. Mary's County bonds. Revenues from the bond proceeds and grants are earned when all significant terms of the proceeds have been met. Such terms are generally met at the time of expenditure. Annual budgetary comparisons to actual expenditures are not presented in the required supplementary information for the Capital Projects Fund.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Notes to Required Supplementary Information  
June 30, 2018**

**2. RECONCILIATION OF BUDGETARY BASIS TO GAAP**

Actual results of operations are presented in the Budgetary Comparison Schedule on the budget basis of accounting, in order to provide a meaningful comparison of actual results with budget estimates. Under the budget basis, encumbrances are recorded as the equivalent of expenditures, as opposed to only an assignment of fund balance as on a GAAP basis. With respect to financing agreements, the School System recognizes the annual debt service requirements as a current expense for budget purposes.

Financing agreement proceeds and the corresponding acquisition expense are not recognized on the budget basis. Additionally, the previous year's unexpended budgetary appropriation is recognized as revenue on the budget basis. Also, retirement contributions made by the State on behalf of the School System are not recognized as revenue and current expense on the budget basis.

Adjustments necessary to convert the results of operations and fund balance for the General Fund for fiscal year 2018 from the budget basis to the GAAP basis, are as follows:

	<b>Revenues</b>	<b>Expenditures and Encumbrances</b>	<b>Other Financing Sources (Uses)</b>	<b>Current Year Effect on Fund Balances</b>
General Fund - budgetary basis	\$ 229,236,805	\$ 222,937,472	\$ -	\$ 6,299,333
Budget to GAAP reconciliation				
Prior year encumbrances outstanding, 6/30/17	-	623,674	-	(623,674)
Prior year encumbrances outstanding, 6/30/16	-	26,661	-	(26,661)
Current year encumbrances outstanding, 6/30/18	-	(321,754)	-	321,754
State retirement contribution	12,933,614	12,933,614	-	-
Fund balance usage	(5,357,566)	-	-	(5,357,566)
Other adjustments	-	77,561	-	(77,561)
	<u>7,576,048</u>	<u>13,339,756</u>	<u>-</u>	<u>(5,763,708)</u>
<b>General Fund - GAAP basis</b>	<b>\$ 236,812,853</b>	<b>\$ 236,277,229</b>	<b>\$ -</b>	<b>\$ 535,625</b>

## **SUPPLEMENTARY INFORMATION**

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Combining Budgetary Comparison Schedule – General Fund –  
Unrestricted Funds and Restricted Funds  
June 30, 2018**

