

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

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

**For the Year Ended June 30, 2021**



**JUNE 30, 2021**

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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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 13, during the year ended June 30, 2021, the School System adopted Government Accounting Standards Board (GASB) Statement No. 84 *Fiduciary Activities*. This adoption resulted in a restatement of net position as of July 1, 2020. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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, and the statement of revenues, expenses, changes in net position – proprietary fund – budget vs. actual, and schedule of changes in cash and cash equivalents – school activities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 Schedule of Expenditures of Federal Awards is 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, changes in net position – proprietary fund – budget vs. actual, and schedule of changes in cash and cash equivalents – school activities 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 29, 2021, 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 29, 2021

*SB & Company, LLC*

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

### **Management's Discussion and Analysis June 30, 2021**

This section of St. Mary's County Public Schools' (the School System) annual financial report presents its discussion and analysis of the School System's financial performance during the fiscal year ended June 30, 2021. 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 continued impact on the normal school district's operations. The net change in fund balance of the Governmental Funds increased by \$4,321,668 (see page 21). A substantial component of this increase of the net fund balance was forecasted in advance, resulting in a proactive planned use of the available fund balance in the FY2022 Adopted Budget, as well as a intent to provide funding support of Turf Fields in FY2022 (see page 40).
- The School System's Governmental Funds beginning fund balance was restated by \$1,955,181 to reflect the planned implementation of the Governmental Accounting Standards Board (GASB) Statement #84 for Fiduciary Activities associated with the School Activity Accounts. These funds, previously separately reported in the supplementary statements to the audited financial statements, were required to be reclassified in FY2021 from Fiduciary Funds to Governmental Funds, due to the GASB update. Specifically, school districts that exercise administrative control of the school/student activity accounts must recognize that oversight my accounting for the funds as Governmental instead of Fiduciary. St. Mary's County Public School's administrative involvement entails monitoring, internal reviews, confirming compliance with the Board of Education's policies and regulations. Guidelines have been put in place to safeguard all assets of the school district, to include the school activity accounts.
- The net investments in capital assets increased by \$5.5 million (see page 37).
- The School System is reporting a net position for governmental activities in 2021 of \$(130,516,117). The school system reported \$(110,201,287) for 2020, a difference of almost \$(20.3M). The requirements under GASB No. 75 for OPEB reporting is the primary contributor to this difference (see page 20).
- Budgetary savings were recognized in the unrestricted funds due to an estimated health insurance retrospective settlement due in the amount of \$2,638,100. (It is important to note that the pharmaceutical rebates of \$4,374,048 were offset by a claims deficit of \$1,735,948. An increase in claims was anticipated due to the deferred medical procedures/appointments in the 4<sup>th</sup> quarter of 2020, due to the pandemic and the Governor's imposed "Stay at Home" order. This was planned for in the FY2020 reserves.) Additional pandemic related savings were recognized throughout the school district operations, due to students not physically being in the school buildings, such as transportation and substitute costs.

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

## **Management's Discussion and Analysis June 30, 2021**

### **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.

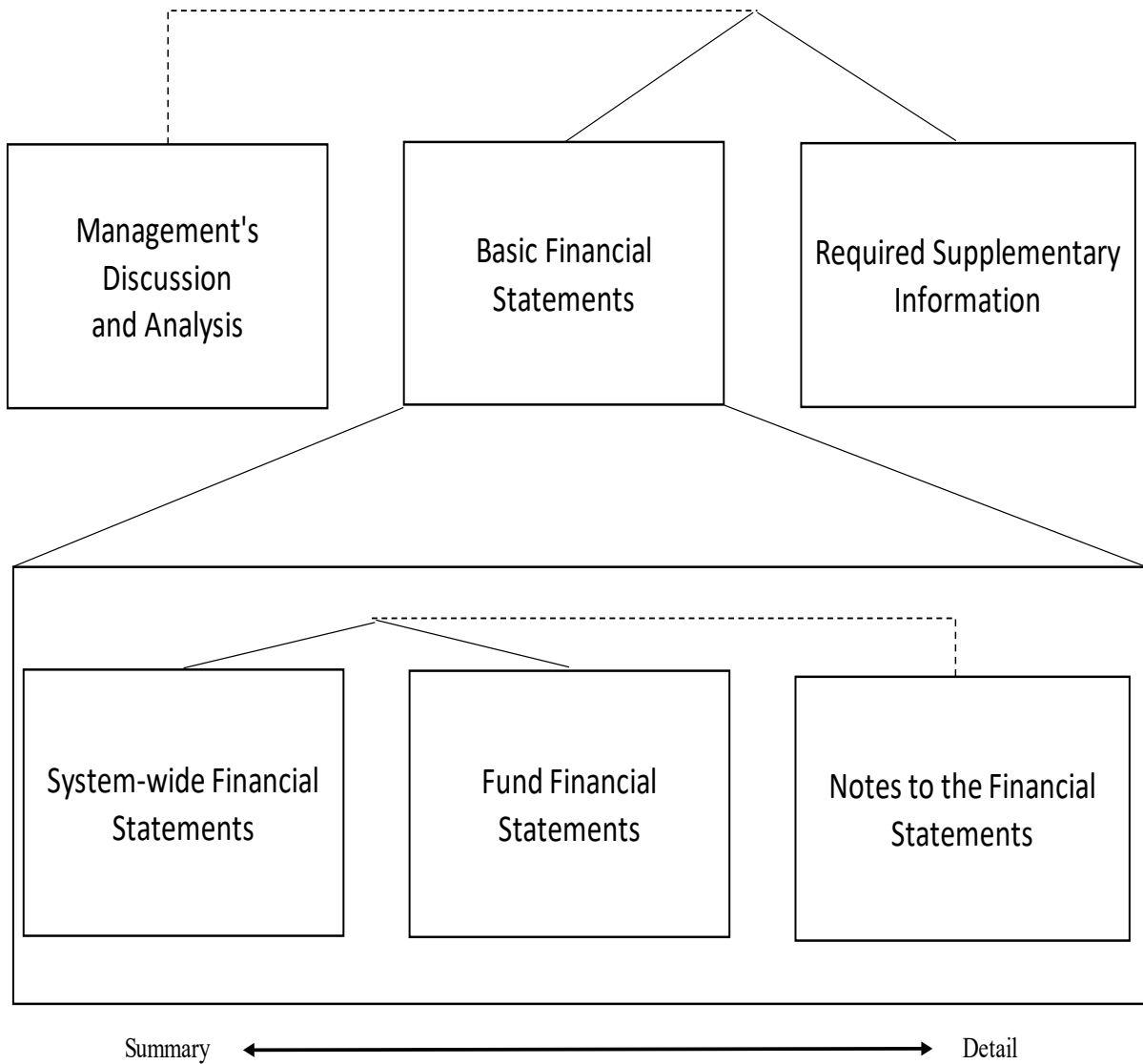
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison to the School 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, 2021**

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



# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Management's Discussion and Analysis June 30, 2021

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

<b>Figure A-2</b> <b>Major Features of the District-wide and Fund Financial Statements</b>				
	District-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the system that are not proprietary or fiduciary, such as special education and building maintenance	Activities the system operates similar to private businesses: food services	Instances in which the system administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities; both financial and capital, and short-term and long-term	All assets and liabilities; both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/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, 2021**

#### **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, 2021**

#### **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. The School System is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School System excludes these funds from the system-wide financial statements because it cannot use these assets to finance its operations.

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

The School System's combined net position decreased \$20.3 million, which came predominantly from an increase in the net OPEB liability (see page 18).

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Management's Discussion and Analysis June 30, 2021

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

	Governmental Activities		Business-type Activities		Total School System		Total % Change
	2021	2020	2021	2020	2021	2020	
Current and other assets	\$ 54.5	\$ 48.6	\$ 3.3	\$ 2.1	\$ 57.8	\$ 50.7	14.0%
Capital assets	259.8	254.4	0.3	0.4	260.1	254.8	2.1%
<b>Total Assets</b>	<b>314.3</b>	<b>303.0</b>	<b>3.6</b>	<b>2.5</b>	<b>317.9</b>	<b>305.5</b>	<b>4.1%</b>
Deferred outflows	131.9	79.7	-	-	131.9	79.7	65.5%
<b>Liabilities</b>							
Long-term outstanding	518.1	438.0	0.2	0.2	518.3	438.2	18.3%
Other liabilities	31.5	30.0	0.7	0.6	32.2	30.6	5.2%
<b>Total Liabilities</b>	<b>549.6</b>	<b>468.0</b>	<b>0.9</b>	<b>0.8</b>	<b>550.5</b>	<b>468.8</b>	<b>17.4%</b>
Deferred inflows	27.1	24.9	-	-	27.1	24.9	8.8%
<b>Net Position</b>							
Net investment in capital assets	259.1	253.2	0.3	0.4	259.4	253.6	2.3%
Restricted	0.1	0.1	-	-	0.1	0.1	0.0%
Unrestricted	(389.7)	(363.5)	2.4	1.3	(387.3)	(362.2)	6.9%
<b>Total Net Position</b>	<b>\$ (130.5)</b>	<b>\$ (110.2)</b>	<b>\$ 2.7</b>	<b>\$ 1.7</b>	<b>\$ (127.8)</b>	<b>\$ (108.5)</b>	<b>17.8%</b>

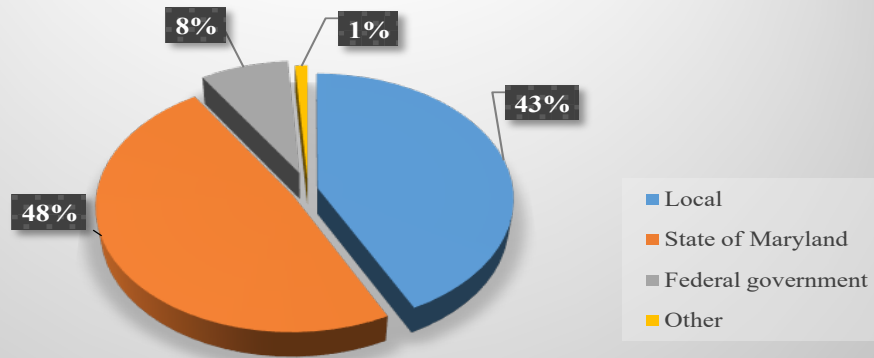
**Figure A-4**  
**Condensed Statement of Net Activities (in millions of dollars)**

