

ST. MARY'S COUNTY PUBLIC SCHOOLS

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

For the Year Ended June 30, 2020

JUNE 30, 2020

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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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the School System's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by 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), combining budgetary comparison schedule – general fund – unrestricted funds and restricted funds, combining budgetary comparison schedule – general fund – unrestricted funds, the statement of revenues, expenses, and changes in net position – proprietary fund – budget vs. actual, and the schedules of changes in cash and cash equivalents – school activity funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of changes in cash and cash equivalents – school activity funds and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of changes in cash and cash equivalents – school activity funds and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The combining budgetary comparison schedule – general fund – unrestricted funds and restricted funds, combining budgetary comparison schedule – general fund – unrestricted funds, the statement of revenues, expenses, and changes in net position – proprietary fund – budget vs. actual have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School System's internal control over financial reporting and compliance.

Owings Mills, Maryland
September 28, 2020



ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2020

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, 2020. This is to be read in conjunction with the financial statements, which immediately follow this section.

Financial Highlights

- The School System's Governmental Funds fund balance increased this year due to the COVID-19 pandemic's impact on the normal school district's operations. The net change in fund balance of the Governmental Funds increased by \$3,741,728 (see page 20). This increase in the net fund balance was forecasted well in advance, resulting in proactive planned use of the available fund balance in the FY2021 Adopted Budget and an Unassigned Fund Balance of \$80,683 (see page 39).
- The net investments in capital assets increased by \$7.0 million.
- The School System is reporting a net position for governmental activities in 2020 of \$(112,156,468). The school system reported \$(100,454,067) for 2019, a difference of almost \$(11.7M). The requirements under GASB No. 75 for OPEB reporting is the primary contributor to this difference (see page 19).
- Budgetary savings were recognized in the unrestricted funds due primarily to an accrued pharmaceutical rebate of approximately \$3.7M and a healthcare account position of \$3.3M, due to the Governor's imposed "Stay at Home" order to combat the COV-19 pandemic's impact, resulting in a decline in medical costs due to cancellations of medical appointments and planned medical procedures.

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.

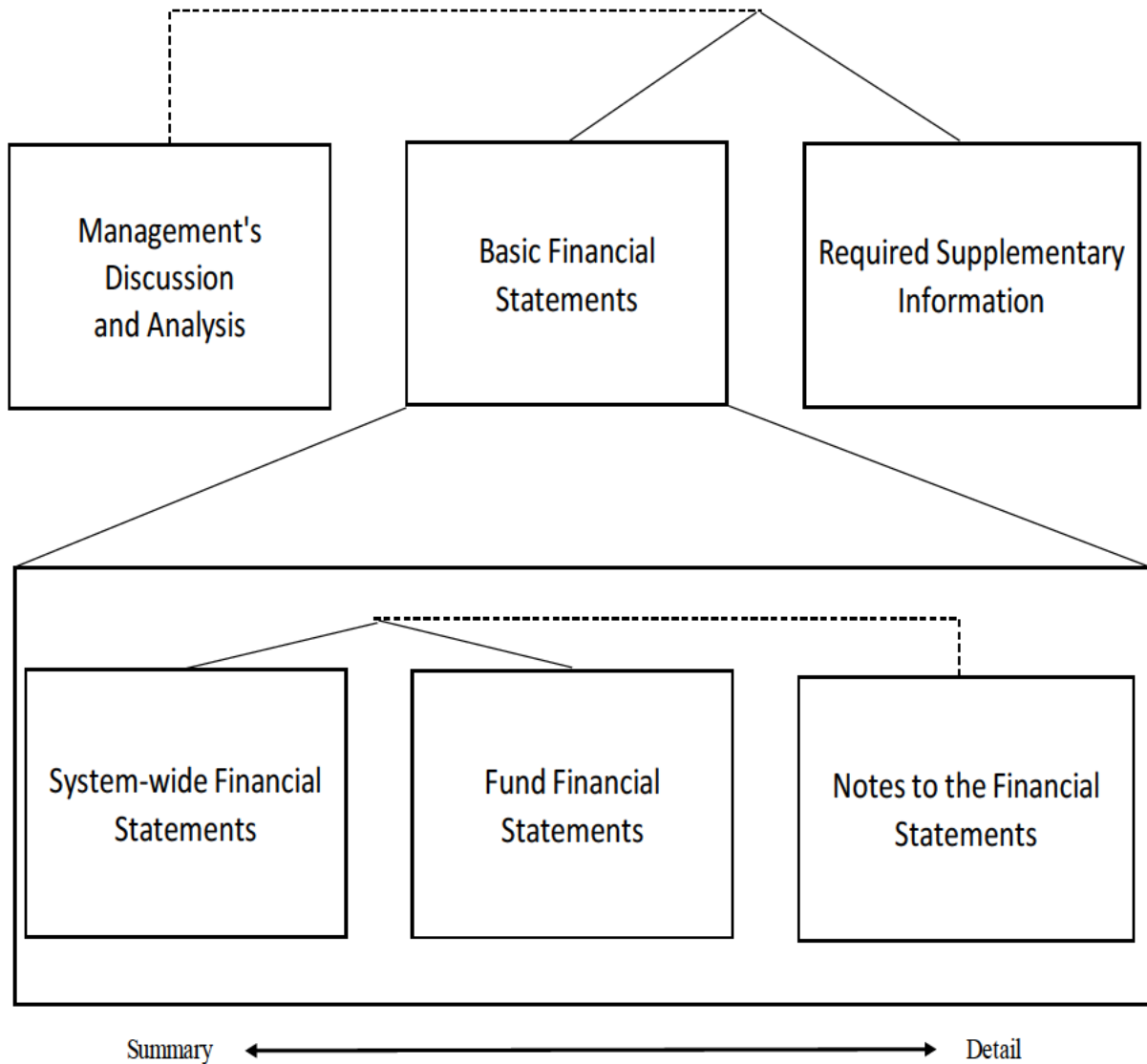
- The first two statements are system-wide financial statements that provide both short-term and long-term information about the School System's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School System's operations. These statements 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 detailed 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, 2020**

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



ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2020

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.

Figure A-2 Major Features of the District-wide and Fund Financial Statements				
	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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement	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, 2020

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, 2020

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 the 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 \$11.7 million, which came predominantly from an increase in the net OPEB liability (see page 17).

ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2020

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

	Governmental Activities		Business-type Activities		Total School System		Total % Change
	2020	2019	2020	2019	2020	2019	
Current and other assets	\$ 46.7	\$ 39.7	\$ 2.1	\$ 1.9	\$ 48.8	\$ 41.6	17.3%
Capital assets	254.4	247.4	0.4	0.5	254.8	247.9	2.8%
Total Assets	301.1	287.1	2.5	2.4	303.6	289.5	4.9%
Total Deferred outflows	79.7	35.0	-	-	79.7	35.0	127.7%
Liabilities							
Long-term outstanding	438.0	367.7	0.2	0.2	438.2	367.9	19.1%
Other liabilities	30.0	26.7	0.6	0.5	30.6	27.2	12.5%
Total Liabilities	468.0	394.4	0.8	0.7	468.8	395.1	18.7%
Deferred inflows	24.9	28.1	-	-	24.9	28.1	-11.4%
Net Position							
Net investment in capital assets	253.2	246.2	0.4	0.5	253.6	246.7	2.8%
Restricted	0.1	0.1	-	-	0.1	0.1	0.0%
Unrestricted	(365.5)	(346.7)	1.3	1.2	(364.2)	(345.5)	5.4%
Total Net Position	\$ (112.2)	\$ (100.4)	\$ 1.7	\$ 1.7	\$ (110.5)	\$ (98.7)	12.0%

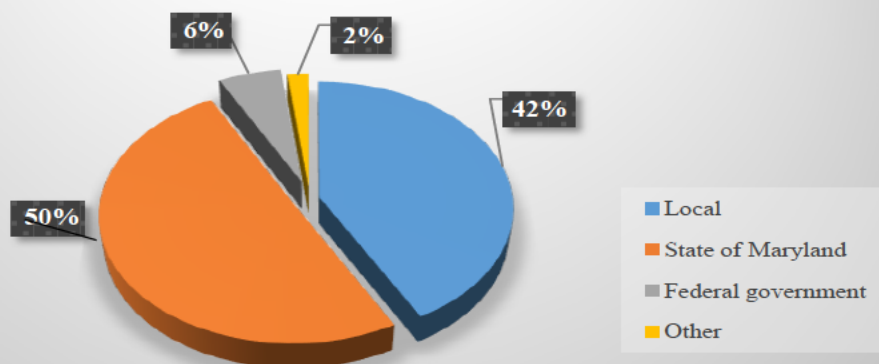
Figure A-4
Condensed Statement of Net Activities (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School System		Total % Change
	2020	2019	2020	2019	2020	2019	
Revenue							
Program revenues:							
Charges for services	\$ 0.3	\$ 0.3	\$ 2.6	\$ 2.9	\$ 2.9	\$ 3.2	-9.4%
Operating grants and contributions	46.1	39.9	3.9	4.5	50.0	44.4	12.6%
Capital grants and contributions	16.3	4.7	-	-	16.3	4.7	246.8%
General revenues:							
County	106.2	103.8	-	-	106.2	103.8	2.3%
State	94.6	92.5	-	-	94.6	92.5	2.3%
Federal	2.7	3.4	-	-	2.7	3.4	-20.6%
Other	5.1	2.0	-	-	5.1	2.0	155.0%
Total Revenue	271.3	246.6	6.5	7.4	277.8	254.0	9.4%
Expenses							
Administrative	21.6	20.4	-	-	21.6	20.4	5.9%
Instruction	96.3	90.4	-	-	96.3	90.4	6.5%
Special education	24.3	22.8	-	-	24.3	22.8	6.6%
Student personnel & health services	4.1	3.9	-	-	4.1	3.9	5.1%
Transportation	17.4	17.4	-	-	17.4	17.4	0.0%
Operations & maintenance	33.3	32.9	-	-	33.3	32.9	1.2%
Fixed charges	85.6	82.4	-	-	85.6	82.4	3.9%
Other	0.4	0.4	6.5	7.3	6.9	7.7	-10.4%
Total Expenses	283.0	270.6	6.5	7.3	289.5	277.9	4.2%
Change in Net Position	\$ (11.7)	\$ (24.0)	\$ -	\$ 0.1	\$ (11.7)	\$ (23.9)	-51.0%

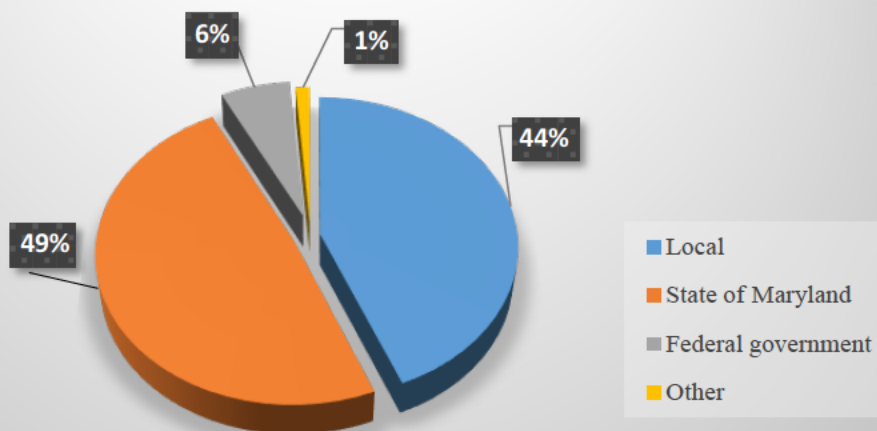
ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2020