	Unrestricted Fund				Restricted Funds				Total Combined General Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Amended Budget Favorable (Unfavorable)	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Amended Budget Favorable (Unfavorable)	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Amended Budget Favorable (Unfavorable)
	Original	Amended			Original	Amended			Original	Amended		
<b>Revenues</b>												
Local	\$ 102,189,940	\$ 102,189,940	\$ 102,189,940	\$ -	\$ 32,246	\$ -	\$ -	\$ -	\$ 102,222,186	\$ 102,189,940	\$ 102,189,940	\$ -
States of Maryland	104,751,744	104,751,744	104,677,520	74,224	1,038,667	936,082	851,462	(84,620)	105,790,411	105,687,826	105,528,982	158,844
Federal government	2,560,000	2,560,000	2,362,815	197,185	16,981,352	16,047,756	11,762,287	(4,285,469)	19,541,352	18,607,756	14,125,102	4,482,654
Tuition	20,000	20,000	28,234	(8,234)	57,655	57,655	26,664	(30,991)	77,655	77,655	54,898	22,757
Investment Income	50,000	50,000	312,767	(262,767)	-	-	-	-	50,000	50,000	312,767	(262,767)
Utilization of fund balance												
Unassigned	57,566	5,357,566	5,357,566	-	-	-	-	-	57,566	5,357,566	5,357,566	-
Other	697,500	697,500	680,437	17,063	3,464,942	2,376,539	987,113	(1,389,426)	4,162,442	3,074,039	1,667,550	1,406,489
	<u>210,326,750</u>	<u>215,626,750</u>	<u>215,609,279</u>	<u>17,471</u>	<u>21,574,862</u>	<u>19,418,032</u>	<u>13,627,526</u>	<u>(5,790,506)</u>	<u>231,901,612</u>	<u>235,044,782</u>	<u>229,236,805</u>	<u>5,807,977</u>
<b>Expenditures</b>												
Administration	3,347,430	3,447,430	3,421,596	25,834	301,593	379,948	303,039	76,909	3,649,023	3,827,378	3,724,635	102,743
Mid-level administration	15,961,565	15,961,565	15,938,296	23,269	850,501	837,708	639,508	198,201	16,812,066	16,799,273	16,577,804	221,469
Instructional Salaries	78,494,384	78,494,384	77,922,920	571,464	5,267,222	4,814,725	3,616,932	1,197,793	83,761,606	83,309,109	81,539,852	1,769,257
Instructional textbooks and supplies	2,783,434	6,933,434	6,844,254	89,180	1,010,275	861,931	609,928	252,003	3,793,709	7,795,365	7,454,183	341,182
Other instructional costs	1,228,982	1,278,982	1,179,510	99,472	1,076,354	1,350,786	838,991	511,795	2,305,336	2,629,768	2,018,501	611,267
Special education	18,903,974	18,903,974	18,654,981	248,993	5,057,674	4,641,701	3,591,831	1,049,870	23,961,648	23,545,675	22,246,813	1,298,862
Student personnel services	1,211,779	1,211,779	1,149,994	61,785	153,099	161,895	104,608	57,288	1,364,878	1,373,674	1,254,602	119,072
Student health services	2,347,005	2,347,005	2,309,431	37,574	135,807	123,833	87,391	36,441	2,482,812	2,470,838	2,396,823	74,015
Student transportation services	16,195,293	16,195,293	16,042,870	152,423	1,182,828	1,185,832	709,301	476,531	17,378,121	17,381,125	16,752,171	628,954
Operation of plant	15,498,982	15,498,982	15,162,717	336,265	936,832	989,963	180,048	809,916	16,435,814	16,488,945	15,342,765	1,146,181
Maintenance of plant	3,935,248	3,935,248	3,912,442	22,806	95,706	84,438	30,109	54,329	4,030,954	4,019,686	3,942,551	77,135
Fixed charges	49,648,905	50,648,905	46,019,980	4,628,925	4,748,269	3,577,746	2,557,542	1,020,205	54,397,174	54,226,651	48,577,522	5,649,129
Community services	-	-	-	-	758,701	407,527	358,300	49,226	758,701	407,527	358,300	49,226
Capital outlay	769,769	769,769	750,951	18,818	-	-	-	-	769,769	769,769	750,951	18,818
	<u>210,326,750</u>	<u>215,626,750</u>	<u>209,309,946</u>	<u>6,316,804</u>	<u>21,574,862</u>	<u>19,418,032</u>	<u>13,627,526</u>	<u>5,790,506</u>	<u>231,901,612</u>	<u>235,044,782</u>	<u>222,937,472</u>	<u>12,107,310</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>6,299,333</u>	<u>\$ (6,299,333)</u>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>-</u>	<u>\$ (11,581,012)</u>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>6,299,333</u>	<u>\$ (6,299,333)</u>
Adjustments to Conform With Generally Accepted Accounting Principles			(5,763,709)								(5,763,709)	
<b>Fund Balance</b>												
Beginning			<u>11,357,524</u>				<u>1,340,000</u>				<u>12,697,524</u>	
Ending			<u>\$ 11,893,148</u>				<u>\$ 1,340,000</u>				<u>\$ 13,233,148</u>	

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Combining Budgetary Comparison Schedule – General Fund –  
Unrestricted Funds  
June 30, 2018**