	Governmental Activities		Business-type Activities		Total School System		Total % Change
	2021	2020	2021	2020	2021	2020	
<b>Revenue</b>							
Program revenues:							
Charges for services	\$ 0.1	\$ 0.3	\$ 3.8	\$ 2.6	\$ 3.9	\$ 2.9	34.5%
Operating grants and contributions	54.2	46.1	3.4	3.9	57.6	50.0	15.2%
Capital grants and contributions	14.8	16.3	-	-	14.8	16.3	-9.2%
General revenues:							
County	109.6	106.2	-	-	109.6	106.2	3.2%
State	97.1	94.6	-	-	97.1	94.6	2.6%
Federal	2.5	2.7	-	-	2.5	2.7	-7.4%
Other	1.8	7.7	-	-	1.8	7.7	-76.6%
<b>Total Revenue</b>	<b>280.1</b>	<b>273.9</b>	<b>7.2</b>	<b>6.5</b>	<b>287.3</b>	<b>280.4</b>	<b>2.5%</b>
<b>Expenses</b>							
Administrative	22.3	21.6	-	-	22.3	21.6	3.2%
Instruction	102.8	96.3	-	-	102.8	96.3	6.7%
Special education	23.5	24.3	-	-	23.5	24.3	-3.3%
Student personnel & health services	4.0	4.1	-	-	4.0	4.1	-2.4%
Transportation	15.4	17.4	-	-	15.4	17.4	-11.5%
Operations & maintenance	31.6	33.3	-	-	31.6	33.3	-5.1%
Fixed charges	99.2	85.6	-	-	99.2	85.6	15.9%
Other	1.6	2.9	6.1	6.5	7.7	9.4	-18.1%
<b>Total Expenses</b>	<b>300.4</b>	<b>285.5</b>	<b>6.1</b>	<b>6.5</b>	<b>306.5</b>	<b>292.0</b>	<b>5.0%</b>
<b>Change in Net Position</b>	<b>\$ (20.3)</b>	<b>\$ (11.6)</b>	<b>\$ 1.1</b>	<b>\$ -</b>	<b>\$ (19.2)</b>	<b>\$ (11.6)</b>	<b>65.5%</b>

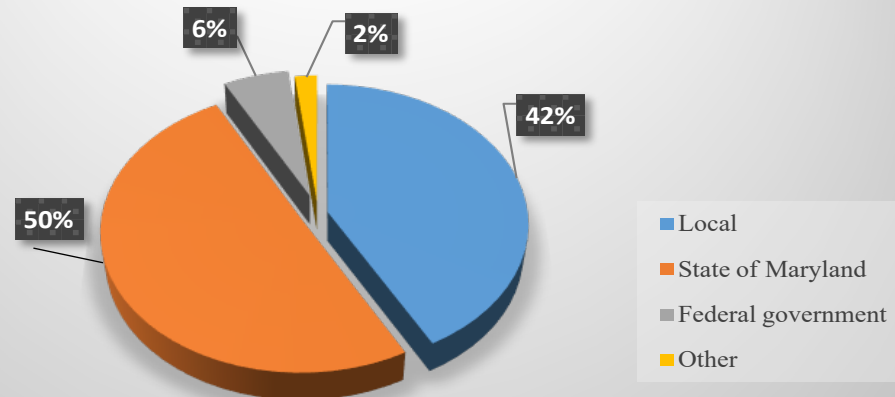
# ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis  
June 30, 2021

**Figure A-5: Sources of Revenues FY-2021  
Governmental Activities**



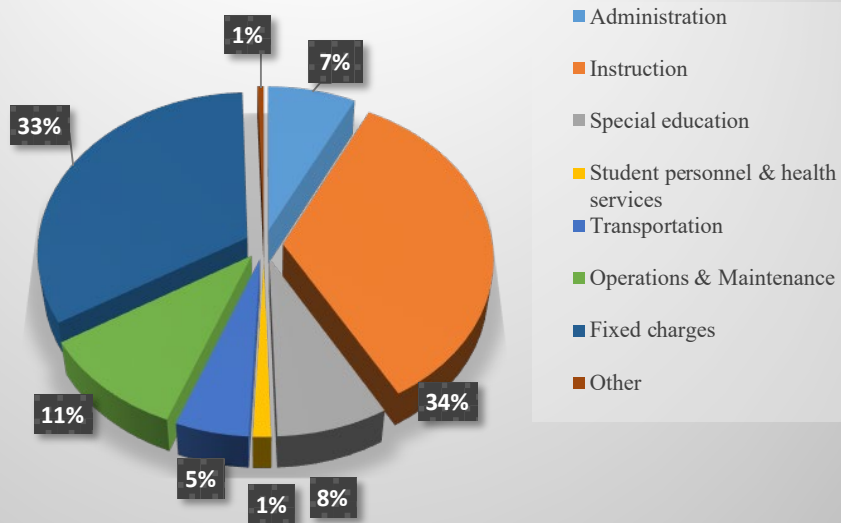
**Figure A-6: Sources of Revenues FY-2020  
Governmental Activities**



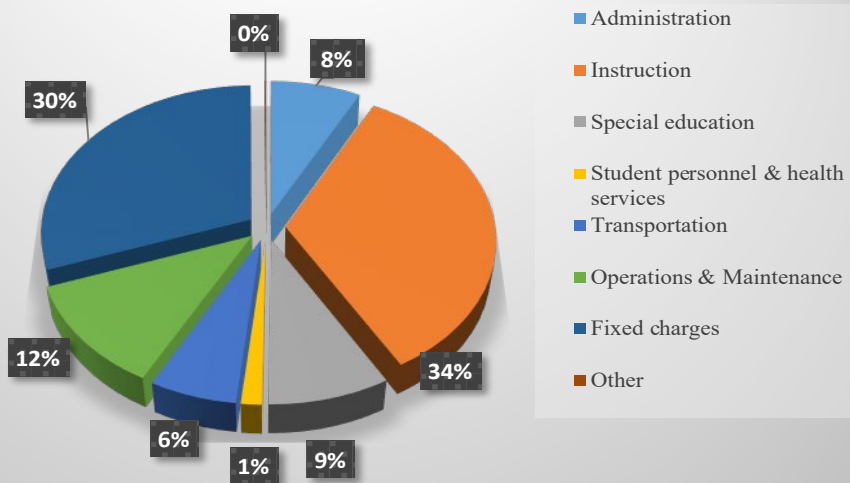
## ST. MARY'S COUNTY PUBLIC SCHOOLS

### Management's Discussion and Analysis June 30, 2021

**Figure A-7: Expenses FY-2021  
Governmental Activities**



**Figure A-8: Expenses FY-2020  
Governmental Activities**



## ST. MARY'S COUNTY PUBLIC SCHOOLS

### Management's Discussion and Analysis June 30, 2021

#### 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 – \$2,638,100
    - Student transportation - \$2,756,362
    - Staffing vacancies/decreased extra-curricular pay \$1,331,919
    - Substitute teacher savings - \$1,742,584
    - Utilities - \$563,119
    - Contracted temporary staffing - \$299,940

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

	Total Cost of Services			Net Cost of Services		
	2021	2020	% change	2021	2020	% change
Administrative	\$ 22.3	\$ 21.6	3%	\$ 21.2	\$ 20.6	3%
Instruction	102.8	96.3	7%	90.7	88.2	3%
Special education	23.5	24.3	-3%	12.1	14.1	-14%
Student personnel & health services	4.0	4.1	-2%	3.1	3.4	-9%
Transportation	15.4	17.4	-11%	7.5	9.2	-18%
Operations & maintenance	31.6	33.3	-5%	28.7	32.3	-11%
Fixed charges	99.2	85.6	16%	71.0	52.4	35%
Other	1.6	2.9	-45%	(2.9)	-	0%
<b>Total</b>	<b>\$ 300.4</b>	<b>\$ 285.5</b>	<b>5%</b>	<b>\$ 231.4</b>	<b>\$ 220.2</b>	<b>5%</b>



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

### **Management's Discussion and Analysis June 30, 2021**

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

- Net position for Food Service increased by \$1,071,426.

#### **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 2021, the General Fund shows \$4,320,852 of revenue over expenditures and other financing sources (page 21).

Capital Projects expenditures amounted to \$14.8M for the year ended June 30, 2021 (page 21). As discussed later, these expenditures were for a full array of capital projects.

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

Overall, revenues came in at 99.87% of the unrestricted fund amended budget. The FY 2021 year-end budgetary balance of \$11,467,402 included an accrual for an estimated healthcare claims account position net of RX rebate (\$2,638,100), netting this amount, the balance of the planned budget was \$8,829,307, or 96.06% of the unrestricted fund budget (page 66).

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 2021, the School System invested \$14.7M (prior to depreciation) in a broad range of capital assets, including school buildings, vehicles, and equipment. More information can be found in Note 4 to the basic Financial Statements (page 37).

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Management's Discussion and Analysis June 30, 2021

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

	Governmental Activities		Business-type Activities		Total School System		Total % Change
	2021	2020	2021	2020	2021	2020	
Land	\$ 3.7	\$ 3.7	\$ -	\$ -	\$ 3.7	\$ 3.7	0%
Facilities under construction	30.5	17.6	-	-	30.5	17.6	73%
Buildings	220.4	228.5	-	-	220.4	228.5	-4%
Equipment	5.2	4.6	0.3	0.4	5.5	5.0	10%
<b>Total Capital Assets, net</b>	<b>\$ 259.8</b>	<b>\$ 254.4</b>	<b>\$ 0.3</b>	<b>\$ 0.4</b>	<b>\$ 260.1</b>	<b>\$ 254.8</b>	<b>2%</b>

### Long-term Debt

The long-term debt is expected to grow over time as funding for OPEB remains at less than desirable amounts. For FY 2021 there was one payment made to the OPEB trust for \$2 million and the net liability for OPEB increased \$78.8 million in the current year. GASB 68 required the School System to record an increase in pension liability for FY 2021 of \$1.8 million. Additional information on long-term debt can be found in Note 7 to the basic Financial Statements (page 39).