**Figure A-5: Sources of Revenues FY-2020
Governmental Activities**



**Figure A-6: Sources of Revenues FY-2019
Governmental Activities**



ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2020

Figure A-7: Expenses FY-2020 Governmental Activities

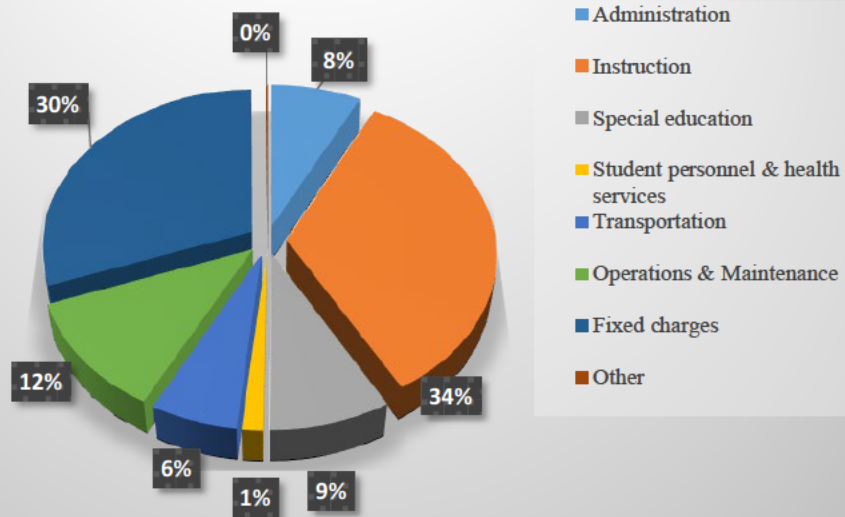
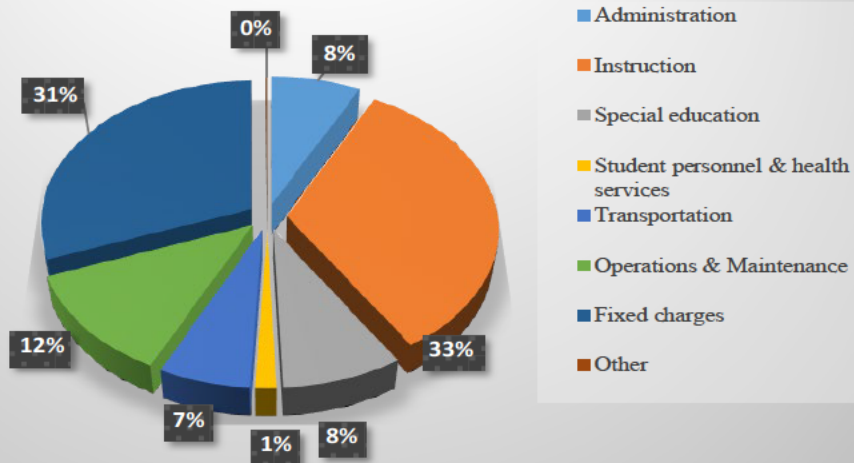


Figure A-8: Expenses FY-2019 Governmental Activities



ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2020

Governmental Activities

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

- Negative variance:
 - None.
- Positive variance:
 - COVID related closures resulted in:
 - Health Insurance Settlement – \$7,151,793 million.
 - Substitute teacher savings - \$960,920.
 - Student Transportation - \$323,310.

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

	Total Cost of Services			Net Cost of Services		
	2020	2019	% change	2020	2019	% change
Administrative	\$ 21.6	\$ 20.4	6%	\$ 20.6	\$ 19.6	5%
Instruction	96.3	90.4	7%	88.2	85.0	4%
Special education	24.3	22.8	7%	14.1	13.6	4%
Student personnel & health services	4.1	3.9	5%	3.4	3.7	-8%
Transportation	17.4	17.4	0%	9.2	9.6	-4%
Operations & maintenance	33.3	32.9	1%	32.3	27.5	17%
Fixed charges	85.6	82.4	4%	52.4	66.6	-21%
Other	0.4	0.4	0%	-	-	0%
Total	\$ 283.0	\$ 270.6	5%	\$ 220.2	\$ 225.6	-2%

ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2020

Business-Type Activities

- Net position for Food Service increased by \$17,082.
- Due to the pandemic and the subsequent decline in Food Service sales revenues in FY2020, the Unrestricted Fund absorbed \$830,999 in Food Services employee fixed charges. FEMA reimbursements of FY2020 Food Services Fund costs have been requested in the amount of \$206,120. However, FEMA has not responded to the reimbursement request as of the date of compilation of these audited financial statements, therefore these funds have not been recognized.

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 2020, the General Fund shows \$3,738,932 of revenue over expenditures and other financing sources (page 20).

Capital Projects expenditures amounted to \$17.3M for the year ended June 30, 2020 (page 20). As discussed later, these expenditures were for a full array of capital projects.

General Fund Budgetary Highlights

Overall, revenues came in at 99.97% of the unrestricted fund budget. The FY 2020 yearend budgetary balance of \$9,032,073 included an accrual for an estimated healthcare account position (\$3,359,160) and RX rebate (\$3,792,633), netting these amounts, the balance of the planned budget was \$1,880,281, or 99.14% of the unrestricted fund budget (page 63).

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

- Adjustments outside a category to include: recognizing a planned use of fund balance, approval to utilize restricted grants, and year-end adjustments for annual leave payouts.
- Adjustments within a category to realign the budget to meet emerging needs.

Capital Asset and Debt Administration

Capital Assets

During FY 2020, the School System invested \$15.4M (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 (pages 36-37).

ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2020

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

	Governmental Activities		Business-type Activities		Total School System		Total % Change
	2020	2019	2020	2019	2020	2019	
Land	\$ 3.7	\$ 3.7	\$ -	\$ -	\$ 3.7	\$ 3.7	0%
Facilities under construction	17.6	27.4	-	-	17.6	27.4	-36%
Buildings	228.5	212.4	-	-	228.5	212.4	8%
Equipment	4.6	3.9	0.4	0.5	5.0	4.4	14%
Total Capital Assets, net	\$ 254.4	\$ 247.4	\$ 0.4	\$ 0.5	\$ 254.8	\$ 247.9	3%

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 2020 there was one payment made to the OPEB trust for \$757,542 and the net liability for OPEB increased \$69.6M in the current year. GASB 68 required the School System to record an increase in pension liability for FY 2020 of \$0.3M. 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
	2020	2019	2020	2019	2020	2019	
Equipment financing agreements	\$ 1.2	\$ 1.2	\$ -	\$ -	\$ 1.2	\$ 1.2	0%
Compensated absences	5.2	4.9	0.2	0.2	5.4	5.1	7%
Net OPEB Liability	418.3	348.7	-	-	418.3	348.7	20%
Net pension liability	13.3	12.9	-	-	13.3	12.9	3%
Total long-term debt	\$ 438.0	\$ 367.7	\$ 0.2	\$ 0.2	\$ 438.2	\$ 367.9	19%

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 replaced GASB 45, which required St. Mary's County Public Schools to recognize the entire unfunded accrued liability associated with post-employment benefits starting in FY 2020. The School System's current liability is \$418.3 million as of June 30, 2020. This liability will keep the government wide net position in a negative position for the foreseeable future.
- GASB 68 requires St. Mary's County Public Schools to recognize a long term pension liability of \$13.3 million for the year ending June 30, 2020. All Boards of Education are now responsible for reporting the net unfunded pension liability for participants in the Employees' Pension Systems.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2020

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

- The continued impact of the COVID-19 pandemic on the economy, community, and the St. Mary's County Public Schools operations is of concern. It is unknown at this time to the extent that the continuation of the pandemic may have on the Federal, State, and County tax income which support the school districts operations. The school district is pursuing every viable grant opportunity to cover direct COVID-19 related costs, such as personal protective equipment to safeguard our staff and students and instructional technology to provide a platform for a continuity of learning.

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, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 30,692,357	\$ 434,563	\$ 31,126,920
Certificate of deposit	91,903	-	91,903
Due from other governments	17,223,095	107,941	17,331,036
Internal balances	(1,284,412)	1,284,412	-
Other receivables, net	6,733	13,763	20,496
Inventory	-	254,802	254,802
Prepaid items	9,441	-	9,441
Capital assets			
Land	3,734,759	-	3,734,759
Building and improvements	400,313,871	-	400,313,871
Furniture and equipment	10,681,239	1,906,897	12,588,136
Construction in process	17,600,233	-	17,600,233
Accumulated depreciation	(177,976,487)	(1,535,526)	(179,512,013)
Total assets	301,092,732	2,466,852	303,559,584
Deferred Outflows			
Deferred outflows related to pensions	2,046,501	-	2,046,501
Deferred outflows related to OPEB	77,607,559	-	77,607,559
Total deferred outflows	79,654,060	-	79,654,060
Liabilities			
Accounts payable	5,667,908	16,637	5,684,545
Accrued salaries and related costs	17,589,740	296,076	17,885,816
Due to other governments	23,980	-	23,980
Unearned revenue	6,761,055	272,930	7,033,985
Long-term liabilities			
Due within one year:			
Compensated absences	572,870	14,832	587,702
Financing agreements payable	394,173	-	394,173
Due after one year:			
Compensated absences	4,644,759	193,884	4,838,643
Financing agreements payable	761,667	-	761,667
Net pension liability	13,253,801	-	13,253,801
Net OPEB liability	418,344,770	-	418,344,770
Total Liabilities	468,014,723	794,359	468,809,082
Deferred Inflows			
Deferred inflows related to pension	1,331,010	-	1,331,010
Deferred inflows related to OPEB	23,557,527	-	23,557,527
Total deferred inflows	24,888,537	-	24,888,537
Net Position			
Net investment in capital assets	253,197,775	371,371	253,569,146
Restricted - capital projects	91,948	-	91,948
Unrestricted (deficit)	(365,446,191)	1,301,122	(364,145,069)
Total Net Position	\$ (112,156,468)	\$ 1,672,493	\$ (110,483,975)