	Unrestricted Fund (excluding Charter School by category)				Unrestricted Funds (Charter School only)				Total Combined Unrestricted Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Amended Budget Favorable (Unfavorable)	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Amended Budget Favorable (Unfavorable)	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Amended Budget Favorable (Unfavorable)
	Original	Amended			Original	Amended			Original	Amended		
Revenues												
Local	\$ 102,189,940	\$ 102,189,940	\$ 102,189,940	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,189,940	\$ 102,189,940	\$ 102,189,940	\$ -
States of Maryland	104,751,744	104,751,744	104,677,520	74,224	-	-	-	-	104,751,744	104,751,744	104,677,520	74,224
Federal government	2,560,000	2,560,000	2,362,815	197,185	-	-	-	-	2,560,000	2,560,000	2,362,815	197,185
Tuition	20,000	20,000	28,234	(8,234)	-	-	-	-	20,000	20,000	28,234	(8,234)
Investment Income	50,000	50,000	312,767	(262,767)	-	-	-	-	50,000	50,000	312,767	(262,767)
Utilization of fund balance												
Unassigned	57,566	5,357,566	5,357,566	-	-	-	-	-	57,566	5,357,566	5,357,566	-
Other	697,500	697,500	680,437	17,063	-	-	-	-	697,500	697,500	680,437	17,063
	<u>210,326,750</u>	<u>215,626,750</u>	<u>215,609,279</u>	<u>17,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,326,750</u>	<u>215,626,750</u>	<u>215,609,279</u>	<u>17,471</u>
Expenditures												
Administration	3,347,430	3,447,430	3,421,596	25,834	-	-	-	-	3,347,430	3,447,430	3,421,596	25,834
Mid-level administration	15,465,472	15,465,472	15,455,302	10,170	496,093	496,093	482,994	13,099	15,961,565	15,961,565	15,938,296	23,269
Instructional Salaries	76,385,102	76,385,102	75,820,437	564,665	2,109,282	2,109,282	2,102,483	6,799	78,494,384	78,494,384	77,922,920	571,464
Instructional textbooks and supplies	2,727,794	6,877,794	6,803,311	74,483	55,640	55,640	40,943	14,697	2,783,434	6,933,434	6,844,254	89,180
Other instructional costs	1,214,982	1,264,982	1,165,866	99,116	14,000	14,000	13,644	356	1,228,982	1,278,982	1,179,510	99,472
Special education	18,588,318	18,588,318	18,373,903	214,415	315,656	315,656	281,078	34,578	18,903,974	18,903,974	18,654,981	248,993
Student personnel services	1,208,779	1,208,779	1,149,874	58,905	3,000	3,000	121	2,879	1,211,779	1,211,779	1,149,994	61,785
Student health services	2,292,742	2,292,742	2,254,540	38,202	54,263	54,263	54,891	(628)	2,347,005	2,347,005	2,309,431	37,574
Student transportation services	15,995,293	15,995,293	15,873,209	122,084	200,000	200,000	169,661	30,339	16,195,293	16,195,293	16,042,870	152,423
Operation of plant	14,826,011	14,826,011	14,493,486	332,525	672,971	672,971	669,231	3,740	15,498,982	15,498,982	15,162,717	336,265
Maintenance of plant	3,935,248	3,935,248	3,912,442	22,806	-	-	-	-	3,935,248	3,935,248	3,912,442	22,806
Fixed charges	48,877,573	49,877,573	45,177,660	4,699,913	771,332	771,332	842,321	(70,989)	49,648,905	50,648,905	46,019,980	4,628,925
Community services	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	769,769	769,769	750,951	18,818	-	-	-	-	769,769	769,769	750,951	18,818
	<u>205,634,513</u>	<u>210,934,513</u>	<u>204,652,579</u>	<u>6,281,934</u>	<u>4,692,237</u>	<u>4,692,237</u>	<u>4,657,367</u>	<u>34,870</u>	<u>210,326,750</u>	<u>215,626,750</u>	<u>209,309,946</u>	<u>6,316,804</u>
<b>Net change in fund balances</b>	<u>\$ 4,692,237</u>	<u>\$ 4,692,237</u>	<u>10,956,700</u>	<u>\$ (6,264,463)</u>	<u>\$ (4,692,237)</u>	<u>\$ (4,692,237)</u>	<u>(4,657,367)</u>	<u>\$ (34,870)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,299,333</u>	<u>\$ (6,299,333)</u>
Adjustments to Conform With Generally Accepted Accounting Principles			(5,763,709)				-				(5,763,709)	
Charter School funding			(4,634,671)				4,634,671				-	
Fund Balance												
Beginning			<u>11,299,958</u>				<u>57,566</u>				<u>11,357,524</u>	
Ending			<u>\$ 11,858,278</u>				<u>\$ 34,870</u>				<u>\$ 11,893,148</u>	

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund –  
Budget vs. Actual  
June 30, 2018**

	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance With Amended Budget Favorable (Unfavorable)</b>
<b>Revenues</b>			
Food service sales	\$ 3,005,794	\$ 2,823,808	\$ (181,986)
Federal grants and commodities	4,263,800	4,140,986	(122,814)
State matching and other	228,141	230,743	2,602
Local contribution	-	-	-
Interest income	3,860	6,300	2,440
	<u>7,501,595</u>	<u>7,201,837</u>	<u>(299,758)</u>
<b>Expenses</b>			
Payroll Costs	3,908,261	3,958,563	50,303
Professional and contract services	87,899	111,005	23,106
Supplies and materials	3,327,235	3,175,556	(151,679)
Depreciation	113,000	88,797	(24,203)
Other operating costs	65,200	41,627	(23,573)
	<u>7,501,595</u>	<u>7,375,549</u>	<u>(126,047)</u>
<b>Change in net position</b>	<u>\$ -</u>	<u>(173,712)</u>	<u>\$ (173,712)</u>
<b>Net Position</b>			
Beginning		<u>1,726,643</u>	
Ending		<u>\$ 1,552,931</u>	

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Statement of Changes in Cash and Cash Equivalents – School Activity Funds June 30, 2018