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

	Governmental Activities		Business-type Activities		Total School System		Total % Change
	2021	2020	2021	2020	2021	2020	
Equipment financing agreements	\$ 0.7	\$ 1.2	\$ -	\$ -	\$ 0.7	\$ 1.2	0%
Compensated absences	5.1	5.2	0.2	0.2	5.3	5.4	-2%
Net OPEB Liability	497.2	418.3	-	-	497.2	418.3	19%
Net pension liability	15.1	13.3	-	-	15.1	13.3	14%
<b>Total long-term debt</b>	<b>\$ 518.1</b>	<b>\$ 438.0</b>	<b>\$ 0.2</b>	<b>\$ 0.2</b>	<b>\$ 518.3</b>	<b>\$ 438.2</b>	<b>18%</b>

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

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

- GASB 75 replaced GASB 45, which required St. Mary's County Public Schools to recognize the entire unfunded accrued liability associated with post-employment benefits. The School System's net liability is \$497 million as of June 30, 2021. 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 \$15 million for the year ending June 30, 2021. 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, 2021**

#### **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 continues to pursue every viable grant opportunity to cover direct COVID-19 related costs, such as personal protective equipment to safeguard our staff and students, instructional technology to provide a platform for a continuity of learning, as well as instructional recovery efforts.

#### **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, 2021

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 41,919,335	\$ 433,328	\$ 42,352,663
Certificate of deposit	92,695	-	92,695
Due from other governments	14,514,749	620,047	15,134,796
Internal balances	(2,049,445)	2,049,445	-
Other receivables, net	-	13,085	13,085
Inventory	-	149,444	149,444
Capital assets			
Land	3,734,759	-	3,734,759
Building and improvements	400,783,639	-	400,783,639
Furniture and equipment	11,778,459	1,919,501	13,697,960
Construction in process	30,533,629	-	30,533,629
Accumulated depreciation	(186,986,331)	(1,596,156)	(188,582,487)
<b>Total assets</b>	<b>314,321,489</b>	<b>3,588,694</b>	<b>317,910,183</b>
<b>Deferred Outflows</b>			
Deferred outflows related to pensions	2,956,168	-	2,956,168
Deferred outflows related to OPEB	128,924,058	-	128,924,058
<b>Total deferred outflows</b>	<b>131,880,226</b>	<b>-</b>	<b>131,880,226</b>
<b>Liabilities</b>			
Accounts payable	7,164,300	80,942	7,245,242
Accrued salaries and related costs	17,973,980	297,162	18,271,142
Due to other governments	19,970	-	19,970
Unearned revenue	6,345,801	277,127	6,622,928
Long-term liabilities			
Due within one year:			
Compensated absences	561,515	13,470	574,985
Financing agreements payable	394,173	-	394,173
Due after one year:			
Compensated absences	4,611,675	176,074	4,787,749
Financing agreements payable	367,494	-	367,494
Net pension liability	15,058,899	-	15,058,899
Net OPEB liability	497,160,412	-	497,160,412
<b>Total Liabilities</b>	<b>549,658,219</b>	<b>844,775</b>	<b>550,502,994</b>
<b>Deferred Inflows</b>			
Deferred inflows related to pension	990,601	-	990,601
Deferred inflows related to OPEB	26,069,012	-	26,069,012
<b>Total deferred inflows</b>	<b>27,059,613</b>	<b>-</b>	<b>27,059,613</b>
<b>Net Position</b>			
Net investment in capital assets	259,082,488	323,345	259,405,833
Restricted - capital projects	92,764	-	92,764
Unrestricted (deficit)	(389,691,369)	2,420,574	(387,270,795)
<b>Total Net Position</b>	<b>\$ (130,516,117)</b>	<b>\$ 2,743,919</b>	<b>\$ (127,772,198)</b>

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

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Statement of Activities For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenue			Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental Activities:							
Administration	\$ 4,577,107	\$ -	\$ 416,983	\$ -	\$ (4,160,124)	\$ -	\$ (4,160,124)
Mid-level administration	17,689,469	-	650,164	-	(17,039,305)	-	(17,039,305)
Instructional salaries	88,146,328	-	6,291,550	-	(81,854,778)	-	(81,854,778)
Instructional textbooks and supplies	9,594,680	29,193	4,897,987	-	(4,667,500)	-	(4,667,500)
Other instructional costs	5,082,871	-	640,140	-	(4,442,731)	-	(4,442,731)
Special education	23,537,588	-	11,469,024	-	(12,068,564)	-	(12,068,564)
Student personnel services	1,338,970	-	634,594	-	(704,376)	-	(704,376)
Student health services	2,564,027	-	178,443	-	(2,385,584)	-	(2,385,584)
Student transportation services	15,453,649	-	7,960,601	-	(7,493,048)	-	(7,493,048)
Operation of plant	26,623,122	87,491	2,830,372	-	(23,705,259)	-	(23,705,259)
Maintenance of plant	4,962,748	-	9,231	-	(4,953,517)	-	(4,953,517)
Community services	333,204	-	3,595,695	-	3,262,491	-	3,262,491
Fixed charges	99,245,886	-	13,486,300	14,763,431	(70,996,155)	-	(70,996,155)
Student activity	1,253,700	-	1,105,541	-	(148,159)	-	(148,159)
Interest on long-term debt	11,068	-	-	-	(11,068)	-	(11,068)
<b>Total Governmental Activities</b>	<b>300,414,417</b>	<b>116,684</b>	<b>54,166,624</b>	<b>14,763,431</b>	<b>(231,367,678)</b>	<b>-</b>	<b>(231,367,678)</b>
Business-type Activities							
Food services	6,059,743	17,501	7,113,190	-	-	1,070,948	1,070,948
<b>Total Government</b>	<b>\$ 306,474,160</b>	<b>\$ 134,185</b>	<b>\$ 61,279,814</b>	<b>\$ 14,763,431</b>	<b>(231,367,678)</b>	<b>1,070,948</b>	<b>(230,296,730)</b>
General Revenue							
Unrestricted grants and contributions:							
Local					109,542,921	-	109,542,921
State					97,079,295	-	97,079,295
Federal					2,555,533	-	2,555,533
Investment earnings					82,271	478	82,749
Other					1,792,828	-	1,792,828
<b>Total General Revenue</b>					<b>211,052,848</b>	<b>478</b>	<b>211,053,326</b>
<b>Change in Net Position</b>					<b>(20,314,830)</b>	<b>1,071,426</b>	<b>(19,243,404)</b>
Net position, beginning of year, as restated					(110,201,287)	1,672,493	(108,528,794)
<b>Net Position, End of Year</b>					<b>\$ (130,516,117)</b>	<b>\$ 2,743,919</b>	<b>\$ (127,772,198)</b>

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, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 41,897,533	\$ 21,802	\$ 41,919,335
Certificate of deposit	-	92,695	92,695
Due from other governments	9,081,693	5,433,056	14,514,749
Due from other funds	-	1,007,142	1,007,142
<b>Total assets</b>	<u>\$ 50,979,226</u>	<u>\$ 6,554,695</u>	<u>\$ 57,533,921</u>
<b>Liabilities</b>			
Liabilities			
Accounts payable	\$ 2,746,298	\$ 4,418,002	\$ 7,164,300
Accrued salaries and related costs	17,973,980	-	17,973,980
Due to other governments	19,970	-	19,970
Due to other funds	3,056,587	-	3,056,587
Unearned revenue	4,301,872	2,043,929	6,345,801
<b>Total liabilities</b>	<u>28,098,707</u>	<u>6,461,931</u>	<u>34,560,638</u>
Fund balances (See footnote 8)			
Restricted	-	92,764	92,764
Assigned	20,379,383	-	20,379,383
Unassigned	2,501,136	-	2,501,136
<b>Total fund balance</b>	<u>22,880,519</u>	<u>92,764</u>	<u>22,973,283</u>
<b>Total liabilities and fund balance</b>	<u>\$ 50,979,226</u>	<u>\$ 6,554,695</u>	<u>\$ 57,533,921</u>

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

## ST. MARY'S COUNTY PUBLIC SCHOOLS

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position As of June 30, 2021

**Total Fund Balances - Governmental Funds** \$ 22,973,283

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	\$ 446,830,486	
Accumulated depreciation	<u>(186,986,331)</u>	259,844,155

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	\$ (5,173,190)	
Financing agreements payable	(761,667)	
Net OPEB liability	(497,160,412)	
Net pension liability	(15,058,899)	
Deferred outflows/inflows - related to pension	1,965,567	
Deferred outflows/inflows - related to OPEB	<u>102,855,046</u>	<u>(413,333,555)</u>

**Total net position - governmental activities** \$ (130,516,117)

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, 2021

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenue			
St. Mary's County	\$ 109,542,921	\$ 9,540,576	\$ 119,083,497
State of Maryland	130,351,516	5,222,855	135,574,371
Federal government	22,344,394	-	22,344,394
Tuition	46,064	-	46,064
Investment income	32,709	49,562	82,271
Other	2,968,197	792	2,968,989
<b>Total revenue</b>	<b>265,285,801</b>	<b>14,813,785</b>	<b>280,099,586</b>
Expenditures			
Current			
Administration	4,551,571	-	4,551,571
Mid-level administration	17,643,206	-	17,643,206
Instructional salaries	88,222,741	-	88,222,741
Instructional textbooks and supplies	9,594,680	-	9,594,680
Other instructional costs	4,971,398	-	4,971,398
Special education	23,456,801	-	23,456,801
Student personnel services	1,338,288	-	1,338,288
Student health services	2,562,248	-	2,562,248
Student transportation services	15,313,393	-	15,313,393
Operation of plant	16,314,655	-	16,314,655
Maintenance of plant	4,934,598	-	4,934,598
Community services	333,204	-	333,204
Fixed charges	68,724,675	-	68,724,675
Student activities	1,253,699	-	1,253,699
Capital outlay	1,344,551	14,812,969	16,157,520
Debt service			
Principal	394,173	-	394,173
Interest	11,068	-	11,068
<b>Total expenditures</b>	<b>260,964,949</b>	<b>14,812,969</b>	<b>275,777,918</b>
<b>Net change in fund balances</b>	<b>4,320,852</b>	<b>816</b>	<b>4,321,668</b>
Fund balance, beginning of year, as restated	18,559,667	91,948	18,651,615
<b>Fund Balance, End of Year</b>	<b>\$ 22,880,519</b>	<b>\$ 92,764</b>	<b>\$ 22,973,283</b>