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, 2020

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
Governmental Activities:							
Administration	\$ 4,086,101	\$ -	\$ 382,457	\$ -	\$ (3,703,644)	\$ -	\$ (3,703,644)
Mid-level administration	17,444,732	-	563,229	-	(16,881,503)	-	(16,881,503)
Instructional salaries	87,011,024	-	5,760,584	-	(81,250,440)	-	(81,250,440)
Instructional textbooks and supplies	5,946,941	44,890	1,484,051	-	(4,418,000)	-	(4,418,000)
Other instructional costs	3,402,213	-	854,007	-	(2,548,206)	-	(2,548,206)
Special education	24,267,278	-	10,128,832	-	(14,138,446)	-	(14,138,446)
Student personnel services	1,511,360	-	526,640	-	(984,720)	-	(984,720)
Student health services	2,614,666	-	251,896	-	(2,362,770)	-	(2,362,770)
Student transportation services	17,359,091	-	8,144,511	-	(9,214,580)	-	(9,214,580)
Operation of plant	28,472,309	239,123	633,886	-	(27,599,300)	-	(27,599,300)
Maintenance of plant	4,775,589	-	696	-	(4,774,893)	-	(4,774,893)
Community services	414,554	-	459,255	-	44,701	-	44,701
Fixed charges	85,681,764	-	16,953,634	16,321,397	(52,406,733)	-	(52,406,733)
Interest on long-term debt	11,068	-	-	-	(11,068)	-	(11,068)
Total Governmental Activities	<u>282,998,690</u>	<u>284,013</u>	<u>46,143,678</u>	<u>16,321,397</u>	<u>(220,249,602)</u>	<u>-</u>	<u>(220,249,602)</u>
Business-type Activities							
Food services	6,505,367	2,599,470	3,908,202	-	-	2,305	2,305
Total Government	<u>\$ 289,504,057</u>	<u>\$ 2,883,483</u>	<u>\$ 50,051,880</u>	<u>\$ 16,321,397</u>	<u>(220,249,602)</u>	<u>2,305</u>	<u>(220,247,297)</u>
General Revenue							
Unrestricted grants and contributions:							
Local					106,242,921	-	106,242,921
State					94,623,457	-	94,623,457
Federal					2,686,269	-	2,686,269
Investment earnings					1,306,620	7,977	1,314,597
Other					3,687,934	6,800	3,694,734
Total General Revenue					<u>208,547,201</u>	<u>14,777</u>	<u>208,561,978</u>
Change in Net Position					<u>(11,702,401)</u>	<u>17,082</u>	<u>(11,685,319)</u>
Net position, beginning of year					<u>(100,454,067)</u>	<u>1,655,411</u>	<u>(98,798,656)</u>
Net Position, End of Year					<u>\$ (112,156,468)</u>	<u>\$ 1,672,493</u>	<u>\$ (110,483,975)</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, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 30,670,579	\$ 21,778	\$ 30,692,357
Certificate of deposit	-	91,903	91,903
Due from other governments	11,607,232	5,615,863	17,223,095
Due from other funds	1,951,669	-	1,951,669
Other receivables	6,733	-	6,733
Prepaid items	9,441	-	9,441
Total assets	\$ 44,245,654	\$ 5,729,544	\$ 49,975,198
Liabilities			
Liabilities			
Accounts payable	\$ 4,075,449	\$ 1,592,459	\$ 5,667,908
Accrued salaries and related costs	17,589,740	-	17,589,740
Due to other governments	23,980	-	23,980
Due to other funds	1,284,412	1,951,669	3,236,081
Unearned revenue	4,667,587	2,093,468	6,761,055
Total liabilities	27,641,168	5,637,596	33,278,764
Fund balances (See footnote 8)			
Non-spendable	9,441	-	9,441
Restricted	-	91,948	91,948
Assigned	16,514,407	-	16,514,407
Unassigned	80,638	-	80,638
Total fund balance	16,604,486	91,948	16,696,434
Total liabilities and fund balance	\$ 44,245,654	\$ 5,729,544	\$ 49,975,198

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, 2020

Total Fund Balances - Governmental Funds \$ 16,696,434

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	\$ 432,330,102	
Accumulated depreciation	<u>(177,976,487)</u>	254,353,615

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	\$ (5,217,629)	
Financing agreements payable	(1,155,840)	
Net OPEB liability	(418,344,770)	
Net pension liability	(13,253,801)	
Deferred outflows/inflows - related to pension	715,491	
Deferred outflows/inflows - related to OPEB	<u>54,050,032</u>	<u>(383,206,517)</u>

Total net position - governmental activities \$ (112,156,468)

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, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenue			
St. Mary's County	\$ 106,242,921	\$ 7,725,828	\$ 113,968,749
State of Maryland	127,818,118	8,595,569	136,413,687
Federal government	15,635,286	-	15,635,286
Tuition	52,793	-	52,793
Investment income	456,136	850,484	1,306,620
Other	3,758,466	160,688	3,919,154
Total revenue	<u>253,963,720</u>	<u>17,332,569</u>	<u>271,296,289</u>
Expenditures			
Current			
Administration	4,053,622	-	4,053,622
Mid-level administration	17,381,864	-	17,381,864
Instructional salaries	87,011,024	-	87,011,024
Instructional textbooks and supplies	5,946,941	-	5,946,941
Other instructional costs	3,236,932	-	3,236,932
Special education	24,260,144	-	24,260,144
Student personnel services	1,510,288	-	1,510,288
Student health services	2,614,666	-	2,614,666
Student transportation services	17,194,237	-	17,194,237
Operation of plant	16,914,736	-	16,914,736
Maintenance of plant	4,739,248	-	4,739,248
Community services	414,554	-	414,554
Fixed charges	63,620,066	-	63,620,066
Capital outlay	1,277,400	17,329,773	18,607,173
Debt service			
Principal	388,949	-	388,949
Interest	11,068	-	11,068
Total expenditures	<u>250,575,739</u>	<u>17,329,773</u>	<u>267,905,512</u>
Excess of revenues over expenditures	3,387,981	2,796	3,390,777
Other financing Sources			
Proceeds from capital lease	350,951	-	350,951
Net change in fund balances	3,738,932	2,796	3,741,728
Fund balance, beginning of year	12,865,554	89,152	12,954,706
Fund Balance, End of Year	<u>\$ 16,604,486</u>	<u>\$ 91,948</u>	<u>\$ 16,696,434</u>

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, 2020

Total net change in fund balances - governmental funds	\$ 3,741,728
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.	6,968,520
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.	37,998
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	(353,858)
Net OPEB current year expense	(69,649,326)
Net pension liabilities	(333,735)
Deferred outflows and inflows of resources related to pensions	(454,222)
Deferred outflows and inflows of resources related to OPEB	<u>48,340,494</u>
Change in net position of governmental activities	<u>\$ (11,702,401)</u>

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, 2020

Assets

Current assets

Cash and cash equivalents	\$ 434,563
Due from other governments	107,941
Due from other funds	1,284,412
Accounts receivable, net	13,763
Inventory, at cost	254,802
	<u>2,095,481</u>

Noncurrent Assets

Food service equipment	1,906,897
Less accumulated depreciation	<u>(1,535,526)</u>
	<u>371,371</u>

Total assets

2,466,852

Liabilities

Current liabilities

Accounts payable	\$ 16,637
Accrued salaries and related costs	296,076
Unearned revenue	272,930
Compensated absences	14,832
	<u>600,475</u>

Noncurrent liabilities

Compensated absences	<u>193,884</u>
Total liabilities	<u>794,359</u>

Net Position

Net investment in capital assets	371,371
Unrestricted	<u>1,301,122</u>
Total Net Position	<u><u>\$ 1,672,493</u></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, 2020

Operating Revenue	
Food service sales	\$ 2,599,470
Federal grants and commodities	3,644,375
State matching and other	263,827
Total operating revenue	<u>6,507,672</u>
Operating Expenses	
Payroll costs	3,557,833
Professional and contract services	83,623
Supplies and materials	2,598,362
Depreciation	79,231
Other operating costs	186,318
Total operating expenses	<u>6,505,367</u>
Operating income	<u>2,305</u>
Non-Operating Revenue	
Interest income	7,977
Donations	6,800
Total non-operating revenue	<u>14,777</u>
Change in net position	17,082
Net position, beginning of year	1,655,411
Net Position, End of Year	<u>\$ 1,672,493</u>

Note: See footnote 14.

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, 2020

Cash Flows from Operating Activities	
Cash received from user charges	\$ 2,602,024
Operating grants and subsidies received	4,089,052
Payments to employees for services	(3,527,426)
Payments to suppliers for goods and services	(2,858,162)
Payments for other operating expenses	<u>(186,318)</u>
Net cash used by operating activities	<u>119,170</u>
Cash Flows From Non-Capital Financing Activities	
Internal activity - net receipts from other funds	<u>(254,614)</u>
Net cash provided in non-capital financing activities	<u>(254,614)</u>
Cash Flows From Capital and Related Financing Activities	
Donations	<u>6,800</u>
Net cash used in capital and related financing activities	<u>6,800</u>
Cash Flows From Investing Activities	
Interest received on investments	<u>7,977</u>
Net cash provided by investing activities	<u>7,977</u>
Net decrease in cash and cash equivalents	(120,667)
Cash and Cash Equivalents	
Beginning	<u>555,230</u>
Ending	<u>\$ 434,563</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 2,305
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	79,231
Changes in assets and liabilities:	
Due from other governments	96,448
Receivables	2,554
Inventory	(113,314)
Accounts payable	(62,863)
Accrued salaries and related costs	8,033
Unearned revenue	84,402
Compensated absences	<u>22,374</u>
Net Cash from Operating Activities	<u>\$ 119,170</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, 2020

	Private-Purpose Trust Fund	Retiree Benefit Trust Fund (OPEB)	School Activity Funds
Assets			
Cash and cash equivalents	\$ 98,492	\$ -	\$ 1,955,181
Investments held in MABE Trust	-	51,932,333	-
Total assets	<u>98,492</u>	<u>51,932,333</u>	<u>\$ 1,955,181</u>
Liabilities			
Accounts payable	1,095	-	\$ -
Due to student groups	-	-	1,955,181
Total liabilities	<u>1,095</u>	<u>-</u>	<u>\$ 1,955,181</u>
Net Position			
Reserved for scholarships	<u>\$ 97,397</u>		
Held in trust for retiree benefits		<u>\$ 51,932,333</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, 2020

	Private-Purpose Trust Fund	Retiree Benefit Trust Fund (OPEB)
Additions		
Investment and other income, net of administrative fees	\$ 1,628	\$ 1,421,462
Employer Contributions	-	757,542
Deductions		
Scholarships awarded	1,550	-
Change in net position	78	2,179,004
Net position		
Beginning of Year	97,319	49,753,329
End of Year	<u>\$ 97,397</u>	<u>\$ 51,932,333</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, 2020

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, 2020

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 purposes. 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, 2020

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, 2020

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, 2020

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 are 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, 2020

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, 2020; 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, 2020, 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, 2020

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 meet this criterion at June 30, 2020; 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. These negotiated agreements provide that the Board will contribute from 60% to 80% 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, 2020

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, 2020, 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. As of June 30, 2020, the carrying amount of the School System's deposits was \$7,149,671 and the bank balance was \$9,465,754.