	School Acitivity Accounts Balance			School Acitivity Accounts Balance
	July 1, 2017	Additions	Deductions	June 30, 2018
<b>School - Checking</b>				
Benjamin Banneker Elementary	\$ 33,687	\$ 94,102	\$ (89,675)	\$ 38,114
Capt. Walter Francis Duke Elementary	34,705	86,737	(82,056)	39,386
Chesapeake Public Charter School	37,239	93,885	(91,929)	39,195
Dynard Elementary	25,148	40,171	(40,863)	24,456
Evergreen Elementary	32,193	73,547	(81,385)	24,355
George Washington Carver Elementary	15,124	29,874	(33,525)	11,473
Green Holly School	13,781	31,192	(34,588)	10,385
Greenview Knolls Elementary	5,290	51,255	(52,777)	3,768
Hollywood Elementary	8,819	46,712	(45,172)	10,359
Leonardtown Elementary	6,598	62,233	(58,798)	10,033
Lettie Marshall Dent Elementary	27,368	86,466	(91,374)	22,460
Lexington Park Elementary	11,129	46,780	(50,286)	7,623
Mechanicsville Elementary	22,698	60,313	(61,300)	21,711
Oakville Elementary	13,860	30,763	(34,395)	10,228
Park Hall Elementary	7,595	36,609	(39,291)	4,913
Piney Point Elementary	29,426	64,821	(64,677)	29,570
Ridge Elementary	14,361	39,334	(40,694)	13,001
Town Creek Elementary	8,275	33,812	(23,158)	18,929
White Marsh Elementary	18,353	68,000	(54,248)	32,105
Esperanza Middle	56,911	100,240	(100,168)	56,983
Leonardtown Middle	33,644	103,258	(79,309)	57,593
Margaret Brent Middle	23,425	82,504	(77,810)	28,119
Spring Ridge Middle	54,445	229,048	(221,851)	61,642
Chopticon High	218,686	574,236	(555,716)	237,206
Great Mills High	47,109	418,744	(337,813)	128,040
Leonardtown High	137,930	702,877	(683,635)	157,172
Dr. J. A. Forrest Career & Tech Ctr	40,200	218,557	(222,848)	35,909
Fairlead Academy	2,947	27,103	(23,441)	6,609
Fairlead Academy II	1,844	4,963	(4,675)	2,132
Pupil Services Shoe Fund	6,181	3,942	(3,032)	7,091
DCI PD	-	1,003	(250)	753
	<u>988,970</u>	<u>3,543,081</u>	<u>(3,380,739)</u>	<u>1,151,312</u>

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Statement of Changes in Cash and Cash Equivalents – School Activity Funds (continued)  
June 30, 2018**

	School Activity Accounts Balance			School Activity Accounts Balance
	July 1, 2017	Additions	Deductions	June 30, 2018
<b>School - Savings</b>				
Benjamin Banneker Elem	\$ 2,732	\$ 5	\$ -	\$ 2,737
Carver Elem	300	-	-	300
Park Hall Elem	(2)	9	(7)	-
Chopticon High	98,888	539	-	99,427
Forrest Career & Tech Center	70,000	2,117	(1,657)	70,460
	<u>171,918</u>	<u>2,670</u>	<u>(1,664)</u>	<u>172,924</u>

	School Activity Accounts Balance			School Activity Accounts Balance
	July 1, 2017	Additions	Deductions	June 30, 2018
<b>School - MLGIP (Maryland Local Government Investment Pool)</b>				
Dynard Elem	\$ 5,145	\$ 65	\$ -	\$ 5,210
Green Holly School	8,418	106	-	8,524
Greenview Knolls Elem	13,317	167	-	13,484
Hollywood Elem	10,631	134	-	10,765
Leonardtown Elem	5,352	67	-	5,419
Oakville Elem	1,270	16	-	1,286
Park Hall Elem	5,242	66	-	5,308
Piney Point Elem	8,347	105	-	8,452
Town Creek Elem	3,124	5	(3,129)	-
Esperanza Middle	6,281	79	-	6,360
Leonardtown Middle	15,515	195	-	15,710
Margaret Brent Middle	41,896	527	-	42,423
Spring Ridge Middle	9,478	119	-	9,597
Great Mills High	172,308	2,166	-	174,474
Leonardtown High	147,419	1,853	-	149,272
Forrest Career & Tech Center	37,415	470	-	37,885
	<u>491,158</u>	<u>6,140</u>	<u>(3,129)</u>	<u>494,170</u>
Total	\$ 1,652,047	\$ 3,551,891	\$ (3,385,532)	\$ 1,818,406



**SB & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

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

Members of the Board of Education  
St. Mary's County Public Schools  
Leonardtown, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Mary's County Public Schools (the School System), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements, and have issued our report thereon dated September 26, 2018.

***Internal Control over Financial Reporting***

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

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

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



**SB & COMPANY, LLC**  
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### ***Compliance and Other Matters***

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

### **Purpose of This Report**

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

Hunt Valley, Maryland  
September 26, 2018

A handwritten signature in black ink that reads "SB &amp; Company, LLC". The signature is written in a cursive, flowing style.



**SB & COMPANY, LLC**  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board of Education  
St. Mary's County Public Schools  
Leonardtown, Maryland

**Report on Compliance for Each Major Federal Program**

We have audited St. Mary's County Public Schools' (the School System) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect School System's major federal programs for the year ended June 30, 2018. The School System's major Federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School System's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School System's compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, the School System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control over Compliance**

Management of the School System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School System's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hunt Valley, Maryland  
September 26, 2018

A handwritten signature in black ink that reads "SB &amp; Company, LLC". The signature is written in a cursive, flowing style.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Schedule of Expenditures of Federal Awards June 30, 2018