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



## ST. MARY'S COUNTY PUBLIC SCHOOLS

### Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Year Ended June 30, 2021

Total net change in fund balances - governmental funds	\$ 4,321,668
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.	5,490,540
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.	394,173
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	44,439
Net OPEB current year expense	(78,815,642)
Net pension liabilities	(1,805,098)
Deferred outflows and inflows of resources related to pensions	1,250,076
Deferred outflows and inflows of resources related to OPEB	<u>48,805,014</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ (20,314,830)</u></b>

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

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Statement of Net Position – Proprietary Fund As of June 30, 2021

### Assets

#### Current assets

Cash and cash equivalents	\$ 433,328
Due from other governments	620,047
Due from other funds	2,049,445
Accounts receivable, net	13,085
Inventory, at cost	149,444
	<u>3,265,349</u>

#### Noncurrent Assets

Food service equipment	1,919,501
Less accumulated depreciation	<u>(1,596,156)</u>
	<u>323,345</u>

#### Total assets

3,588,694

### Liabilities

#### Current liabilities

Accounts payable	80,942
Accrued salaries and related costs	297,162
Unearned revenue	277,127
Compensated absences	13,470
	<u>668,701</u>

#### Noncurrent liabilities

Compensated absences	<u>176,074</u>
<b>Total liabilities</b>	<u>844,775</u>

### Net Position

Net investment in capital assets	323,345
Unrestricted	<u>2,420,574</u>
<b>Total Net Position</b>	<u>\$ 2,743,919</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, 2021

Operating Revenue	
Food service sales	\$ 17,501
Federal grants and commodities	6,873,140
State matching and other	240,050
<b>Total operating revenue</b>	<u>7,130,691</u>
Operating Expenses	
Payroll costs	3,323,470
Professional and contract services	3,150
Supplies and materials	2,270,378
Depreciation	73,444
Other operating costs	389,301
<b>Total operating expenses</b>	<u>6,059,743</u>
<b>Operating income</b>	<u>1,070,948</u>
Non-Operating Revenue	
Interest income	478
<b>Total non-operating revenue</b>	<u>478</u>
Change in net position	1,071,426
Net position, beginning of year	1,672,493
<b>Net Position, End of Year</b>	<u><u>\$ 2,743,919</u></u>

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

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Statement of Cash Flows – Proprietary Fund For the Year Ended June 30, 2021

### Cash Flows from Operating Activities

Cash received from user charges	\$ 18,179
Operating grants and subsidies received	6,605,281
Payments to employees for services	(3,341,556)
Payments to suppliers for goods and services	(2,103,865)
Payments for other operating expenses	<u>(389,301)</u>
Net cash used by operating activities	<u>788,738</u>

### Cash Flows From Non-Capital Financing Activities

Internal activity - net receipts from other funds	<u>(765,033)</u>
Net cash provided in non-capital financing activities	<u>(765,033)</u>

### Cash Flows From Capital and Related Financing Activities

Acquisition and construction of capital assets	<u>(25,418)</u>
Net cash used in capital and related financing activities	<u>(25,418)</u>

### Cash Flows From Investing Activities

Interest received on investments	<u>478</u>
Net cash provided by investing activities	<u>478</u>

Net decrease in cash and cash equivalents (1,235)

### Cash and Cash Equivalents

Beginning	<u>434,563</u>
Ending	<u>\$ 433,328</u>

### Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	\$ 1,070,948
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	73,444
Changes in assets and liabilities:	
Due from other governments	(512,106)
Receivables	678
Inventory	105,358
Accounts payable	64,305
Accrued salaries and related costs	1,086
Unearned revenue	4,197
Compensated absences	<u>(19,172)</u>
Net Cash from Operating Activities	<u>\$ 788,738</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, 2021

	<b>Private-Purpose Trust Fund</b>	<b>Retiree Benefit Trust Fund (OPEB)</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 101,052	\$ -
Investments held in MABE Trust	-	66,500,211
<b>Total assets</b>	<b>101,052</b>	<b>66,500,211</b>
<b>Liabilities</b>		
Accounts payable	1,094	-
<b>Total liabilities</b>	<b>1,094</b>	<b>-</b>
<b>Net Position</b>		
Reserved for scholarships	\$ 99,958	
Held in trust for retiree benefits		\$ 66,500,211

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, 2021

	Private-Purpose Trust Fund	Retiree Benefit Trust Fund (OPEB)
Additions		
Investment and other income, net of administrative fees	\$ 2,611	\$ 12,567,878
Employer Contributions	-	2,000,000
Deductions		
Scholarships awarded	50	-
<b>Change in net position</b>	<b>2,561</b>	<b>14,567,878</b>
Net position		
Beginning of Year	97,397	51,932,333
End of Year	<u>\$ 99,958</u>	<u>\$ 66,500,211</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, 2021**

### **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, 2021

### 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, 2021

### 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:*

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, 2021**

### **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, 2021

### 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, 2021**

### **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, 2021; 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, 2021, 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, 2021**

### **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, 2021; 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, 2021**

### **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, 2021, 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, 2021, the carrying amount of the School System's deposits was \$20,159,149 and the bank balance was \$20,937,761.

#### **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. As of June 30, 2021, 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 \$21,760,186, \$431,162, and \$99,442 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, 2021**

### **2. DEPOSITS AND INVESTMENTS (continued)**

#### **Long-Term Investments**

As of June 30, 2021, 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, 2021, the pooled net position of the MABE Trust was \$589,129,491, in total, of which the School System's allocated investment balance was \$66,500,211. 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, 2021

### 3. RECEIVABLES AND PAYABLES

Receivables and payables as of June 30, 2021, consist of the following:

	<u>Governmental Activities</u>			
	<u>General</u>	<u>Capital Projects</u>	<u>Business-Type Activities</u>	<u>Total</u>
Due from other governments				
Local	\$ 2,808,858	\$ 1,687,431	\$ 6,662	\$ 4,502,951
State	1,794,643	3,745,625	-	5,540,268
Federal	4,478,192	-	613,385	5,091,577
	<u>\$ 9,081,693</u>	<u>\$ 5,433,056</u>	<u>\$ 620,047</u>	<u>\$ 15,134,796</u>
Other receivables				
Accounts	\$ -	\$ -	\$ 13,085	\$ 13,085
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,085</u>	<u>\$ 13,085</u>
Accounts payable				
Vendors	\$ 2,746,298	\$ 4,418,002	\$ 80,942	\$ 7,245,242
	<u>\$ 2,746,298</u>	<u>\$ 4,418,002</u>	<u>\$ 80,942</u>	<u>\$ 7,245,242</u>
Due to other governments				
Local	\$ 19,970	\$ -	\$ -	\$ 19,970
	<u>\$ 19,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,970</u>

### 4. CAPITAL ASSETS

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

	<u>Balance, June 30, 2020</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance, June 30, 2021</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 3,734,759	\$ -	\$ -	\$ 3,734,759
Construction in process	17,600,233	13,403,164	(469,768)	30,533,629
	<u>21,334,992</u>	<u>13,403,164</u>	<u>(469,768)</u>	<u>34,268,388</u>
Capital assets being depreciated				
Buildings and improvements	400,313,871	-	469,768	400,783,639
Furniture and equipment	10,681,239	1,308,584	(211,364)	11,778,459
	<u>410,995,110</u>	<u>1,308,584</u>	<u>258,404</u>	<u>412,562,098</u>
Accumulated depreciation for				
Building and improvements	(171,937,983)	(8,442,073)	-	(180,380,056)
Furniture and equipment	(6,038,504)	(663,405)	95,634	(6,606,275)
	<u>(177,976,487)</u>	<u>(9,105,478)</u>	<u>95,634</u>	<u>(186,986,331)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 254,353,615</u>	<u>\$ 5,606,270</u>	<u>\$ (115,730)</u>	<u>\$ 259,844,155</u>



# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements June 30, 2021

### 4. CAPITAL ASSETS (continued)

	Balance, June 30, 2020	Additions	Deletions/ Transfers	Balance, June 30, 2021
<b>Business-type activities</b>				
Capital assets being depreciated				
Furniture and equipment	\$ 1,906,897	\$ 25,418	\$ (12,814)	\$ 1,919,501
	<u>1,906,897</u>	<u>25,418</u>	<u>(12,814)</u>	<u>1,919,501</u>
Accumulated depreciated for				
Furniture and equipment	(1,535,526)	(73,444)	12,814	(1,596,156)
	<u>(1,535,526)</u>	<u>(73,444)</u>	<u>12,814</u>	<u>(1,596,156)</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 371,371</u>	<u>\$ (48,026)</u>	<u>\$ -</u>	<u>\$ 323,345</u>

Depreciation expense that was charged in the statement of activities for the year ended June 30, 2021, was as follows:

#### Governmental activities

Administration	\$ 25,536
Mid-level administration	46,263
Other instructional costs	111,473
Special education	4,374
Student personnel services	682
Student health services	1,779
Student transportation services	140,256
Operation of plant	8,746,965
Maintenance of plant	28,150
	<u>\$ 9,105,478</u>

#### Business-type activities

Food service	<u>\$ 73,444</u>
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### 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 as of June 30, 2021, of \$4,301,872.