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, 2020, 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 \$22,962,073, \$430,684, and \$584,492 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, 2020

2. DEPOSITS AND INVESTMENTS (continued)

Long-Term Investments

As of June 30, 2020, 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. As of June 30, 2020, the pooled net position of the MABE Trust was \$435,236,445 in total, of which the School System's allocated investment balance was \$51,932,333. 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 financial statements 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, 2020

3. RECEIVABLES AND PAYABLES

Receivables and payables at June 30, 2020, consist of the following:

	Governmental Activities			
	General	Capital Projects	Business-Type Activities	Total
Due from other governments				
Local	\$ 7,313,422	\$ 4,668,075	\$ 192	\$ 11,981,689
State	1,009,283	947,788	0	1,957,071
Federal	3,284,527	-	107,749	3,392,276
	<u>\$ 11,607,232</u>	<u>\$ 5,615,863</u>	<u>\$ 107,941</u>	<u>\$ 17,331,036</u>
Other receivables				
Accounts	\$ 6,733	\$ -	\$ 13,763	\$ 20,496
	<u>\$ 6,733</u>	<u>\$ -</u>	<u>\$ 13,763</u>	<u>\$ 20,496</u>
Accounts payable				
Vendors	\$ 4,075,449	\$ 1,592,459	\$ 16,637	\$ 5,684,545
Contractor retainages	-	-	-	-
	<u>\$ 4,075,449</u>	<u>\$ 1,592,459</u>	<u>\$ 16,637</u>	<u>\$ 5,684,545</u>
Due to other governments				
Local	\$ 23,980	\$ -	\$ -	\$ 23,980

4. CAPITAL ASSETS

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

	Balance, June 30, 2019	Additions	Deletions/ Transfers	Balance, June 30, 2020
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,742,759	\$ -	\$ (8,000)	\$ 3,734,759
Construction in process	27,434,360	14,537,228	(24,371,355)	17,600,233
	<u>31,177,119</u>	<u>14,537,228</u>	<u>(24,379,355)</u>	<u>21,334,992</u>
Capital assets being depreciated				
Buildings and improvements	376,096,431	24,674,215	(456,775)	400,313,871
Furniture and equipment	16,089,170	635,284	(6,043,215)	10,681,239
	<u>392,185,601</u>	<u>25,309,499</u>	<u>(6,499,990)</u>	<u>410,995,110</u>
Accumulated depreciated for				
Building and improvements	(163,741,202)	(8,515,880)	319,099	(171,937,983)
Furniture and equipment	(12,236,423)	(634,856)	6,832,775	(6,038,504)
	<u>(175,977,625)</u>	<u>(9,150,736)</u>	<u>7,151,874</u>	<u>(177,976,487)</u>
Governmental activities capital assets, net	<u>\$ 247,385,095</u>	<u>\$ 30,695,991</u>	<u>\$ (23,727,471)</u>	<u>\$ 254,353,615</u>

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements June 30, 2020

4. CAPITAL ASSETS (continued)

	Balance, June 30, 2019	Additions	Deletions/ Transfers	Balance, June 30, 2020
Business-type activities				
Capital assets being depreciated				
Furniture and equipment	\$ 1,906,897	\$ -	\$ -	\$ 1,906,897
	<u>1,906,897</u>	<u>-</u>	<u>-</u>	<u>1,906,897</u>
Accumulated depreciated for				
Furniture and equipment	(1,456,295)	(79,231)	-	(1,535,526)
	<u>(1,456,295)</u>	<u>(79,231)</u>	<u>-</u>	<u>(1,535,526)</u>
Business-type activities capital assets, net	<u>\$ 450,602</u>	<u>\$ (79,231)</u>	<u>\$ -</u>	<u>\$ 371,371</u>

Depreciation expense that was charged in the statement of activities for the year ended June 30, 2020, was as follows:

Governmental activities	
Administration	\$ 25,536
Mid-level administration	49,429
Other instructional costs	129,950
Special education	5,609
Student personnel services	843
Student transportation services	129,614
Operation of plant	8,781,182
Maintenance of plant	28,573
	<u>\$ 9,150,736</u>
Business-type activities	
Food service	<u>\$ 79,231</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, 2020, of \$4,667,587.

Capital Projects Fund: Unearned revenue consists of prefunding in the amount of \$2,093,468 for construction projects at Spring Ridge Middle School and Safety and Security Initiatives.

Enterprise Fund: Unearned revenue of \$272,930 represents student lunch ticket sales collected in advance which will be consumed by students in fiscal year 2021.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements June 30, 2020

6. INTERFUND BALANCES

The composition of interfund balances as of June 30, 2020, was as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	
	<u>General</u>	<u>Enterprise</u>
General	\$ -	\$ 1,284,412
Capital Projects	1,951,669	-

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, 2020, 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, 2020:

	<u>Balance, June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2020</u>	<u>Amounts Due Within one Year</u>
Governmental activities					
Equipment financing agreements	\$ 1,193,838	\$ 350,951	\$ 388,949	\$ 1,155,840	\$ 394,173
Compensated absences	4,863,771	353,858	-	5,217,629	572,870
Net OPEB liability	348,695,444	69,649,326	-	418,344,770	-
Net pension liability	12,920,066	333,735	-	13,253,801	-
	<u>\$ 367,673,119</u>	<u>\$ 70,687,870</u>	<u>\$ 388,949</u>	<u>\$ 437,972,040</u>	<u>\$ 967,043</u>
Business-type activities					
Compensated absences	<u>\$ 186,342</u>	<u>\$ 22,374</u>		<u>\$ 208,716</u>	<u>\$ 14,832</u>

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 \$41,486 at interest rates ranging from 1.99% to 4.00%, expiring through 2024. 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, 2020

7. LONG-TERM LIABILITIES (continued)

The future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2020, under these equipment financing agreements are as follows:

<u>Years Ending June 30,</u>	
2021	\$ 394,173
2022	394,173
2023	392,717
2024	45,982
	<u>1,227,045</u>
Less amount representing interest	(71,205)
Present value of minimum lease payments	<u>\$ 1,155,840</u>

8. GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2020, are summarized as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
Non-spendable			
Prepaid items	\$ 9,441	\$ -	\$ 9,441
Restricted for			
Capital projects	\$ -	\$ 91,948	\$ 91,948
Assigned to			
Purchase orders:			
Mid-level administration	9,039	-	9,039
Instructional textbooks and supplies	6,008	-	6,008
Other instructional costs	275,496	-	275,496
Student transportation services	355,163	-	355,163
Maintenance of plant	37,711	-	37,711
Fixed charges	47,500	-	47,500
Capital outlay	9,428	-	9,428
Total purchase orders	<u>740,345</u>	<u>-</u>	<u>740,345</u>
Healthcare	6,633,000	-	6,633,000
Wellness – Restricted Fund	1,047,310	-	1,047,310
CPCS	75,072	-	75,072
FY21 CPCS adopted budget	159,151	-	159,151
FY21 adopted budget	5,959,529	-	5,959,529
FY21 amended budget	500,000	-	500,000
Lease - Building Purchase Option	400,000	-	400,000
Fuel	500,000	-	500,000
Snow / Emergency	500,000	-	500,000
Total Assigned	<u>16,514,407</u>	<u>-</u>	<u>16,514,407</u>
Unassigned	80,638	-	80,638
Total fund balances	<u>\$ 16,604,486</u>	<u>\$ 91,948</u>	<u>\$ 16,696,434</u>

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

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, 2020

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, 2020

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 \$6,517,606 or 4.48% of current covered payroll, and the State of Maryland made contributions on behalf of the School System totaling \$13,499,592 or 9.28% of current covered payroll for fiscal year 2020. 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, 2020

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 Education's liability was not improperly allocated to other participating government units. Actual employer contributions billed to participating government units for the year ending June 30, 2019, are used as the basis for determining each employer's proportionate share of the net pension liability. As of June 30, 2020, the School System reported a liability of \$13,253,801 of the SRPS total liability of \$20,625,610,000.

For the year ended June 30, 2020, the School System recognized pension expense of approximately \$1,686,880. At June 30, 2020, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2020 Contributions	\$ 1,428,552	\$ -
Change in assumptions		151,204
Actual and expected experience	-	849,040
Difference in investment earnings	617,949	330,766
Total	\$ 2,046,501	\$ 1,331,010

\$1,428,552 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, 2020.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements June 30, 2020

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>	
2021	\$ 31,459
2022	(345,345)
2023	(217,203)
2024	(83,784)
2025	(98,784)
Total	<u>\$ (713,657)</u>

Actuarial Methods and Assumptions: The total pension liability of the SRPS in the June 30, 2019, 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	3.10% to 11.60%, including wage inflation
Investment rate of return	7.40%
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

Investments: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board 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, 2020

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	37%	6.3%
Private Equity	13%	7.5%
Rate Sensitive	19%	1.3%
Credit/Debt Related Strategies	9%	3.9%
Real Assets	14%	4.5%
Absolute Return	8%	3.0%
	<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, 2019. For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 6.44%. 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 7.4% 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 7.4%. 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 7.4%, 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, 2020

10. PENSION PLANS (continued)

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

	1% Decrease to 6.40%	Current Discount	1% Increase to 8.40%
School System's proportionate share of the net pension liability	\$ 19,183,550	\$ 13,253,801	\$ 8,315,067

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. 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 60% to 80% 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, 2020

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 May 1, 2019, the date of the actuarial valuation:

Number of Participants

Active employees	1,634
Retirees - pre-medicare*	200
Retirees - post-medicare*	885
Total	<u>2,719</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 10.34% of annual covered payroll. The School System contributed \$8,952,732, for the year ended June 30, 2020, consisting of contributions towards current healthcare and life insurance premiums accounted for in the general fund with \$757,542 in additional contributions during 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, 2020.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements June 30, 2020

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

Investments (continued)

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.91 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, 2020, were as follows:

Total OPEB liability	\$ 470,277,103
Plan fiduciary net position	(51,932,333)
Net OPEB liability	<u>\$ 418,344,770</u>

Plan fiduciary net position as a percentage of the total OPEB liability	11.04%
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Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, 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	2.45%
Healthcare cost trend rate	4.7%
Mortality	RP 2014 fully generational

The actuarial assumptions used in the June 30, 2020, valuation was based on the results of an actuarial experience study for the period July 1, 2017 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, 2020, was 2.91%.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

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

Discount rate. The discount rate used to measure the total OPEB liability was 2.45 percent, based on a 20-year AA municipal bond rate. 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 (1.45%) or 1-percentage-point higher (3.45%) than the current discount rate:

	1% Decrease 1.45%	Discount Rate 2.45%	1% Increase 3.45%
Net OPEB liability	\$ 532,346,633	\$ 418,344,770	\$ 332,261,959

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 (3.00%) or 1-percentage-point higher (5.00%) than the current healthcare cost trend rate:

	1% Decrease 3.00%	Healthcare Cost Trend Rates 4.00%	1% Increase 5.00%
Net OPEB liability	\$ 325,990,101	\$ 418,344,770	\$ 546,411,859

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2020, the Board recognized OPEB expense of \$30,261,564. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements June 30, 2020

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in experience	\$ 943,466	\$ 21,851,568
Changes in assumptions	75,112,544	1,705,959
Projected and actual earnings	1,551,549	-
Total	\$ 77,607,559	\$ 23,557,527

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

Year ended June 30:	Total
2021	\$ 6,987,296
2022	6,987,296
2023	7,018,431
2024	7,033,714
2025	6,618,797
Thereafter	19,404,498
Total	\$ 54,050,032

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 September 4, 2019, actuarial valuation, the entry age normal 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 4.7% initially, reduced annually to arrive at an ultimate healthcare cost trend of 4.00%, (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, 2017 through December 31, 2018, 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 20 years for the year ended June 30, 2020.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements June 30, 2020

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

Changes in the net OPEB liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2019	\$ 398,448,773	\$ 49,753,329	\$ 348,695,444
Changes for the year:			
Service cost	14,414,143	-	14,414,143
Interest	12,356,164	-	12,356,164
Contributions - employer	-	8,952,732	(8,952,732)
Net investment income	-	1,434,223	(1,434,223)
Administrative expenses		(12,761)	12,761
Differences between expected and actual experience	828,873		828,873
Changes of assumptions	52,424,340		52,424,340
Benefit payments	(8,195,190)	(8,195,190)	-
Net Changes	71,828,330	2,179,004	69,649,326
Balance as of June 30, 2020	\$ 470,277,103	\$ 51,932,333	\$ 418,344,770

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, 2020, 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 \$16,026,431.