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/17	Cash received FY 2018	FY '18 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/18
<b><u>U.S. Department of Agriculture:</u></b>									
Passed through the Maryland State Dept. of Education:									
USDA Commodities	10.555		7/1/2017 - 6/30/2018	\$ 455,000	\$ -	\$ 456,347	\$ 456,347	\$ -	\$ -
Summer Food Program	10.559		7/1/2016 - 6/30/2017	32,000	4,615	4,615	-	-	-
Summer Food Program	10.559		7/1/2017 - 6/30/2018	45,788	-	35,788	39,871	-	4,083
Breakfast	10.553		7/1/2016 - 6/30/2017	1,050,000	36,860	36,860	-	-	-
Breakfast	10.553		7/1/2017 - 6/30/2018	1,153,312	-	1,048,188	1,112,415	-	64,227
Lunch (Sec 4 & 11)	10.555		7/1/2016 - 6/30/2017	2,600,000	77,808	77,808	-	-	-
Lunch (Sec 4 & 11)	10.555		7/1/2017 - 6/30/2018	2,509,124	-	2,323,761	2,458,186	-	134,424
Federal Snack Program	10.555		7/1/2016 - 6/30/2017	25,000	103	103	-	-	-
Federal Snack Program	10.555		7/1/2017 - 6/30/2018	6,536	-	6,178	6,302	-	123
Professional Standards for School Nutrition Employees	10.547	171550	5/1/2017 - 1/31/2018	7,241	6,085	7,241	1,155	-	-
<b>Total Child Nutrition Cluster</b>				<b>7,884,001</b>	<b>125,471</b>	<b>3,996,889</b>	<b>4,074,275</b>	<b>-</b>	<b>202,856</b>
Child and Adult Care Food Program	10.558		7/1/2017 - 6/30/2018	92,885	-	65,126	66,712	-	1,586
<b>Total Department of Agriculture</b>				<b>7,976,886</b>	<b>125,471</b>	<b>4,062,015</b>	<b>4,140,987</b>	<b>-</b>	<b>204,442</b>
<b><u>U.S. Department of Defense:</u></b>									
<u>Direct Program:</u>									
ROTC Navy	12.000		7/1/2016 - 6/30/2017	70,000	-	-	-	-	-
ROTC Navy	12.000		7/2/2017 - 6/30/2018	75,000	-	55,351	76,329	-	20,978
ROTC Air Force	12.000		7/1/2016 - 6/30/2017	56,000	3,172	3,172	-	-	-
ROTC Air Force	12.000		7/1/2017 - 6/30/2018	55,000	-	47,684	46,916	-	(768)
<b>Total Program</b>				<b>256,000</b>	<b>3,172</b>	<b>106,207</b>	<b>123,245</b>	<b>-</b>	<b>20,210</b>
Public Law 102-484	12.000		7/1/2016 - 6/30/2017	299,000	407,460	407,460	-	-	-
Public Law 102-484	12.000		7/1/2017 - 6/30/2018	430,000	-	-	405,737	-	405,737
<b>Total Program</b>				<b>729,000</b>	<b>407,460</b>	<b>407,460</b>	<b>405,737</b>	<b>-</b>	<b>405,737</b>
<b>Total U.S. Department of Defense</b>				<b>985,000</b>	<b>410,632</b>	<b>513,667</b>	<b>528,982</b>	<b>-</b>	<b>425,947</b>

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Schedule of Expenditures of Federal Awards (continued)  
June 30, 2018**