Capital Projects Fund: Unearned revenue consists of prefunding in the amount of \$2,043,929 for construction projects at Spring Ridge Middle School and Safety and Security Initiatives.

Enterprise Fund: Unearned revenue of \$277,127 represents student lunch ticket sales collected in advance which will be consumed by students in fiscal year 2022.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements June 30, 2021

### 6. INTERFUND BALANCES

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

<u>Payable Fund</u>	<u>Receivable Fund</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Enterprise</u>
General	\$ -	\$ 1,007,142	\$ 2,049,445

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 as of June 30, 2021, 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, 2021:

	<u>Balance, June 30, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2021</u>	<u>Amounts Due Within one Year</u>
<b>Governmental activities</b>					
Equipment financing agreements	\$ 1,155,840	\$ -	\$ 394,173	\$ 761,667	\$ 394,173
Compensated absences	5,217,629	364,015	408,454	5,173,190	561,515
Net OPEB liability	418,344,770	78,815,642	-	497,160,412	-
Net pension liability	13,253,801	1,805,098	-	15,058,899	-
	<u>\$ 437,972,040</u>	<u>\$ 80,984,755</u>	<u>\$ 802,627</u>	<u>\$ 518,154,168</u>	<u>\$ 955,688</u>
<b>Business-type activities</b>					
Compensated absences	\$ 208,716	\$ -	\$ 19,172	\$ 189,544	\$ 13,470

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, 2021

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

The future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2021, under these equipment financing agreements are as follows:

<u>Years Ending June 30,</u>	
2022	\$ 394,173
2023	392,717
2024	45,982
	<u>832,872</u>
Less amount representing interest	(71,205)
Present value of minimum lease payments	<u>\$ 761,667</u>

### 8. GOVERNMENTAL FUND BALANCES

Governmental fund balances as of June 30, 2021, are summarized as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
Restricted for			
Capital projects	<u>\$ -</u>	<u>\$ 92,764</u>	<u>\$ 92,764</u>
Assigned to			
Purchase orders:			
Administration	14,587	-	14,587
Mid-level administration	3,199	-	3,199
Instructional textbooks and supplies	10,779	-	10,779
Other instructional costs	5,491	-	5,491
Special education	9,623	-	9,623
Student transportation services	133,490	-	133,490
Operation of plant	31,541	-	31,541
Maintenance of plant	44,276	-	44,276
Fixed charges	94,175	-	94,175
Capital outlay	960	-	960
<b>Total purchase orders</b>	<u>348,121</u>	<u>-</u>	<u>348,121</u>
Healthcare	6,633,000	-	6,633,000
Wellness – Restricted Fund	1,006,346	-	1,006,346
CPCS	287,831	-	287,831
FY22 CPCS adopted budget	75,072	-	75,072
FY22 adopted budget	7,493,990	-	7,493,990
FY22 intent to amend budget - Turf Fields	2,000,000	-	2,000,000
Fuel	228,000	-	228,000
Snow / Emergency	500,000	-	500,000
Student activity	1,807,023	-	1,807,023
<b>Total Assigned</b>	<u>20,379,383</u>	<u>-</u>	<u>20,379,383</u>
Unassigned	2,501,136	-	2,501,136
<b>Total fund balances</b>	<u>\$ 22,880,519</u>	<u>\$ 92,764</u>	<u>\$ 22,973,283</u>

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

## **Notes to the Financial Statements**

**June 30, 2021**

### **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, 2021

### 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 an Annual Comprehensive Financial Report (ACFR) 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, 2021

### 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 \$6,740,929 or 4.63% of current covered payroll, and the State of Maryland made contributions on behalf of the School System totaling \$13,038,575 or 8.96% of current covered payroll for fiscal year 2021. 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, 2021

### 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, 2020, are used as the basis for determining each employer's proportionate share of the net pension liability. As of June 30, 2021, the School System reported a liability of \$15,058,899 of the SRPS total liability of \$22,601,360,000.

For the year ended June 30, 2021, the School System recognized pension expense of approximately \$1,678,825. As of June 30, 2021, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2021 Contributions	\$ 1,619,548	\$ -
Change in assumptions		218,277
Actual and expected experience	-	590,662
Difference in investment earnings	1,336,620	181,662
<b>Total</b>	<b>\$ 2,956,168</b>	<b>\$ 990,601</b>

\$1,619,548 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, 2022.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements June 30, 2021

### 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>	
2022	\$ (67,143)
2023	55,198
2024	189,212
2025	241,737
2026	(72,985)
<b>Total</b>	<u>\$ 346,019</u>

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

Inflation	2.60% general, 3.10% wage
Salary increases	3.10% to 11.60%, including 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, 2021

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

Discount Rate: 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, 2021

#### 10. PENSION PLANS (continued)

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

	<b>1% Decrease to 6.40%</b>	<b>Current Discount</b>	<b>1% Increase to 8.40%</b>
School System's proportionate share of the net pension liability	\$ 21,438,781	\$ 15,058,899	\$ 9,745,057

Detailed information about the SRPS' fiduciary net position is available in the separately issued ACFR 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, 2021

### 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 as of June 1, 2021, the date of the actuarial valuation:

#### **Number of Participants**

Active employees	1,676
Retirees - pre-medicare*	222
Retirees - post-medicare*	917
Total	<u>2,815</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 6.98% of annual covered payroll. The School System contributed \$10,165,280, for the year ended June 30, 2021, consisting of contributions towards current healthcare and life insurance premiums accounted for in the general fund with \$2,000,000 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, 2021.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements June 30, 2021

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

#### Investments (continued)

*Rate of return:* For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 24.2%. 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 as of June 30, 2021, were as follows:

Total OPEB liability	\$ 563,660,623
Plan fiduciary net position	(66,500,211)
Net OPEB liability	<u>\$ 497,160,412</u>

Plan fiduciary net position as a percentage of the total OPEB liability	11.80%
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*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, 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	2.50%
Salary increases	3.5%
Investment rate of return	7.0%
Discount rate	2.19%
Healthcare cost trend rate	4.9%
Mortality	RP 2014 not generational

The actuarial assumptions used in the June 30, 2021, valuation was based on the results of an actuarial experience study for the period January 1, 2019 to December 31, 2020.

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, 2021, was 24.02%.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements

June 30, 2021

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

*Discount rate.* The discount rate used to measure the total OPEB liability was 2.19 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 (1.19%) or 1-percentage-point higher (3.19%) than the current discount rate:

	1% Decrease 1.19%	Discount Rate 2.19%	1% Increase 3.19%
Net OPEB liability	\$ 641,160,981	\$ 497,160,412	\$ 389,247,732

*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	\$ 384,086,601	\$ 497,160,412	\$ 654,777,967

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2021, the School System recognized OPEB expense of \$40,175,908. As of June 30, 2021, 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, 2021

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in experience	\$ 51,467,272	\$ 18,729,916
Changes in assumptions	77,456,786	1,421,632
Projected and actual earnings	-	5,917,464
<b>Total</b>	<b>\$ 128,924,058</b>	<b>\$ 26,069,012</b>

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

<b><u>Year ended June 30:</u></b>	<b><u>Total</u></b>
2022	\$ 14,196,857
2023	14,227,992
2024	14,243,275
2025	13,828,356
2026	15,603,491
Thereafter	30,755,075
<b>Total</b>	<b>\$ 102,855,046</b>

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 14, 2021, 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 4.90% 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 20.00%, 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 January 1, 2019 through December 31, 2020, 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, 2021.

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements June 30, 2021

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

#### *Changes in the net OPEB liability*

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) - (b)</b>
<b>Balance as of June 30, 2020</b>	\$ 470,277,103	\$ 51,932,333	\$ 418,344,770
Changes for the year:			
Service cost	18,243,733	-	18,243,733
Interest	11,427,554	-	11,427,554
Contributions - employer	-	10,165,280	(10,165,280)
Net investment income	-	12,580,464	(12,580,464)
Administrative expenses		(12,586)	12,586
Differences between expected and actual experience	57,886,115	-	57,886,115
Changes of assumptions	13,991,398	-	13,991,398
Benefit payments	(8,165,280)	(8,165,280)	-
<b>Net Changes</b>	<b>93,383,520</b>	<b>14,567,878</b>	<b>78,815,642</b>
<b>Balance as of June 30, 2021</b>	<b>\$ 563,660,623</b>	<b>\$ 66,500,211</b>	<b>\$ 497,160,412</b>

### 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, 2021, 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 \$18,166,638.

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, 2021, management anticipates a refund in the amount of \$2,638,100.

## ST. MARY'S COUNTY PUBLIC SCHOOLS

### Notes to the Financial Statements June 30, 2021

#### 13. CHANGE IN ACCOUNTING PRINCIPLE/RESTATEMENTS

The School System adopted GASB Statement No. 84, *Fiduciary Activities*, during the fiscal year ending June 30, 2021. The implementation of the Statement required the School System to restate the beginning fund balance and net position resulting in the General Fund balance and government-wide net position increase of \$1,955,181 as of July 1, 2020. Prior to the implementation of Statement No. 84, School Activity Fund related assets and liabilities were reported in separate fiduciary fund financial statements. Under the requirement of the newly implemented Statement No. 84, the assets, liabilities, revenues and expenditures related to School Activity Fund are reported in the General Fund due to the School System's administrative involvement with these activities. The impact on beginning fund balance and net position are as follows:

	<u>General Fund</u>	<u>Government-wide</u>
Fund Balance / Net Position as of June 30, 2020 (as previously reported)	\$ 16,604,486	\$ (112,156,468)
Increase in Cash and Cash Equivalents	<u>1,955,181</u>	<u>1,955,181</u>
Fund Balance / Net Position as of June 30, 2020 (as restated)	<u>\$ 18,559,667</u>	<u>\$ (110,201,287)</u>

#### 14. GOVERNMENTAL ACCOUNTING BOARD STANDARDS

The School System adopted GASB 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. Implementation of the Statement required a restatement and had a material impact on the financial statement presentation for the accounting and reporting for Student Activities as detailed in Note 13 above.