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 grantors 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, 2020, management anticipates a refund in the amount of \$7,151,793.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

13. NEW GOVERNMENTAL ACCOUNTING BOARD STANDARDS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2020, 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.

Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. With the adoption of Statement, No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the requirement of Statement No. 84 was postponed by one year. Originally effective for reporting periods beginning after December 15, 2018 (FY 2020), the School System is currently evaluating the effect of implementation of this Statement. With the School System's election to postpone by one year, the Standard will be implemented in FY 2021.

Statement No. 87, *Leases*

The objective of this Statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. With the adoption of Statement, No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the requirement of Statement No. 87 was postponed by eighteen months. Originally effective for reporting periods beginning after December 15, 2019 (FY 2021), the School System is currently evaluating the effect of implementation of this Statement. With the School System's election to postpone by eighteen months, the Standard will be implemented in FY 2022.

14. PROPRIETARY FUND OPERATIONS

Due to the pandemic and the subsequent decline in Food Service sales revenues in FY2020, the Unrestricted Fund absorbed \$830,999 in Food Services employee fixed charges. FEMA reimbursements of FY2020 Food Services Fund costs have been requested in the amount of \$206,120. However, FEMA has not responded to the reimbursement request as of the date of compilation of these audited financial statements, therefore these funds have not been recognized.

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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School System's proportion of the net pension liability	0.064%	0.062%	0.054%	0.056%	0.060%	0.054%
School System's proportionate share of the ERS net pension liability	\$ 13,253,801	\$ 12,920,066	\$ 11,668,499	\$ 13,229,614	\$ 12,514,609	\$ 9,640,511
School System's proportionate share of the TRS net pension liability	<u>180,294,375</u>	<u>188,110,615</u>	<u>189,998,229</u>	<u>215,427,373</u>	<u>171,331,354</u>	<u>42,592,154</u>
	<u>\$ 193,548,176</u>	<u>\$ 201,030,681</u>	<u>\$ 201,666,728</u>	<u>\$ 228,656,987</u>	<u>\$ 183,845,963</u>	<u>\$ 52,232,665</u>
School System's covered-payroll	\$ 145,451,909	\$ 130,613,111	\$ 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-payroll	9.112%	9.892%	9.123%	10.501%	10.332%	8.364%
Plan fiduciary net position as a percentage of the total pension liability	72.340%	71.180%	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, 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contributions	\$ 6,517,606	\$ 6,299,724	\$ 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	1,428,552	1,319,557	1,227,914	1,098,302	1,092,326	1,269,260	1,265,916	1,140,494	1,428,621
Teacher system	5,089,054	4,980,167	4,944,282	4,781,065	4,634,220	4,030,711	3,150,692	2,485,697	-
	<u>6,517,606</u>	<u>6,299,724</u>	<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-payroll	\$ 145,451,909	\$ 130,613,111	\$ 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-payroll	4.481%	4.823%	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, 2020

	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 14,414,143	\$ 13,007,551	\$ 12,676,617	\$ 12,238,000
Interest	12,356,164	13,206,282	12,506,803	11,001,955
Differences between expected and actual experience	828,873	(28,094,872)	310,034	3,131,014
Changes of assumptions	52,424,340	36,659,739	(2,558,940)	(56,209,000)
Benefit payments	(8,195,190)	(4,811,441)	(7,300,000)	(6,696,969)
Net change in total OPEB liability	71,828,330	29,967,259	15,634,514	(36,535,000)
Total OPEB liability - beginning	398,448,773	368,481,514	352,847,000	389,382,000
Total OPEB liability - ending (a)	<u>\$ 470,277,103</u>	<u>\$ 398,448,773</u>	<u>\$ 368,481,514</u>	<u>\$ 352,847,000</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 8,952,732	\$ 5,811,441	\$ 8,300,000	\$ 6,696,969
Net investment income	1,434,223	3,293,993	3,088,016	4,215,949
Benefit payments	(8,195,190)	(4,811,441)	(7,300,000)	(6,696,969)
Administrative expense	(12,761)	(12,650)	(12,942)	(15,243)
Net change in plan fiduciary net position	2,179,004	4,281,343	4,075,074	4,200,706
Plan fiduciary net position - beginning	49,753,329	45,471,986	41,396,912	37,196,206
Plan fiduciary net position - ending (b)	<u>\$ 51,932,333</u>	<u>\$ 49,753,329</u>	<u>\$ 45,471,986</u>	<u>\$ 41,396,912</u>
School System's net OPEB liability (a) - (b)	<u>\$ 418,344,770</u>	<u>\$ 348,695,444</u>	<u>\$ 323,009,528</u>	<u>\$ 311,450,088</u>
Plan fiduciary net position as a percentage of the total OPEB liability	11.04%	12.49%	12.34%	11.73%
Covered-payroll	\$ 145,451,909	\$ 130,613,111	\$ 127,901,817	\$ 125,980,783
School System's net OPEB liability as a percentage of covered-payroll	287.62%	266.97%	252.54%	247.22%

ST. MARY'S COUNTY PUBLIC SCHOOLS

Schedule of School System's Contributions - OPEB June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarial determined contribution	\$ 15,045,000	\$ 14,099,000	\$ 14,401,000	\$ 13,846,000
Contributions in relation to the actuarially determined contribution	<u>8,952,732</u>	<u>5,811,441</u>	<u>8,300,000</u>	<u>6,696,969</u>
Contribution deficiency	<u>\$ 6,092,268</u>	<u>\$ 8,287,559</u>	<u>\$ 6,101,000</u>	<u>\$ 7,149,031</u>
 Covered-employee payroll	 \$ 145,451,909	 \$ 130,613,111	 \$ 127,901,817	 \$ 125,980,783
 Contributions as a percentage of covered- payroll	 6.16%	 4.45%	 6.49%	 5.32%

ST. MARY'S COUNTY PUBLIC SCHOOLS

**Schedule of Investment Returns – OPEB
June 30, 2020**

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	2.86%	7.21%	7.43%	11.29%

ST. MARY'S COUNTY PUBLIC SCHOOLS

Budgetary Comparison Schedule – General Fund June 30, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Amended Budget Favorable (Unfavorable)
	Original	Amended		
Revenues				
Local	\$ 106,272,921	\$ 106,312,353	\$ 106,312,356	\$ 3
State of Maryland	116,591,353	116,653,999	115,203,206	(1,450,793)
Federal government	20,898,980	21,149,188	15,141,619	(6,007,569)
Tuition	110,076	110,076	52,794	(57,282)
Investment income	400,000	400,000	456,136	56,136
Utilization of fund balance				-
Unassigned	1,934,870	5,934,870	5,978,710	43,840
Other	3,692,993	4,199,996	3,298,018	(901,978)
	<u>249,901,193</u>	<u>254,760,482</u>	<u>246,442,839</u>	<u>(8,317,643)</u>
Expenditures				
Administration	4,126,641	4,335,894	4,202,504	133,390
Mid-level administration	17,718,886	17,750,071	17,454,728	295,343
Instructional salaries	89,121,670	89,902,791	87,007,297	2,895,494
Instructional textbooks and supplies	5,040,402	6,848,281	6,430,860	417,421
Other instructional costs	4,558,288	3,432,329	1,960,580	1,471,749
Special education	26,019,649	25,943,602	24,431,265	1,512,337
Student personnel services	2,112,010	2,105,039	1,763,965	341,074
Student health services	2,717,210	2,878,835	2,732,485	146,350
Student transportation services	18,299,335	18,442,567	17,553,999	888,568
Operation of plant	17,884,715	19,393,787	17,918,744	1,475,043
Maintenance of plant	4,618,647	4,536,205	4,465,096	71,109
Fixed charges	56,091,897	57,517,595	50,012,702	7,504,893
Community services	599,105	577,645	459,256	118,389
Capital outlays	992,738	1,095,841	1,017,284	78,557
	<u>249,901,193</u>	<u>254,760,482</u>	<u>237,410,765</u>	<u>17,349,717</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>9,032,074</u>	<u>\$ 9,032,074</u>
Adjustments to conform with generally accepted accounting principles			(5,293,142)	
Fund Balance				
Beginning			12,865,554	
Ending			<u>\$ 16,604,486</u>	

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to Required Supplementary Information June 30, 2020

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 are 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, 2020

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 2020 from the budget basis to the GAAP basis, are as follows:

	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Current Year Effect on Fund Balances
General Fund - budgetary basis	\$ 246,442,839	\$ 237,410,765	\$ -	\$ 9,032,074
Budget to GAAP reconciliation				
FY19 PO's	-	177,919	-	(177,919)
FY20 Prior year PO's	-	(740,344)	-	740,344
FY19 PO's converted back to fund balance	-	(23,144)	-	23,144
State retirement contribution	13,499,592	13,499,592	-	-
Fund balance usage	(5,978,711)	-	-	(5,978,711)
Capital lease	-	350,951	350,951	-
Other adjustments	-	(100,000)	-	100,000
	<u>7,520,881</u>	<u>13,164,974</u>	<u>350,951</u>	<u>(5,293,142)</u>
General Fund - GAAP basis	\$ 253,963,720	\$ 250,575,739	\$ 350,951	\$ 3,738,932

SUPPLEMENTARY INFORMATION

ST. MARY'S COUNTY PUBLIC SCHOOLS

Combining Budgetary Comparison Schedule – General Fund – Unrestricted Funds and Restricted Funds June 30, 2020