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/17	Cash received FY 2018	FY '18 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/18
<b>U.S. Department of Education:</b>									
Passed through the Maryland State Dept. of Education:									
E.C.I.A. Title I	84.010	165107.01	7/1/2015 - 6/30/2017	2,395,240	86,860	86,860	-	-	-
E.C.I.A. Title I	84.010	170927.01	7/1/2016 - 6/30/2018	2,970,717	473,912	1,000,914	726,232	-	199,230
E.C.I.A. Title I	84.010	180658.01	7/1/2017 - 9/30/2019	3,028,121	-	1,763,406	2,422,570	-	659,164
E.C.I.A. Title I Focus	84.010	165152.01	7/1/2015 - 6/30/2017	240,000	42,405	42,405	-	-	-
E.C.I.A. Title I Focus	84.010	171325.01	7/1/2016 - 10/31/2017	120,000	28,880	32,112	3,232	-	-
E.C.I.A. Title I Focus	84.010	181308.01	7/1/2017 - 9/30/2018	120,000	-	78,836	119,293	-	40,457
<b>Total Program</b>				<b>8,874,078</b>	<b>632,057</b>	<b>3,004,533</b>	<b>3,271,327</b>	<b>-</b>	<b>898,851</b>
SPED Pass Thru	84.027	170286.01	7/1/2016 - 9/30/2018	3,364,046	862,938	902,595	39,657	-	-
SPED Pass Thru	84.027	180525.01	7/1/2017 - 9/30/2019	3,409,704	-	2,140,211	3,025,410	-	885,199
SPED Pass Thru	84.027	180957.01	7/1/2017 - 9/30/2018	13,631	-	-	13,631	-	13,631
SPED Pass Thru Parent Placed	84.027	170286.02	7/1/2016 - 9/30/2018	52,555	885	885	-	-	-
SPED Pass Thru Parent Placed	84.027	180525.02	7/1/2017 - 9/30/2019	44,693	-	33,242	33,242	-	-
SPED Pass Thru Parent Placed	84.027	180957.02	7/1/2017 - 9/30/2018	214	-	32	214	-	182
Early Connections	84.027	170286.06	7/1/2016 - 9/30/2017	34,832	469	7,820	7,352	-	-
Local Flexibility	84.027	170286.04	7/1/2016 - 9/30/2017	97,750	6,690	13,079	6,389	-	-
Local Flexibility Reading	84.027	180525.04	7/1/2017 - 9/30/2018	59,978	-	47,337	43,537	-	(3,800)
Local Flexibility Family Partnerships	84.027	180525.06	7/1/2017 - 9/30/2018	16,000	-	14,443	15,664	-	1,221
Local Flexibility Secondary Transition	84.027	180525.07	7/1/2017 - 9/30/2018	35,365	-	10,613	19,431	-	8,818
SPED SEAC	84.027	170286.03	7/1/2016 - 9/30/2017	2,500	1,482	2,372	890	-	-
SPED SEAC	84.027	180525.03	7/1/2017 - 9/30/2018	2,500	-	149	149	-	-
NASDE	84.027	170286.05	7/1/2016 - 9/30/2017	600	-	-	-	-	-
NASDE	84.027	180525.05	7/1/2017 - 9/30/2018	500	-	71	187	-	116
Infants & Toddlers Program	84.027	164436.01	7/1/2015 - 6/30/2017	51,542	7,376	7,376	-	-	-
Infants & Toddlers Program	84.027	170122.01	7/1/2016 - 9/30/2017	55,202	7,360	28,358	25,758	-	4,760
Infants & Toddlers Program	84.027	180197.01	7/1/2017 - 9/30/2018	58,897	-	12,681	48,854	-	36,174
Early Childhood Implementation	84.027	181315.01	12/1/2017 - 9/30/2019	60,000	-	7,940	7,940	-	-
Discretionary: Secondary Transition	84.027	181474.01	2/1/2018 - 9/30/2019	18,586	-	653	1,740	-	1,087
IDEA Pre-school	84.173	164697.01	7/1/2015 - 9/30/2017	109,734	15,644	15,644	-	-	-
IDEA Pre-school	84.173	170285.01	7/1/2016 - 9/30/2018	109,734	24,305	24,305	-	-	-
IDEA Pre-school	84.173	180475.01	7/1/2017 - 9/30/2019	109,211	-	74,186	108,292	-	34,106
IDEA Pre-school Parent Placed	84.173	180475.02	7/1/2017 - 9/30/2019	523	-	-	-	-	-
Infants & Toddlers Program	84.173	164437.01	7/1/2015 - 6/30/2017	7,000	1,012	1,012	-	-	-
Infants & Toddlers Program	84.173	170214.01	7/1/2016 - 9/30/2017	7,000	7	1,034	2,057	-	1,029
Infants & Toddlers Program	84.173	170214.02	7/1/2016 - 9/30/2017	4,498	1,459	1,459	-	-	-
Infants & Toddlers Program	84.173	180167.01	7/1/2017 - 9/30/2018	7,000	-	1,054	-	-	(1,054)
Infants & Toddlers Program	84.173	180167.02	7/1/2017 - 9/30/2018	4,799	-	2,318	4,799	-	2,481
<b>Total Special Education Cluster (IDEA)</b>				<b>7,738,594</b>	<b>929,627</b>	<b>3,350,869</b>	<b>3,405,193</b>	<b>-</b>	<b>983,950</b>

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Schedule of Expenditures of Federal Awards (continued) June 30, 2018