#### 15. NEW GOVERNMENTAL ACCOUNTING BOARD STANDARDS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2021, 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. 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. The School System expects adoption of this standard to have a material effect on the financial statements.



# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Financial Statements

June 30, 2021

### 15. NEW GOVERNMENTAL ACCOUNTING BOARD STANDARDS (continued)

#### Statement No. 96, *Subscription-Based Information Technology Arrangements*

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2022 (FY 2023). The School System is currently evaluating the effect of implementation of this Statement.

#### Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.*

This Statement provides guidance regarding the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The Statement will also enhance (1) information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Paragraphs 4 and 5 of the Statement were effective immediately whereas the remaining requirements of this Statement are effective for period beginning after June 15, 2021 (FY 2022). The School System is currently evaluating the effect of implementation of this Statement.

## **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, 2021

	2021	2020	2019	2018	2017	2016	2015
School System's proportion of the net pension liability	0.067%	0.064%	0.062%	0.054%	0.056%	0.060%	0.054%
School System's proportionate share of the ERS net pension liability	\$ 15,058,899	\$ 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	191,071,692	180,294,375	188,110,615	189,998,229	215,427,373	171,331,354	42,592,154
	<u>\$ 206,130,591</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	\$ 118,651,284
School System's proportionate share of the net pension liability as a percentage of its covered-payroll	10.353%	10.147%	10.102%	9.262%	10.922%	10.858%	8.125%
Plan fiduciary net position as a percentage of the total pension liability	70.720%	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, 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contributions	\$ 6,740,929	\$ 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	1,619,548	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	5,121,381	5,089,054	4,980,167	4,944,282	4,781,065	4,634,220	4,030,711	3,150,692	2,485,697	-
	6,740,929	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
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School system's covered-payroll	\$ 145,559,106	\$ 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	4.631%	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, 2021

	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>					
Service cost	\$ 18,243,733	\$ 14,414,143	\$ 13,007,551	\$ 12,676,617	\$ 12,238,000
Interest	11,427,554	12,356,164	13,206,282	12,506,803	11,001,955
Differences between expected and actual experience	57,886,115	828,873	(28,094,872)	310,034	3,131,014
Changes of assumptions	13,991,398	52,424,340	36,659,739	(2,558,940)	(56,209,000)
Benefit payments	(8,165,280)	(8,195,190)	(4,811,441)	(7,300,000)	(6,696,969)
Net change in total OPEB liability	93,383,520	71,828,330	29,967,259	15,634,514	(36,535,000)
Total OPEB liability - beginning	470,277,103	398,448,773	368,481,514	352,847,000	389,382,000
Total OPEB liability - ending (a)	<u>\$ 563,660,623</u>	<u>\$ 470,277,103</u>	<u>\$ 398,448,773</u>	<u>\$ 368,481,514</u>	<u>\$ 352,847,000</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 10,165,280	\$ 8,952,732	\$ 5,811,441	\$ 8,300,000	\$ 6,696,969
Net investment income	12,580,464	1,434,223	3,293,993	3,088,016	4,215,949
Benefit payments	(8,165,280)	(8,195,190)	(4,811,441)	(7,300,000)	(6,696,969)
Administrative expense	(12,586)	(12,761)	(12,650)	(12,942)	(15,243)
Net change in plan fiduciary net position	14,567,878	2,179,004	4,281,343	4,075,074	4,200,706
Plan fiduciary net position - beginning	51,932,333	49,753,329	45,471,986	41,396,912	37,196,206
Plan fiduciary net position - ending (b)	<u>\$ 66,500,211</u>	<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>\$ 497,160,412</u>	<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	11.80%	11.04%	12.49%	12.34%	11.73%
Covered-payroll	\$ 145,559,106	\$ 145,451,909	\$ 130,613,111	\$ 127,901,817	\$ 125,980,783
School System's net OPEB liability as a percentage of covered-payroll	341.55%	287.62%	266.97%	252.54%	247.22%

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Schedule of School System's Contributions - OPEB June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarial determined contribution	\$ 19,867,000	\$ 15,045,000	\$ 14,099,000	\$ 14,401,000	\$ 13,846,000
Contributions in relation to the actuarially determined contribution	<u>10,165,280</u>	<u>8,952,732</u>	<u>5,811,441</u>	<u>8,300,000</u>	<u>6,696,969</u>
Contribution deficiency	<u>\$ 9,701,720</u>	<u>\$ 6,092,268</u>	<u>\$ 8,287,559</u>	<u>\$ 6,101,000</u>	<u>\$ 7,149,031</u>
 Covered-employee payroll	 \$ 145,559,106	 \$ 145,451,909	 \$ 130,613,111	 \$ 127,901,817	 \$ 125,980,783
 Contributions as a percentage of covered- payroll	 6.98%	 6.16%	 4.45%	 6.49%	 5.32%

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Schedule of Investment Returns – OPEB June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	24.20%	2.86%	7.21%	7.43%	11.29%

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Budgetary Comparison Schedule – General Fund June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Amended Budget Favorable (Unfavorable)
	Original	Amended		
Revenues				
Local	\$ 109,612,921	\$ 110,278,553	\$ 110,022,426	\$ (256,127)
State of Maryland	119,247,162	119,356,495	117,605,234	(1,751,261)
Federal government	25,316,322	42,773,618	22,268,293	(20,505,325)
Tuition	9,200	146,984	77,219	(69,765)
Investment income	600,000	600,000	32,709	(567,291)
Utilization of fund balance				
Unassigned	6,118,680	6,618,680	6,659,643	40,963
Other	4,692,046	928,000	1,135,803	207,803
	<u>265,596,331</u>	<u>280,702,330</u>	<u>257,801,327</u>	<u>(22,901,003)</u>
Expenditures				
Administration	4,115,040	4,421,404	3,869,639	551,765
Mid-level administration	18,284,319	18,748,661	17,950,561	798,100
Instructional salaries	92,087,020	96,445,680	87,485,779	8,959,901
Instructional textbooks and supplies	8,630,977	12,168,009	9,047,545	3,120,464
Other instructional costs	4,645,294	3,916,778	1,595,967	2,320,811
Special education	26,870,519	28,461,356	25,113,806	3,347,550
Student personnel services	2,363,525	2,287,986	1,867,207	420,779
Student health services	2,923,797	3,583,773	2,713,125	870,648
Student transportation services	19,202,957	20,631,842	15,682,282	4,949,560
Operation of plant	18,969,358	19,756,855	17,750,350	2,006,505
Maintenance of plant	4,624,049	4,635,450	4,440,892	194,558
Fixed charges	61,364,961	62,425,848	55,810,007	6,615,841
Community services	523,432	648,480	447,725	200,755
Capital outlays	991,083	2,570,208	2,559,040	11,168
	<u>265,596,331</u>	<u>280,702,330</u>	<u>246,333,925</u>	<u>34,368,405</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	11,467,402	<u>\$ 11,467,402</u>
Adjustments to conform with generally accepted accounting principles			(7,146,550)	
Fund Balance				
Beginning, as restated			<u>18,559,667</u>	
Ending			<u>\$ 22,880,519</u>	



## ST. MARY'S COUNTY PUBLIC SCHOOLS

### Notes to Required Supplementary Information June 30, 2021

#### 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, 2021

#### 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 2021 from the budget basis to the GAAP basis, are as follows:

	Revenues	Expenditures and Encumbrances	Current Year Effect on Fund Balances
General Fund - budgetary basis	\$ 257,801,327	\$ 246,333,925	\$ 11,467,402
Budget to GAAP reconciliation			
FY20 PO's	-	686,870	(686,870)
FY21 Prior year PO's	-	(348,121)	348,121
State retirement contribution	13,038,575	13,038,575	-
Fund balance usage	(6,659,643)	-	(6,659,643)
Student activity	1,105,542	1,253,700	(148,158)
	7,484,474	14,631,024	(7,146,550)
<b>General Fund - GAAP basis</b>	<b>\$ 265,285,801</b>	<b>\$ 260,964,949</b>	<b>\$ 4,320,852</b>

## **SUPPLEMENTARY INFORMATION**

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Combining Budgetary Comparison Schedule – General Fund – Unrestricted Funds and Restricted Funds June 30, 2021