	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		
Revenues												
Local	\$ 106,242,921	\$ 106,242,921	\$ 106,242,921	\$ -	\$ 30,000	\$ 69,432	\$ 69,435	\$ 3	\$ 106,272,921	\$ 106,312,353	\$ 106,312,356	\$ 3
States of Maryland	109,875,976	109,875,976	109,510,035	(365,941)	6,715,377	6,778,023	5,693,171	(1,084,852)	116,591,353	116,653,999	115,203,206	(1,450,793)
Federal government	2,765,300	2,765,300	2,686,268	(79,032)	18,133,680	18,383,888	12,455,351	(5,928,537)	20,898,980	21,149,188	15,141,619	(6,007,569)
Tuition	28,000	28,000	6,423	(21,577)	82,076	82,076	46,371	(35,705)	110,076	110,076	52,794	(57,282)
Investment Income	400,000	400,000	456,136	56,136	-	-	-	-	400,000	400,000	456,136	56,136
Utilization of fund balance												
Unassigned	1,934,870	5,934,870	5,934,870	-	-	-	43,840	43,840	1,934,870	5,934,870	5,978,710	43,840
Other	838,700	1,338,700	1,687,106	348,406	2,854,293	2,861,296	1,610,912	(1,250,384)	3,692,993	4,199,996	3,298,018	(901,978)
	222,085,767	226,585,767	226,523,759	(62,008)	27,815,426	28,174,715	19,919,080	(8,255,635)	249,901,193	254,760,482	246,442,839	(8,317,643)
Expenditures												
Administration	3,545,562	3,822,096	3,820,046	2,050	581,079	513,798	382,458	131,340	4,126,641	4,335,894	4,202,504	133,390
Mid-level administration	16,809,844	16,986,841	16,891,499	95,342	909,042	763,230	563,229	200,001	17,718,886	17,750,071	17,454,728	295,343
Instructional Salaries	81,901,980	82,078,196	81,246,713	831,483	7,219,690	7,824,595	5,760,584	2,064,011	89,121,670	89,902,791	87,007,297	2,895,494
Instructional textbooks and supplies	3,786,220	5,157,415	4,946,809	210,606	1,254,182	1,690,866	1,484,051	206,815	5,040,402	6,848,281	6,430,860	417,421
Other instructional costs	1,615,294	1,645,294	1,106,573	538,721	2,942,994	1,787,035	854,007	933,028	4,558,288	3,432,329	1,960,580	1,471,749
Special education	19,390,370	19,446,903	19,440,245	6,658	6,629,279	6,496,699	4,991,020	1,505,679	26,019,649	25,943,602	24,431,265	1,512,337
Student personnel services	1,264,439	1,292,426	1,237,325	55,101	847,571	812,613	526,640	285,973	2,112,010	2,105,039	1,763,965	341,074
Student health services	2,502,027	2,513,370	2,480,589	32,781	215,183	365,465	251,896	113,569	2,717,210	2,878,835	2,732,485	146,350
Student transportation services	17,324,559	17,329,046	16,996,686	332,360	974,776	1,113,521	557,313	556,208	18,299,335	18,442,567	17,553,999	888,568
Operation of plant	16,943,065	17,665,052	17,284,858	380,194	941,650	1,728,735	633,886	1,094,849	17,884,715	19,393,787	17,918,744	1,475,043
Maintenance of plant	4,523,947	4,532,033	4,464,400	67,633	94,700	4,172	696	3,476	4,618,647	4,536,205	4,465,096	71,109
Fixed charges	51,485,722	53,021,254	46,648,159	6,373,095	4,606,175	4,496,341	3,364,544	1,131,797	56,091,897	57,517,595	50,012,702	7,504,893
Community services	-	-	-	-	599,105	577,645	459,256	118,389	599,105	577,645	459,256	118,389
Capital outlay	992,738	1,095,841	927,784	168,057	-	-	89,500	(89,500)	992,738	1,095,841	1,017,284	78,557
	222,085,767	226,585,767	217,491,686	9,094,081	27,815,426	28,174,715	19,919,080	8,255,635	249,901,193	254,760,482	237,410,765	17,349,717
Net change in fund balances	\$ -	\$ -	9,032,073	\$ 9,032,073	\$ -	\$ -	-	\$ -	\$ -	\$ -	9,032,074	\$ 9,032,074
Adjustments to Conform With Generally Accepted Accounting Principles			(5,249,302)				(43,840)				(5,293,142)	
Fund Balance												
Beginning			11,774,404				1,091,150				12,865,554	
Ending			<u>\$ 15,557,175</u>				<u>\$ 1,047,310</u>				<u>\$ 16,604,486</u>	

Note: The FY20 year-end budgetary balance of (\$9,032,074) included an accrual for an estimated healthcare account position (\$3,359,160) and RX rebate (\$3,792,633), netting these amounts the balance of the planned budget was (\$1,880,281).

ST. MARY'S COUNTY PUBLIC SCHOOLS

Combining Budgetary Comparison Schedule – General Fund – Unrestricted Funds June 30, 2020

	Unrestricted Fund (excluding Charter School by category)				Unrestricted Funds (Charter School only)				Total Combined Unrestricted Fund			
			Actual (Budgetary Basis)	Variance With Amended Budget Favorable (Unfavorable)			Actual (Budgetary Basis)	Variance With Amended Budget Favorable (Unfavorable)			Actual (Budgetary Basis)	Variance With Amended Budget Favorable (Unfavorable)
	Budgeted Amounts Original	Amended			Budgeted Amounts Original	Amended			Budgeted Amounts Original	Amended		
Revenues												
Local	\$ 106,242,921	\$ 106,242,921	\$ 106,242,921	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,242,921	\$ 106,242,921	\$ 106,242,921	\$ -
States of Maryland	109,875,976	109,875,976	109,510,035	(365,941)	-	-	-	-	109,875,976	109,875,976	109,510,035	(365,941)
Federal government	2,765,300	2,765,300	2,686,268	(79,032)	-	-	-	-	2,765,300	2,765,300	2,686,268	(79,032)
Tuition	28,000	28,000	6,423	(21,577)	-	-	-	-	28,000	28,000	6,423	(21,577)
Investment Income	400,000	400,000	456,136	56,136	-	-	-	-	400,000	400,000	456,136	56,136
Utilization of fund balance				-				-				-
Unassigned	1,900,000	5,900,000	5,900,000	-	34,870	34,870	34,870	-	1,934,870	5,934,870	5,934,870	-
Other	838,700	1,338,700	1,687,106	348,406	-	-	-	-	838,700	1,338,700	1,687,106	348,406
	<u>222,050,897</u>	<u>226,550,897</u>	<u>226,488,889</u>	<u>(62,008)</u>	<u>34,870</u>	<u>34,870</u>	<u>34,870</u>	<u>-</u>	<u>222,085,767</u>	<u>226,585,767</u>	<u>226,523,759</u>	<u>(62,008)</u>
Expenditures												
Administration	3,545,562	3,822,096	3,820,046	2,050	-	-	-	-	3,545,562	3,822,096	3,820,046	2,050
Mid-level administration	16,294,877	16,471,874	16,380,715	91,159	514,967	514,967	510,784	4,183	16,809,844	16,986,841	16,891,499	95,342
Instructional Salaries	79,440,096	79,616,312	78,792,962	823,350	2,461,884	2,461,884	2,453,751	8,133	81,901,980	82,078,196	81,246,713	831,483
Instructional textbooks and supplies	3,753,220	5,124,415	4,921,884	202,531	33,000	33,000	24,925	8,075	3,786,220	5,157,415	4,946,809	210,606
Other instructional costs	1,613,294	1,643,294	1,106,373	536,921	2,000	2,000	200	1,800	1,615,294	1,645,294	1,106,573	538,721
Special education	18,995,555	19,052,088	19,047,413	4,675	394,815	394,815	392,832	1,983	19,390,370	19,446,903	19,440,245	6,658
Student personnel services	1,261,439	1,289,426	1,237,015	52,411	3,000	3,000	310	2,690	1,264,439	1,292,426	1,237,325	55,101
Student health services	2,446,393	2,457,736	2,418,554	39,182	55,634	55,634	62,035	(6,401)	2,502,027	2,513,370	2,480,589	32,781
Student transportation services	17,124,559	17,129,046	16,805,736	323,310	200,000	200,000	190,950	9,050	17,324,559	17,329,046	16,996,686	332,360
Operation of plant	16,244,116	16,966,103	16,590,613	375,490	698,949	698,949	694,245	4,704	16,943,065	17,665,052	17,284,858	380,194
Maintenance of plant	4,523,947	4,532,033	4,464,400	67,633	-	-	-	-	4,523,947	4,532,033	4,464,400	67,633
Fixed charges	50,481,303	52,016,835	45,684,594	6,332,241	1,004,419	1,004,419	963,565	40,854	51,485,722	53,021,254	46,648,159	6,373,095
Community services	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	992,738	1,095,841	927,784	168,057	-	-	-	-	992,738	1,095,841	927,784	168,057
	<u>216,717,099</u>	<u>221,217,099</u>	<u>212,198,089</u>	<u>9,019,010</u>	<u>5,368,668</u>	<u>5,368,668</u>	<u>5,293,597</u>	<u>75,071</u>	<u>222,085,767</u>	<u>226,585,767</u>	<u>217,491,686</u>	<u>9,094,081</u>
Net change in fund balances	<u>\$ 5,333,798</u>	<u>\$ 5,333,798</u>	<u>14,290,800</u>	<u>\$ 8,957,002</u>	<u>\$ (5,333,798)</u>	<u>\$ (5,333,798)</u>	<u>(5,258,727)</u>	<u>\$ (75,071)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>9,032,073</u>	<u>\$ 9,032,073</u>
Adjustments to Conform With Generally Accepted Accounting Principles			(5,214,432)				(34,870)				(5,249,302)	
Charter School funding			(5,333,798)				5,333,798				-	
Fund Balance												
Beginning			11,580,383				194,021				11,774,404	
Ending			<u>\$ 15,322,953</u>				<u>\$ 234,222</u>				<u>\$ 15,557,175</u>	

ST. MARY'S COUNTY PUBLIC SCHOOLS

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund – Budget vs. Actual June 30, 2020

	Amended Budget	Actual	Variance With Amended Budget Favorable (Unfavorable)
Revenues			
Food service sales	\$ 3,196,600	\$ 1,961,194	\$ (1,235,406)
Federal grants and commodities	4,393,324	4,282,650	(110,674)
State matching and other	259,385	263,827	4,442
Donations	-	6,800	6,800
Interest income	4,431	7,977	3,546
	<u>7,853,740</u>	<u>6,522,448</u>	<u>(1,331,292)</u>
Expenses			
Payroll costs	4,310,775	3,557,832	(752,943)
Professional and contract services	104,996	145,619	40,623
Supplies and materials	3,285,377	2,632,589	(652,788)
Depreciation	95,000	79,231	(15,769)
Other operating costs	57,592	90,095	32,503
	<u>7,853,740</u>	<u>6,505,366</u>	<u>(1,348,374)</u>
Change in net position	<u>\$ -</u>	<u>17,082</u>	<u>\$ 17,082</u>
Net Position			
Beginning		<u>1,655,411</u>	
Ending		<u>\$ 1,672,493</u>	

Note: Due to the pandemic and the subsequent decline in Food Service sales revenues in FY2020, the Unrestricted Fund absorbed \$830,999 in Food Services employee fixed charges. FEMA reimbursements of FY2020 Food Services Fund costs have been requested in the amount of \$206,120. However, FEMA has not responded to the reimbursement request as of the date of compilation of these audited financial statements, therefore these funds have not been recognized.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Statement of Changes in Cash and Cash Equivalents – School Activity Funds June 30, 2020