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/17	Cash received FY 2018	FY '18 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/18
<b>Direct Program:</b>									
Impact Aid	84.041		7/1/2016 - 6/30/2017	1,780,000	392,809	392,809	-	-	-
Impact Aid	84.041		7/1/2017 - 6/30/2018	2,000,000	-	1,679,348	1,833,833	-	154,485
<b>Total Program</b>				<b>3,780,000</b>	<b>392,809</b>	<b>2,072,157</b>	<b>1,833,833</b>	<b>-</b>	<b>154,485</b>
<b>Passed through the Maryland State Dept. of Education:</b>									
Perkins (Program Improvement)	84.048	170534.01	7/1/2016 - 6/30/2017	161,284	44,205	44,205	-	-	-
Perkins (Program Improvement)	84.048	170718.01	7/1/2016 - 6/30/2017	35,401	(1,206)	2,177	-	3,383	-
Perkins (Program Improvement)	84.048	180624.01	7/1/2017 - 6/30/2018	164,105	-	157,313	164,105	-	6,792
Perkins (Program Improvement)	84.048	180866.01	7/1/2017 - 6/30/2018	41,565	-	34,906	40,158	-	5,252
<b>Total Program</b>				<b>402,355</b>	<b>42,999</b>	<b>238,602</b>	<b>204,263</b>	<b>3,383</b>	<b>12,044</b>
Summer Job Experiences	84.126	181664.01	5/21/2018 - 8/31/2018	15,127	-	-	882	-	882
Vocational Rehabilitation	84.126	171481.01	5/15/2017 - 8/31/2017	11,764	321	8,210	7,889	-	-
				<b>26,891</b>	<b>321</b>	<b>8,210</b>	<b>8,771</b>	<b>-</b>	<b>882</b>
Infants & Toddlers Program	84.181	154242.01	7/1/2014 - 6/30/2016	98,836	(718)	-	-	-	(718)
Infants & Toddlers Program	84.181	164435.02	7/1/2015 - 9/30/2017	10,000	8,550	8,550	-	-	-
Infants & Toddlers Program	84.181	170252.02	7/1/2016 - 9/30/2017	122,404	(4,294)	14,352	35,130	-	16,484
Infants & Toddlers Program	84.181	180191.01	7/1/2017 - 9/30/2018	130,597	-	48,630	65,543	-	16,912
<b>Total Program</b>				<b>361,837</b>	<b>3,538</b>	<b>71,532</b>	<b>100,673</b>	<b>-</b>	<b>32,678</b>
Homeless Education	84.196a	171072.01	7/1/2016 - 12/31/2017	69,903	13,434	34,138	20,704	-	-
Homeless Education	84.196a	181345.01	7/1/2017 - 9/30/2018	61,750	-	8,655	31,978	-	23,323
<b>Total Program</b>				<b>131,653</b>	<b>13,434</b>	<b>42,793</b>	<b>52,682</b>	<b>-</b>	<b>23,323</b>
21st Century Learning Centers	84.287	181136.01	9/1/2017 - 8/31/2018	162,364	-	40,380	54,611	-	14,231
21st Century Learning Centers	84.287	181333.01	10/1/2017 - 8/31/2018	16,236	-	13,926	14,255	-	329
21st Century Learning Centers	84.287	181135.01	9/1/2017 - 8/31/2018	363,127	-	167,965	237,781	-	69,816
21st Century Learning Centers	84.287	170904.01	9/1/2016 - 9/30/2017	103,156	5,828	36,898	31,070	-	-
21st Century Learning Centers	84.287	170903.01	9/1/2016 - 9/30/2017	358,141	103,685	121,042	17,357	-	-
21st Century Learning Centers	84.287	170902.01	9/1/2016 - 9/30/2017	183,483	19,921	62,924	43,003	-	-
<b>Total Program</b>				<b>1,186,507</b>	<b>129,434</b>	<b>443,135</b>	<b>398,077</b>	<b>-</b>	<b>84,376</b>

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Schedule of Expenditures of Federal Awards (continued)  
June 30, 2018**

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/17	Cash received FY 2018	FY '18 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/18
Title III	84.365A	164306.01	7/1/2015 - 9/30/2017	34,423	1,183	1,183	-	-	-
Title III	84.365A	170667.01	7/1/2016 - 9/30/2018	33,848	(368)	7,416	8,246	-	462
Title III	84.365A	180411.01	7/1/2017 - 9/30/2019	34,290	-	23,059	23,520	-	461
Title III (Immigrant)	84.365A	164306.02	7/1/2015 - 9/30/2017	4,997	-	-	-	-	-
Title III (Immigrant)	84.365A	170667.02	7/1/2016 - 9/30/2018	5,372	8	4,387	4,466	-	88
Title III (Immigrant)	84.365A	180411.02	7/1/2017 - 9/30/2019	5,064	-	1,950	1,989	-	39
<b>Total Program</b>				117,994	823	37,995	38,221	-	1,050
Title II Part A	84.367	165272.01	7/1/2015 - 6/30/2017	598,290	118,723	118,723	-	-	-
Title II Part A	84.367	171219.01	7/1/2016 - 6/30/2018	591,355	71,302	143,219	175,712	-	103,796
Title II Part A	84.367	180806.01	7/1/2017 - 9/30/2017	10,123	-	10,123	10,123	-	-
Title II Part A	84.367	181249.01	7/1/2017 - 9/30/2019	536,319	-	319,676	316,283	-	(3,393)
Title II Part A - PreK-2 Symposium	84.367	171534.01	4/4/2017 - 9/30/2017	2,290	128	1,873	1,745	-	-
<b>Total Program</b>				1,738,377	190,153	593,614	503,863	-	100,403
SLDS	84.372	180398.01	7/1/2017 - 6/30/2018	14,043	-	2,962	8,745	-	5,783
SLDS	84.372A	180843.01	7/1/2017 - 6/30/2018	5,025	-	1,869	5,019	-	3,150
				19,068	-	4,831	13,764	-	8,933
Judy Center Continuation	84.419B	180607.02	7/1/2017 - 8/31/2018	165,000	-	94,491	125,183	-	30,692
Preschool Development	84.419B	165735.01	6/1/2016 - 8/31/2017	146,880	37,636	42,091	4,455	-	-
Preschool Development	84.419	170635.01	7/1/2016 - 9/30/2017	165,000	25,463	45,550	20,087	-	-
Preschool Development	84.419	180588.01	7/1/2017 - 6/30/2018	249,696	-	142,701	249,696	-	106,995
				726,576	63,099	324,833	399,421	-	137,687
Title IV, Part A	84.424A	181088.01	7/1/2017 - 6/30/2019	79,151	-	32,558	35,874	-	3,316
<b>Total U.S. Department of Education:</b>				<b>25,183,081</b>	<b>2,398,294</b>	<b>10,225,661</b>	<b>10,265,962</b>	<b>3,383</b>	<b>2,441,977</b>
<b><u>U.S. Department of Health and Human Services:</u></b>									
Passed through the Charles County Government									
Judy Center - Parent Café	93.104	1U79SM062471-01	7/14/2017 - 12/15/2017	3,000	-	3,000	3,000	-	-
<b>Direct Program</b>									
Office of Head Start	93.600	03CH3375/06	7/1/2013 - 6/30/2019	2,312,241	-	251,402	662,231	-	410,828
Office of Head Start	93.600	03CH3375/05	7/1/2013 - 6/30/2019	2,312,241	377,297	2,026,157	1,648,860	-	-
<b>Total Program</b>				4,624,482	377,297	2,277,559	2,311,091	-	410,828