	Unrestricted Fund				Restricted Funds				Total Combined General Fund			
				Variance With				Variance With				Variance With
			Actual	Amended			Actual	Amended			Actual	Amended
	Budgeted Amounts		(Budgetary	Budget	Budgeted Amounts		(Budgetary	Budget	Budgeted Amounts		(Budgetary	Budget
	Original	Amended	Basis)	Favorable	Original	Amended	Basis)	Favorable	Original	Amended	Basis)	Favorable
			(Unfavorable)				(Unfavorable)				(Unfavorable)	
Revenues												
Local	\$ 109,542,921	\$ 109,542,921	\$ 109,542,921	\$ -	\$ 70,000	\$ 735,632	\$ 479,505	\$ (256,127)	\$ 109,612,921	\$ 110,278,553	\$ 110,022,426	\$ (256,127)
States of Maryland	111,126,805	111,126,805	111,377,276	250,471	8,120,357	8,229,690	6,227,958	(2,001,732)	119,247,162	119,356,495	117,605,234	(1,751,261)
Federal government	2,745,000	2,745,000	2,555,533	(189,467)	22,571,322	40,028,618	19,712,760	(20,315,858)	25,316,322	42,773,618	22,268,293	(20,505,325)
Tuition	9,200	9,200	6,834	(2,366)	-	137,784	70,385	(67,399)	9,200	146,984	77,219	(69,765)
Investment Income	600,000	600,000	32,709	(567,291)	-	-	-	-	600,000	600,000	32,709	(567,291)
Utilization of fund balance												
Unassigned	6,118,680	6,618,680	6,618,680	-	-	-	40,963	40,963	6,118,680	6,618,680	6,659,643	40,963
Other	928,000	928,000	1,135,803	207,803	3,764,046	-	-	-	4,692,046	928,000	1,135,803	207,803
	231,070,606	231,570,606	231,269,756	(300,850)	34,525,725	49,131,724	26,531,571	(22,600,153)	265,596,331	280,702,330	257,801,327	(22,901,003)
Expenditures												
Administration	3,520,986	3,520,986	3,452,656	68,330	594,054	900,418	416,983	483,435	4,115,040	4,421,404	3,869,639	551,765
Mid-level administration	17,478,820	17,478,820	17,300,396	178,424	805,499	1,269,841	650,165	619,676	18,284,319	18,748,661	17,950,561	798,100
Instructional Salaries	83,479,956	83,479,956	81,194,229	2,285,727	8,607,064	12,965,724	6,291,550	6,674,174	92,087,020	96,445,680	87,485,779	8,959,901
Instructional textbooks and supplies	4,321,543	4,321,543	4,149,557	171,986	4,309,434	7,846,466	4,897,988	2,948,478	8,630,977	12,168,009	9,047,545	3,120,464
Other instructional costs	1,618,645	1,618,645	955,828	662,817	3,026,649	2,298,133	640,139	1,657,994	4,645,294	3,916,778	1,595,967	2,320,811
Special education	19,505,104	19,505,104	19,464,929	40,175	7,365,415	8,956,252	5,648,877	3,307,375	26,870,519	28,461,356	25,113,806	3,347,550
Student personnel services	1,285,145	1,285,145	1,232,613	52,532	1,078,380	1,002,841	634,594	368,247	2,363,525	2,287,986	1,867,207	420,779
Student health services	2,565,990	2,565,990	2,534,682	31,308	357,807	1,017,783	178,443	839,340	2,923,797	3,583,773	2,713,125	870,648
Student transportation services	18,148,833	18,148,833	15,392,471	2,756,362	1,054,124	2,483,009	289,811	2,193,198	19,202,957	20,631,842	15,682,282	4,949,560
Operation of plant	17,388,188	17,388,188	16,499,103	889,085	1,581,170	2,368,667	1,251,247	1,117,420	18,969,358	19,756,855	17,750,350	2,006,505
Maintenance of plant	4,592,157	4,592,157	4,431,662	160,495	31,892	43,293	9,230	34,063	4,624,049	4,635,450	4,440,892	194,558
Fixed charges	56,174,156	56,674,156	52,214,313	4,459,843	5,190,805	5,751,692	3,595,694	2,155,998	61,364,961	62,425,848	55,810,007	6,615,841
Community services	-	-	-	-	523,432	648,480	447,725	200,755	523,432	648,480	447,725	200,755
Capital outlay	991,083	991,083	979,915	11,168	-	1,579,125	1,579,125	-	991,083	2,570,208	2,559,040	11,168
	231,070,606	231,570,606	219,802,354	11,768,252	34,525,725	49,131,724	26,531,571	22,600,153	265,596,331	280,702,330	246,333,925	34,368,405
Net change in fund balances			11,467,402				-				11,467,402	
Adjustments to Conform With Generally Accepted Accounting Principles			(7,105,586)				(40,964)				(7,146,550)	
Fund Balance												
Beginning, as restated			17,512,357				1,047,310				18,559,667	
Ending			\$ 21,874,173				\$ 1,006,346				\$ 22,880,519	

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Combining Budgetary Comparison Schedule – General Fund – Unrestricted Funds June 30, 2021

	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	\$ 109,542,921	\$ 109,542,921	\$ 109,542,921	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,542,921	\$ 109,542,921	\$ 109,542,921	\$ -
States of Maryland	111,126,805	111,126,805	111,377,276	250,471	-	-	-	-	111,126,805	111,126,805	111,377,276	250,471
Federal government	2,745,000	2,745,000	2,555,533	(189,467)	-	-	-	-	2,745,000	2,745,000	2,555,533	(189,467)
Tuition	9,200	9,200	6,834	(2,366)	-	-	-	-	9,200	9,200	6,834	(2,366)
Investment Income	600,000	600,000	32,709	(567,291)	-	-	-	-	600,000	600,000	32,709	(567,291)
Utilization of fund balance												
Unassigned	5,959,529	6,459,529	6,459,529	-	159,151	159,151	159,151	-	6,118,680	6,618,680	6,618,680	-
Other	928,000	928,000	1,135,803	207,803	-	-	-	-	928,000	928,000	1,135,803	207,803
	<u>230,911,455</u>	<u>231,411,455</u>	<u>231,110,605</u>	<u>(300,850)</u>	<u>159,151</u>	<u>159,151</u>	<u>159,151</u>	<u>-</u>	<u>231,070,606</u>	<u>231,570,606</u>	<u>231,269,756</u>	<u>(300,850)</u>
Expenditures												
Administration	3,520,986	3,520,986	3,452,656	68,330	-	-	-	-	3,520,986	3,520,986	3,452,656	68,330
Mid-level administration	16,951,180	16,951,180	16,763,654	187,526	527,640	527,640	536,742	(9,102)	17,478,820	17,478,820	17,300,396	178,424
Instructional Salaries	80,900,396	80,900,396	78,723,757	2,176,639	2,579,560	2,579,560	2,470,472	109,088	83,479,956	83,479,956	81,194,229	2,285,727
Instructional textbooks and supplies	4,284,543	4,284,543	4,128,588	155,955	37,000	37,000	20,969	16,031	4,321,543	4,321,543	4,149,557	171,986
Other instructional costs	1,616,645	1,616,645	955,828	660,817	2,000	2,000	-	2,000	1,618,645	1,618,645	955,828	662,817
Special education	19,053,865	19,053,865	19,042,665	11,200	451,239	451,239	422,264	28,975	19,505,104	19,505,104	19,464,929	40,175
Student personnel services	1,282,145	1,282,145	1,232,549	49,596	3,000	3,000	64	2,936	1,285,145	1,285,145	1,232,613	52,532
Student health services	2,509,116	2,509,116	2,476,161	32,955	56,874	56,874	58,521	(1,647)	2,565,990	2,565,990	2,534,682	31,308
Student transportation services	17,948,833	17,948,833	15,226,477	2,722,356	200,000	200,000	165,994	34,006	18,148,833	18,148,833	15,392,471	2,756,362
Operation of plant	16,507,185	16,507,185	15,618,103	889,082	881,003	881,003	881,000	3	17,388,188	17,388,188	16,499,103	889,085
Maintenance of plant	4,592,157	4,592,157	4,431,662	160,495	-	-	-	-	4,592,157	4,592,157	4,431,662	160,495
Fixed charges	55,102,118	55,602,118	51,247,817	4,354,301	1,072,038	1,072,038	966,496	105,542	56,174,156	56,674,156	52,214,313	4,459,843
Community services	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	991,083	991,083	979,915	11,168	-	-	-	-	991,083	991,083	979,915	11,168
	<u>225,260,252</u>	<u>225,760,252</u>	<u>214,279,832</u>	<u>11,480,420</u>	<u>5,810,354</u>	<u>5,810,354</u>	<u>5,522,522</u>	<u>287,832</u>	<u>231,070,606</u>	<u>231,570,606</u>	<u>219,802,354</u>	<u>11,768,252</u>
<b>Net change in fund balances</b>	<u>\$ 5,651,203</u>	<u>\$ 5,651,203</u>	<u>16,830,773</u>	<u>\$ 11,179,570</u>	<u>\$ (5,651,203)</u>	<u>\$ (5,651,203)</u>	<u>(5,363,371)</u>	<u>\$ (287,832)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>11,467,402</u>	<u>\$ 11,467,402</u>
Adjustments to Conform With Generally Accepted Accounting Principles			(6,946,435)				(159,151)				(7,105,586)	
Charter School funding			(5,651,203)				5,651,203				-	
Fund Balance												
Beginning, as restated			<u>17,278,135</u>				<u>234,222</u>				<u>17,512,357</u>	
Ending			<u>\$ 21,511,270</u>				<u>\$ 362,903</u>				<u>\$ 21,874,173</u>	

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund – Budget vs. Actual June 30, 2021

	Amended Budget	Actual	Variance With Amended Budget Favorable (Unfavorable)
Revenues			
Food service sales	\$ 3,289,992	\$ 17,501	\$ (3,272,491)
Federal grants and commodities	4,471,324	6,873,140	2,401,816
State matching and other	246,385	265,469	19,084
Interest income	12,431	478	(11,953)
	<u>8,020,132</u>	<u>7,156,588</u>	<u>(863,544)</u>
Expenses			
Payroll costs	4,473,754	3,323,470	1,150,284
Professional and contract services	114,978	76,504	38,474
Supplies and materials	3,087,700	2,348,156	739,544
Depreciation	84,000	73,444	10,556
Other operating costs	259,700	263,588	(3,888)
	<u>8,020,132</u>	<u>6,085,162</u>	<u>1,934,970</u>
<b>Change in net position</b>	<u>\$ -</u>	<u>1,071,426</u>	<u>\$ 1,071,426</u>
Net Position			
Beginning		<u>1,672,493</u>	
Ending		<u>\$ 2,743,919</u>	

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Schedule of Changes in Cash and Cash Equivalents - School Activities June 30, 2021