	School Activity Accounts Balance			School Activity Accounts Balance		
	July 1, 2019	Additions	Deductions	June 30, 2020		
School - Checking						
Benjamin Banneker Elementary	\$ 41,283	\$ 39,039	\$ (36,859)	\$ 43,463		
Capt. Walter Francis Duke Elementary	48,446	75,623	(68,053)	56,016		
Chesapeake Public Charter School	48,391	48,066	(56,957)	39,499		
Dynard Elementary	31,457	23,856	(37,173)	18,140		
Evergreen Elementary	27,468	54,696	(58,880)	23,284		
George Washington Carver Elementary	4,808	13,722	(11,310)	7,220		
Green Holly School	4,811	20,697	(20,984)	4,524		
Greenview Knolls Elementary	6,887	32,768	(29,472)	10,183		
Hollywood Elementary	11,742	19,907	(24,582)	7,066		
Leonardtown Elementary	8,274	31,121	(31,792)	7,604		
Lettie Marshall Dent Elementary	31,836	59,688	(45,772)	45,752		
Lexington Park Elementary	16,204	23,184	(29,136)	10,252		
Mechanicsville Elementary	17,687	24,304	(21,803)	20,188		
Oakville Elementary	10,473	15,679	(14,530)	11,622		
ParkHall Elementary	5,057	21,444	(21,958)	4,544		
Piney Point Elementary	34,131	52,439	(42,667)	43,903		
Ridge Elementary	13,472	33,602	(35,916)	11,158		
Town Creek Elementary	21,954	7,677	(14,245)	15,386		
White Marsh Elementary	37,015	23,995	(21,992)	39,019		
Esperanza Middle	64,832	45,495	(47,728)	62,599		
Leonardtown Middle	87,827	65,059	(63,734)	89,151		
Margaret Brent Middle	23,977	97,640	(82,583)	39,034		
Spring Ridge Middle	53,584	179,050	(175,215)	57,419		
Chopticon High	207,715	472,715	(452,915)	227,515		
Great Mills High	121,759	370,544	(329,154)	163,149		
Leonardtown High	157,943	537,986	(583,484)	112,445		
Dr. J. A. Forrest Career & Tech Ctr	50,752	183,395	(127,933)	106,214		
Fairlead Academy I	8,173	16,797	(16,848)	8,122		
Fairlead Academy II	2,043	4,315	(3,324)	3,034		
Pupil Services Shoe Fund	12,944	-	(12,944)	-		
DCI PD	2,252	2,404	-	4,656		
	1,215,197	2,596,908	(2,519,945)	1,292,160		

ST. MARY'S COUNTY PUBLIC SCHOOLS

Statement of Changes in Cash and Cash Equivalents – School Activity Funds (continued) June 30, 2020

	School Activity Accounts Balance			School Activity Accounts Balance	
	July 1, 2019	Additions	Deductions	June 30, 2020	
School - Savings					
Benjamin Banneker Elem	\$ 2,744	\$ 5	-	\$ 2,749	
Carver Elem	301	-	-	301	
Chopticon High	100,803	1,342	-	102,145	
Forrest Career & Tech Center	70,062	105	-	70,167	
	<u>173,910</u>	<u>1,452</u>	<u>-</u>	<u>175,362</u>	

	School Activity Accounts Balance			School Activity Accounts Balance	
	July 1, 2019	Additions	Deductions	June 30, 2020	
School - MLGIP (Maryland Local Government Investment Pool)					
Dynard Elem	\$ 5,326	\$ 89	\$ -	\$ 5,415	
Green Holly School	10,214	152	(2,000)	8,366	
Greenview Knolls Elem	13,784	179	(4,000)	9,963	
Hollywood Elem	11,005	184	-	11,189	
Leonardtown Elem	5,540	93	-	5,633	
Oakville Elem	1,315	22	-	1,337	
ParkHall Elem	4,407	74	-	4,481	
Piney Point Elem	8,640	144	-	8,784	
Esperanza Middle	6,502	107	-	6,609	
Leonardtown Middle	16,060	268	-	16,328	
Margaret Brent Middle	43,368	459	(19,000)	24,827	
Spring Ridge Middle	9,407	152	(701)	8,857	
Great Mills High	178,362	2,981	-	181,343	
Leonardtown High	152,598	2,551	-	155,149	
Forrest Career & Tech Center	38,731	647	-	39,378	
	<u>505,259</u>	<u>8,101</u>	<u>(25,701)</u>	<u>487,659</u>	
Total	\$ 1,894,366	\$ 2,606,461	\$ (2,545,646)	\$ 1,955,181	



**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, 2020, 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 28, 2020.

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.



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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.

Owings Mills, Maryland
September 28, 2020

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 on each of the School System's major Federal programs for the year ended June 30, 2020. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards.

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, 2020.

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.

Owings Mills, Maryland
September 28, 2020



ST. MARY'S COUNTY PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards June 30, 2020

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/19	Cash received FY 2020	FY '20 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/20
<u>U.S. Department of Agriculture:</u>									
Passed through the Maryland State Dept. of Education:									
USDA Commodities	10 555		7/1/2019 - 6/30/2020	\$ 460,000	\$ -	\$ 604,857	\$ 604,857	\$ -	\$ -
Summer Food Program	10 559		7/1/2019 - 6/30/2020	50,000	-	574,997	638,276	-	63,279
Summer Food Program	10 559		7/1/2018 - 6/30/2019	50,000	2,805	2,805	-	-	-
Breakfast	10 553		7/1/2019 - 6/30/2020	1,200,000	-	831,279	831,279	-	-
Breakfast	10 553		7/1/2018 - 6/30/2019	1,100,000	59,194	59,194	-	-	-
Lunch (Sec 4 & 11)	10 555		7/1/2019 - 6/30/2020	2,600,000	-	1,770,376	1,770,376	-	-
Lunch (Sec 4 & 11)	10 555		7/1/2018 - 6/30/2019	2,500,000	125,637	125,637	-	-	-
Federal Snack Program	10 555		7/1/2019 - 6/30/2020	8,324	-	79,013	88,126	-	9,113
Total Child Nutrition Cluster				7,968,324	187,636	4,048,158	3,932,914	-	72,392
Child and Adult Care Food Program	10 558		7/1/2019 - 6/30/2020	75,000	-	314,378	349,737	-	35,359
Child and Adult Care Food Program	10 558		7/1/2018 - 6/30/2019	75,000	216	216	-	-	-
Total Program				150,000	216	314,594	349,737	-	35,359
Total Department of Agriculture				8,118,324	187,852	4,362,752	4,282,651	-	107,751
<u>U.S. Department of Defense:</u>									
<u>Direct Program:</u>									
ROTC Navy	12 000		7/1/2019 - 6/30/2020	110,000	-	70,804	97,803	-	26,999
ROTC Navy	12 000		7/2/2018 - 6/30/2019	120,000	26,314	26,314	-	-	-
ROTC Air Force	12 000		7/1/2019 - 6/30/2020	65,300	-	60,957	60,957	-	-
Total Program				295,300	26,314	158,075	158,760	-	26,999
Public Law 102-484	12 558		7/1/2019 - 6/30/2020	430,000	-	-	691,985	-	691,985
Public Law 102-484	12 558		7/1/2018 - 6/30/2019	430,000	516,603	516,603	-	-	-
Total Program				860,000	516,603	516,603	691,985	-	691,985
Total U.S. Department of Defense				1,155,300	542,917	674,678	850,745	-	718,984
<u>U.S. Department of Justice:</u>									
<u>Direct Program:</u>									
Community Oriented Policing Services (C O P S)	16 710	2019SVWX0010	10/1/2019 - 9/30/2021	60,729	-	60,729	60,729	-	-
Total U.S. Department of Justice				60,729	-	60,729	60,729	-	-

ST. MARY'S COUNTY PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards (continued) June 30, 2020

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/19	Cash received FY 2020	FY '20 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/20
<u>U.S. Department of Treasury:</u>									
Passed through the <u>Maryland State Dept. of Education</u>									
Cares Act - Tutoring	21.019	201962.01	3/1/2020 - 12/30/2020	1,376,286	-	-	269,413	-	269,413
Passed through the <u>St. Mary's County Health Dept.</u>									
County Covid Support	21.019	CA014CRF	3/1/2020 - 12/30/2020	115,898	-	-	115,898	-	115,898
Total U.S. Department of Treasury:				1,492,184	-	-	385,311	-	385,311
<u>U.S. Department of Education:</u>									
<u>Direct Program</u>									
School Emergency Response to Violence (SERV)	84.184S	S184S180010	6/11/2018 - 12/10/2019	189,202	4,909	48,556	43,647	-	-
Passed through the <u>Maryland State Dept. of Education</u>									
E.C.I.A. Title I	84.010	170927.01	7/1/2017 - 9/30/2019	3,028,121	27,978	44,677	16,699	-	-
E.C.I.A. Title I	84.010	180658.01	7/1/2018 - 9/30/2021	3,025,186	526,645	822,892	309,373	-	13,126
E.C.I.A. Title I	84.010	181308.01	7/1/2018 - 9/30/2021	3,306,106	-	2,109,325	2,675,994	-	566,669
Total Program				9,359,413	554,623	2,976,894	3,002,066	-	579,795
SPED Pass Thru	84.027	180525.01	7/1/2017 - 9/30/2019	3,428,936	24,265	24,265	-	-	-
SPED Pass Thru	84.027	190306.01	7/1/2018 - 9/30/2020	3,480,564	827,959	980,385	166,207	-	13,781
SPED Pass Thru	84.027	200322.01	7/1/2019 - 9/30/2021	3,519,021	-	2,469,200	3,175,636	-	706,436
SPED Pass Thru Parent Placed	84.027	180525.02	7/1/2017 - 9/30/2019	44,945	1,093	1,093	-	-	-
SPED Pass Thru Parent Placed	84.027	190306.02	7/1/2018 - 6/30/2021	69,386	44	44	-	-	-
SPED Pass Thru Parent Placed	84.027	200322.02	7/1/2019 - 9/30/2021	67,673	-	-	-	-	-
Family Support System	84.027	190306.04	7/1/2018 - 9/30/2019	16,000	378	1,652	1,274	-	-
Family Support System	84.027	200322.04	7/1/2019 - 9/30/2020	16,000	-	3,376	4,151	-	775
SPED SEAC	84.027	190306.03	7/1/2018 - 9/30/2019	2,500	356	1,113	757	-	-
SPED SEAC	84.027	200322.03	7/1/2019 - 9/30/2020	2,500	-	264	1,443	-	1,179
Infants & Toddlers Program	84.027	180197.01	7/1/2017 - 6/30/2019	58,897	10,043	10,043	-	-	-
Infants & Toddlers Program	84.027	190111.01	7/1/2018 - 9/30/2019	59,110	-	-	-	-	-
Infants & Toddlers Program	84.027	200372.01	7/1/2019 - 9/30/2020	58,289	-	55,206	56,517	-	1,311
Infants & Toddlers Program	84.027	200322.05	7/1/2019 - 9/30/2020	4,000	-	3,119	3,045	75	(74)
Early Childhood Implementation	84.027	181315.01	12/1/2017 - 9/30/2019	60,000	-	31,354	31,354	-	-
LIR Access, Equity and Progress	84.027	181641.01	4/1/2018 - 9/30/2019	41,624	25,033	39,263	14,230	-	-
LIR Access, Equity and Progress	84.027	190306.07	7/1/2018 - 6/30/2021	63,649	(24,646)	1,201	22,885	10,201	(2,962)
LIR Access, Equity and Progress	84.027	201118.03	10/1/2019 - 9/30/2021	66,454	-	8,891	8,891	-	-
LIR Early Childhood	84.027	190306.05	7/1/2018 - 6/30/2021	68,057	(7,840)	-	34,124	3,751	26,284
LIR Early Childhood	84.027	201118.01	10/1/2019 - 9/30/2021	69,622	-	1,100	1,100	-	-
LIR Secondary Transition	84.027	190306.06	7/1/2018 - 6/30/2021	75,965	2,967	32,909	42,882	-	12,940
LIR Secondary Transition	84.027	201118.02	10/1/2019 - 9/30/2021	71,149	-	23,035	23,130	6,165	95
Discretionary Secondary Transition	84.027	181474.01	2/1/2018 - 9/30/2019	18,586	-	-	-	-	-
Professional Development for Students with Dyslexia	84.027A	181598.01	6/1/2018 - 9/30/2019	58,170	9,923	15,280	5,357	-	-
IDEA Pre-school	84.173	180475.01	7/1/2017 - 9/30/2019	109,211	15	15	-	-	-
IDEA Pre-school	84.173	190270.01	7/1/2018 - 9/30/2020	111,715	18,554	18,554	-	-	-
IDEA Pre-school	84.173	200321.01	7/1/2019 - 9/30/2021	114,567	-	88,202	114,567	-	26,365
IDEA Pre-school Parent Placed	84.173	180475.02	7/1/2017 - 9/30/2019	523	523	523	-	-	-
IDEA Pre-school Parent Placed	84.173	190270.02	7/1/2018 - 9/30/2020	1,101	-	1,101	1,101	-	-
IDEA Pre-school Parent Placed	84.173	200321.02	7/1/2019 - 9/30/2021	603	-	-	-	-	-
Infants & Toddlers Program	84.173	180167.01	7/1/2017 - 6/30/2019	7,000	4,780	4,780	-	-	-
Infants & Toddlers Program	84.173	190152.01	7/1/2018 - 6/30/2020	7,000	(3,311)	324	5,966	-	2,331
Infants & Toddlers Program	84.173	190152.02	7/1/2018 - 9/30/2019	4,816	17	1,985	1,968	-	-
Infants & Toddlers Program	84.173	200437.01	7/1/2019 - 6/30/2021	7,000	-	2,347	301	-	(2,046)
Infants & Toddlers Program	84.173	200437.02	7/1/2019 - 6/30/2021	4,749	-	1,845	2,148	-	303
Total Special Education Cluster (IDEA)				11,789,382	890,153	3,822,469	3,719,034	20,191	786,718