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Schedule of Expenditures of Federal Awards (continued)  
June 30, 2018**

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/17	Cash received FY 2018	FY '18 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/18
Passed through the									
<u>St. Mary's County Health Department:</u>									
School and Child Care Center Wellness Activity	93.758	FHF09PHS	7/1/2016 - 6/30/2017	15,000	(16)	-	-	-	(16)
School and Child Care Center Wellness Activity	93.758	FHF09PHS	7/1/2017 - 6/30/2018	14,500	-	14,500	13,908	-	(592)
				29,500	(16)	14,500	13,908	-	(609)
Passed through the									
<u>Maryland State Dept. of Education:</u>									
Medical Assistance	93.778	N/A	7/1/2015 - 6/30/2016	1,721,116	(2,027,498)	1,029,422	1,002,161	-	(2,054,759)
<b>Total U.S. Department of Health and Human Services</b>				<b>6,378,098</b>	<b>(1,650,217)</b>	<b>3,324,481</b>	<b>3,330,160</b>	<b>-</b>	<b>(1,644,539)</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ 40,523,065</b>	<b>\$ 1,284,180</b>	<b>\$ 18,125,824</b>	<b>\$ 18,266,091</b>	<b>\$ 3,383</b>	<b>\$ 1,427,827</b>

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Notes to the Schedule of Expenditures of Federal Awards  
June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

All Federal grant operations of the Saint Mary's County Public Schools (the School System) are included in the scope of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit) for the year ended June 30, 2018. The Single Audit was performed in accordance with the provisions of the U.S. Office of Budget and Management (OMB) Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted below. The programs on the schedule of expenditures of Federal awards represent all Federal award programs for fiscal year 2018 cash or non-cash expenditure activities to ensure coverage of at least 20% of federally granted funds. Our actual coverage was 20.9%.

Expenditures reported on the schedule of expenditures of Federal awards (the Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School System did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. The School System was required to use an indirect allocation rate of 1.56% for the year ended June 30, 2018 which was approved by the Maryland State Department of Education.

<b>Federal Grantor/Pass Through Grantor/ Program Title</b>	<b>CFDA Number</b>	<b>Federal Program Expenditures</b>
<b>U.S. Department of Education</b>		
Pass through from Maryland Department of Education		
Special Education Cluster (IDEA)	84.027/84.173	\$ 3,405,193
Perkins (Program Improvement)	84.048	204,263
<b>Total</b>		<b>\$ 3,609,456</b>

**2. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of Federal awards is presented on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

**3. PROGRAM EXCLUSIONS**

Medical assistance received under CFDA No. 93.778 has been included in the Schedule but is not subject to single audit testing as funding is received under a vendor-type relationship, thus is excluded from major program determination.

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Schedule of Findings and Questioned Costs  
June 30, 2018**

**Section I – Summary of Independent Public Account’s Results**

**Financial Statements**

Type of Independent Public Accountants’ report issued	Unmodified
Internal control over financial reporting: Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	None reported
Noncompliance material to the financial statements noted?	No

**Federal Awards**

Type of Independent Public Accountants’ report issued on compliance for major programs	Unmodified
Internal control over major programs: Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	None reported
Audit findings disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance?	No

**Identification of Major Programs:**

<b>Federal Grantor/Pass Through Grantor/ Program Title</b>	<b>CFDA Number</b>	<b>Federal Program Expenditures</b>
<b>U.S. Department of Education</b>		
Pass through from Maryland Department of Education Special Education Cluster (IDEA)	84.027/84.173	\$ 3,405,193
Perkins (Program Improvement)	84.048	204,263
<b>Total</b>		<u>\$ 3,609,456</u>
Threshold for distinguishing between Type A and B programs		\$ 750,000
Did the School System qualify as a low risk auditee?		Yes

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Schedule of Findings and Questioned Costs  
June 30, 2018**

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings**

None

**ST. MARY'S COUNTY PUBLIC SCHOOLS**

**Schedule of Prior Year Findings and Questioned Costs  
June 30, 2018**

No findings were reported during the prior year.