ST. MARY'S COUNTY PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards (continued) June 30, 2020

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/19	Cash received FY 2020	FY '20 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/20
<u>Direct Program:</u>									
Impact Aid	84 041		7/1/2019 - 6/30/2020	2,160,000	-	1,835,523	1,835,523	-	-
Total Program				2,160,000	-	1,835,523	1,835,523	-	-
<u>Passed through the Maryland State Dept. of Education:</u>									
Perkins (Program Improvement)	84 048	190674 01	7/1/2018 - 6/30/2019	174,151	36,926	36,926	-	-	-
Perkins (Program Improvement)	84 048	200874 01	7/1/2019 - 8/30/2020	198,047	-	189,102	197,691	-	8,589
CTE Reserve Fund	84 048	200755 01	7/1/2019 - 8/30/2020	6,426	-	2,167	2,206	-	39
CTE Reserve Fund (Perkins \$)	84 048	190794 01	7/1/2018 - 6/30/2019	12,980	102	102	-	-	-
CTE Reserve Fund (Non-Trad\$)	84 048	190796 01	7/1/2018 - 6/30/2019	7,485	337	337	-	-	-
Total Program				399,089	37,365	228,634	199,897	-	8,628
Vocational Rehabilitation	84 126	191647 01	5/20/2019 - 8/31/2019	18,294	74	11,937	11,863	-	-
Total Program				18,294	74	11,937	11,863	-	-
Infants & Toddlers Program	84 181	200458 01	7/1/2019 - 6/30/2021	138,407	-	84,712	96,289	-	11,577
Infants & Toddlers Program	84 181	180191 01	7/1/2017 - 6/30/2019	130,597	21,260	21,260	-	-	-
Infants & Toddlers Program	84 181	190165 01	7/1/2018 - 6/30/2020	133,241	10,791	39,567	94,325	-	65,549
Infants & Toddlers Program	84 181	200458 02	7/1/2019 - 9/30/2020	2,000	-	1,867	1,867	-	-
Total Program				404,245	32,051	147,406	192,481	-	77,126
Charter Schools Program	84 282A	191272 01	9/1/2019 - 6/30/2021	300	-	239	239	-	-
Homeless Education	84 196a	191142 01	7/1/2018 - 12/31/2019	61,884	21,425	48,766	27,341	-	-
Homeless Education	84 196a	201414 01	7/1/2019 - 12/31/2020	63,705	-	13,500	52,261	-	38,761
Total Program				125,589	21,425	62,266	79,602	-	38,761
21st Century Learning Centers	84 287C	201340 01	9/1/2019 - 8/31/2021	100,350	-	309	-	309	-
21st Century Learning Centers	84 287C	201341 01	9/1/2019 - 8/31/2020	116,549	-	7,849	21,937	-	14,088
21st Century Learning Centers	84 287C	191661 01	5/1/2019 - 8/31/2019	116,549	7,631	93,577	85,946	-	-
21st Century Learning Centers	84 287C	191660 01	5/1/2019 - 8/31/2019	100,350	22,554	86,344	63,790	-	-
Total Program				433,798	30,185	188,079	171,673	309	14,088

ST. MARY'S COUNTY PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards (continued) June 30, 2020

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/19	Cash received FY 2020	FY '20 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/20
Title III	84 365A	180411 01	7/1/2017 - 9/30/2019	34,290	1,078	1,372	294	-	-
Title III	84 365A	190373 01	7/1/2018 - 9/30/2021	30,866	(369)	13,091	13,949	-	489
Title III	84 365A	200737 01	7/1/2019 - 9/30/2021	30,642	-	13,587	13,769	-	182
Title III (Immigrant)	84 365A	180411 02	7/1/2017 - 9/30/2019	5,064	7	2,674	2,667	-	-
Title III (Immigrant)	84 365A	200737 02	7/1/2019 - 9/30/2021	11,140	-	-	958	-	958
Total Program				<u>112,002</u>	<u>716</u>	<u>30,724</u>	<u>31,637</u>	<u>-</u>	<u>1,629</u>
Title II Part A	84 367	191367 01	7/1/2018 - 9/30/2021	504,221	123,490	331,616	230,637	-	22,511
Title II Part A	84 367	201028 01	7/1/2019 - 6/30/2021	504,221	-	83,189	212,545	-	129,356
Total Program				<u>1,008,442</u>	<u>123,490</u>	<u>414,805</u>	<u>443,182</u>	<u>-</u>	<u>151,867</u>
Striving Readers Comprehensive Literacy	84 371C	181751 01	10/1/2017 - 8/30/2019	600,000	123,520	347,641	224,121	-	-
Striving Readers Comprehensive Literacy	84 371C	191090 01	10/1/2018 - 9/30/2020	472,000	-	329,602	420,633	-	91,031
Striving Readers Comprehensive Literacy	84 371C	201241 01	10/1/2019 - 6/30/2021	528,000	-	-	-	-	-
Striving Readers Comprehensive Literacy	84 371C	201537 01	10/1/2019 - 4/30/2020	1,400	-	980	980	-	-
Striving Readers Comprehensive Literacy	84 371C	200981 01	9/1/2019 - 12/2/2019	3,500	-	3,500	3,500	-	-
Total Program				<u>1,604,900</u>	<u>123,520</u>	<u>681,723</u>	<u>649,234</u>	<u>-</u>	<u>91,031</u>
SLDS	84 372A	190764 01	7/1/2018 - 6/30/2019	6,390	969	969	-	-	-
SLDS	84 372	201096 01	7/1/2019 - 11/30/2019	2,185	-	3,535	1,767	1,767	-
Total Program				<u>8,575</u>	<u>969</u>	<u>4,504</u>	<u>1,767</u>	<u>1,767</u>	<u>-</u>
Title IV, Part A	84 424A	181088 01	7/1/2017 - 6/30/2019	79,151	16,511	16,511	-	-	-
Title IV, Part A	84 424A	191299 01	7/1/2018 - 9/30/2021	219,162	10,320	71,631	72,582	-	11,271
Title IV, Part A	84 424A	201577 01	7/1/2019 - 6/30/2021	228,472	-	5,524	43,741	-	38,217
Total Program				<u>526,785</u>	<u>26,831</u>	<u>93,666</u>	<u>116,323</u>	<u>-</u>	<u>49,488</u>
Total U.S. Department of Education:				<u>28,140,015</u>	<u>1,846,311</u>	<u>10,547,425</u>	<u>10,498,168</u>	<u>22,267</u>	<u>1,799,131</u>
<u>U.S. Department of Health and Human Services:</u>									
Passed through the Maryland State Dept. of Education:									
Child Care Development Discretionary Block Grant	93 575	190838 01	7/1/2018 - 7/31/2019	330,000	32,741	107,207	74,466	-	-
<u>Direct Program</u>									
Head Start	93 600	03CH010878-01	4/1/2019 - 3/31/2024	2,420,710	620,118	2,310,748	1,690,630	-	-
Head Start	93 600	03CH3375/06	4/1/2019 - 3/31/2024	2,420,710	-	477,461	660,382	-	182,921
Total Program				<u>4,841,420</u>	<u>620,118</u>	<u>2,788,209</u>	<u>2,351,012</u>	<u>-</u>	<u>182,921</u>
Passed through the Maryland State Dept. of Education:									
Medical Assistance	93 778	N/A	7/1/2019 - 6/30/2020	1,900,195	(2,755,458)	803,834	921,187	-	(2,638,105)
Total U.S. Department of Health and Human Services				<u>7,071,615</u>	<u>(2,102,599)</u>	<u>3,699,250</u>	<u>3,346,665</u>	<u>-</u>	<u>(2,455,184)</u>
Total Expenditures of Federal Awards				<u>\$ 46,038,167</u>	<u>\$ 474,481</u>	<u>\$ 19,344,834</u>	<u>\$ 19,424,269</u>	<u>\$ 22,267</u>	<u>\$ 555,993</u>

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Schedule of Expenditures of Federal Awards June 30, 2020

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, 2020. 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 2020 cash or non-cash expenditure activities to ensure coverage of at least 20% of federally granted funds. Our actual coverage was 32%.

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 1.82% for the year ended June 30, 2020, which was approved by the Maryland State Department of Education.

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Federal Program Expenditures
Child Nutrition Cluster	10.553/ 10.555/ 10.559	\$ 3,932,914
Head Start	93.600	2,351,012
		<u>\$ 6,283,926</u>

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, 2020

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:

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Federal Program Expenditures
Child Nutrition Cluster	10.553/ 10.555/ 10.559	\$ 3,932,914
Head Start	93.600	2,351,012
		<u>\$ 6,283,926</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, 2020**

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, 2020**

No findings were reported during the prior year.