	School Activity Accounts Balance			School Activity Accounts Balance		
	July 1, 2020		Additions	Deductions	June 30, 2021	
<b>School - Checking</b>						
Benjamin Banneker Elementary	\$	43,463	\$ 3,858	\$ (5,915)	\$	41,406
Capt. Walter Francis Duke Elementary		56,016	21,144	(29,977)		47,183
Chesapeake Public Charter School		39,499	6,303	(15,927)		29,875
Dynard Elementary		18,140	11,031	(8,338)		20,833
Evergreen Elementary		23,284	18,166	(18,153)		23,297
George Washington Carver Elementary		7,220	15,778	(16,929)		6,069
Green Holly School		4,524	8,704	(8,666)		4,562
Greenview Knolls Elementary		10,183	6,853	(6,755)		10,281
Hollywood Elementary		7,066	20,772	(15,842)		11,996
Leonardtown Elementary		7,604	12,062	(14,212)		5,454
Lettie Marshall Dent Elementary		45,752	12,460	(27,429)		30,783
Lexington Park Elementary		10,252	8,259	(12,286)		6,225
Mechanicsville Elementary		20,188	10,243	(15,157)		15,274
Oakville Elementary		11,622	7,697	(8,628)		10,691
ParkHall Elementary		4,544	6,909	(5,612)		5,841
Piney Point Elementary		43,903	12,573	(28,878)		27,598
Ridge Elementary		11,158	7,107	(9,013)		9,252
Town Creek Elementary		15,386	1,520	(913)		15,993
White Marsh Elementary		39,019	4,133	(6,886)		36,266
Esperanza Middle		62,599	4,937	(12,185)		55,351
Leonardtown Middle		89,151	13,581	(15,254)		87,478
Margaret Brent Middle		39,034	21,821	(38,121)		22,734
Spring Ridge Middle		57,419	13,590	(15,088)		55,921
Chopticon High		227,515	321,968	(339,093)		210,390
Great Mills High		163,149	169,111	(221,649)		110,611
Leonardtown High		112,445	295,765	(277,914)		130,296
Dr. J. A. Forrest Career & Tech Ctr		106,214	56,040	(64,439)		97,815
Fairlead Academy I		8,122	8,709	(6,700)		10,131
Fairlead Academy II		3,034	1,758	(3,503)		1,289
DCI PD		4,656	1,650	(1,138)		5,168
	\$	1,292,160	\$ 1,104,502	\$ (1,250,600)	\$	1,146,062

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Schedule of Changes in Cash and Cash Equivalents - School Activities June 30, 2021

	School Activity Accounts Balance			School Activity Accounts Balance	
	July 1, 2020	Additions	Deductions	June 30, 2021	
<b>School - Savings</b>					
Benjamin Banneker Elem	\$ 2,749	\$ 2	-		2,751
Carver Elem	301	-	-		301
Chopticon High	102,145	454	-		102,599
Forrest Career & Tech Center	70,167	44	-		70,211
	<u>\$ 175,362</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$</u>	<u>175,862</u>

	School Activity Accounts Balance			School Activity Accounts Balance	
	July 1, 2020	Additions	Deductions	June 30, 2021	
<b>School - MLGIP (Maryland Local Government Investment Pool)</b>					
Dynard Elem	\$ 5,415	\$ 5	\$ -	\$	5,420
Green Holly School	8,366	8	-		8,374
Greenview Knolls Elem	9,963	12	-		9,975
Hollywood Elem	11,189	12	-		11,201
Leonardtown Elem	5,633	5	(2,800)		2,838
Oakville Elem	1,337	1	-		1,338
ParkHall Elem	4,481	5	-		4,486
Piney Point Elem	8,784	10	-		8,794
Esperanza Middle	6,609	9	-		6,618
Leonardtown Middle	16,328	18	-		16,346
Margaret Brent Middle	24,827	28	-		24,855
Spring Ridge Middle	8,857	10	(300)		8,567
Great Mills High	181,343	201	-		181,544
Leonardtown High	155,149	172	-		155,321
Forrest Career & Tech Center	39,378	44	-		39,422
	<u>\$ 487,659</u>	<u>\$ 540</u>	<u>\$ (3,100)</u>	<u>\$</u>	<u>485,099</u>
Total	<u>\$ 1,955,181</u>	<u>\$ 1,105,542</u>	<u>\$ (1,253,700)</u>	<u>\$</u>	<u>1,807,023</u>





**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, 2021, 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 29, 2021.

***Internal Control over Financial Reporting***

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

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

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



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

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

### **Purpose of This Report**

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

Owings Mills, Maryland  
September 29, 2021

*SB & Company, LLC*



**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, 2021. 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, 2021.

### **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 29, 2021

*SB & Company, LLC*

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Schedule of Expenditures of Federal Awards June 30, 2021

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/20	Cash received FY 2021	FY '21 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/21	Passed through to subrecipients
<b><u>U.S. Department of Agriculture:</u></b>										
Passed through the Maryland State Dept. of Education:										
USDA Commodities	10.555		7/1/2020 - 6/30/2021	\$ 460,000	\$ -	\$ 653,218	\$ 653,218	\$ -	\$ -	\$ -
Summer Food Program	10.559		7/1/2020 - 6/30/2021	40,000	-	3,420,054	3,797,134	-	377,080	-
Summer Food Program	10.559		7/1/2019 - 6/30/2020	50,000	63,278	63,278	-	-	-	-
Breakfast	10.553		7/1/2019 - 6/30/2020	1,260,000	-	-	-	-	-	-
Lunch (Sec 4 & 11)	10.555		7/1/2020 - 6/30/2021	2,678,000	-	-	-	-	-	-
Federal Snack Program	10.555		7/1/2020 - 6/30/2021	3,324	-	391,640	391,640	-	-	-
Federal Snack Program	10.555		7/1/2019 - 6/30/2020	8,324	9,113	9,113	-	-	-	-
<b>Total Child Nutrition Cluster</b>				<b>4,499,648</b>	<b>72,391</b>	<b>4,537,303</b>	<b>4,841,992</b>	<b>-</b>	<b>377,080</b>	<b>-</b>
Child Nutrition Discretionary	10.579	191455.01	7/1/2018 - 9/30/2020	54,255	-	30,275	30,275	-	-	-
Child and Adult Care Food Program	10.558		7/1/2019 - 6/30/2020	75,000	35,359	35,359	-	-	-	-
Child and Adult Care Food Program	10.558		7/1/2020 - 6/30/2021	30,000	-	1,516,565	1,692,382	-	175,817	-
<b>Total Program</b>				<b>105,000</b>	<b>35,359</b>	<b>1,551,924</b>	<b>1,692,382</b>	<b>-</b>	<b>175,817</b>	<b>-</b>
<b>Total Department of Agriculture</b>				<b>4,658,903</b>	<b>107,750</b>	<b>6,119,502</b>	<b>6,564,649</b>	<b>-</b>	<b>552,897</b>	<b>-</b>
<b><u>U.S. Department of Defense:</u></b>										
<u>Direct Program:</u>										
ROTC Navy	12.000		7/1/2019 - 6/30/2020	110,000	26,999	26,999	-	-	-	-
ROTC Navy	12.000		7/2/2020 - 6/30/2021	65,000	-	75,632	75,632	-	-	-
ROTC Air Force	12.000		7/1/2019 - 6/30/2020	65,300	-	-	-	-	-	-
ROTC Air Force	12.000		7/2/2020 - 6/30/2021	65,000	-	63,146	63,146	-	-	-
<b>Total Program</b>				<b>305,300</b>	<b>26,999</b>	<b>165,777</b>	<b>138,778</b>	<b>-</b>	<b>-</b>	<b>-</b>
Public Law 102-484	12.558		7/1/2019 - 6/30/2020	430,000	691,985	691,985	-	-	-	-
Public Law 102-484	12.558		7/1/2020 - 6/30/2021	515,000	-	-	645,350	-	645,350	-
<b>Total Program</b>				<b>945,000</b>	<b>691,985</b>	<b>691,985</b>	<b>645,350</b>	<b>-</b>	<b>645,350</b>	<b>-</b>
<b>Total U.S. Department of Defense</b>				<b>1,250,300</b>	<b>718,984</b>	<b>857,762</b>	<b>784,128</b>	<b>-</b>	<b>645,350</b>	<b>-</b>
<b><u>U.S. Department of Justice:</u></b>										
<u>Direct Program:</u>										
Community Oriented Policing Services (C.O.P.S.)	16.710	2019SVWX0010	10/1/2019 - 9/30/2021	60,729	-	-	-	-	-	-
<b>Total U.S. Department of Justice</b>				<b>60,729</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Schedule of Expenditures of Federal Awards (continued) June 30, 2021

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/20	Cash received FY 2021	FY '21 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/21	Passed through to subrecipients
<b><u>U.S. Department of Treasury:</u></b>										
Passed through the <u>Office of Rural Broadband:</u>										
Broadband for Unserved Students	21.019	N/A	8/14/2020 - 3/30/2021	1,685,821	-	1,685,821	1,685,821	-	-	1,685,821
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	1,376,286	1,106,873	-	-	-
Cares Act (CRF) - Technology	21.019	201950.01	3/1/2020 - 12/30/2020	1,960,154	-	1,960,154	1,960,154	-	-	-
Americal Rescue Plan - Summer School	21.019	211823.01	3/3/2021 - 12/31/2024	354,956	-	-	15,760	-	15,760	-
<b>Total Program</b>				3,691,396	269,413	3,336,440	3,082,787	-	15,760	-
Passed through the <u>St. Mary's County Health Dept.:</u>										
County Covid Support	21.019	21-1700	9/29/2020 - 12/30/2020	507,822	-	507,822	507,822	-	-	-
County Covid Support	21.019	CA014CRF	3/1/2020 - 12/30/2020	115,898	115,898	115,898	-	-	-	-
<b>Total Program</b>				623,720	115,898	623,720	507,822	-	-	-
<b>Total U.S. Department of Treasury</b>				<b>6,000,937</b>	<b>385,311</b>	<b>5,645,981</b>	<b>5,276,430</b>	<b>-</b>	<b>15,760</b>	<b>1,685,821</b>
<b><u>U.S. Department of Education:</u></b>										
Passed through the <u>Maryland State Dept. of Education:</u>										
E.C.I.A. Title I	84.010	190629.01	7/1/2018 - 9/30/2021	3,025,186	13,126	75,694	72,291	-	9,723	-
E.C.I.A. Title I	84.010	200998.01	7/1/2019 - 9/30/2021	3,306,106	566,669	893,426	526,091	-	199,334	-
E.C.I.A. Title I	84.010	211085.01	7/1/2020 - 9/30/2022	3,277,112	-	1,795,885	2,405,219	-	609,334	-
<b>Total Program</b>				9,608,404	579,795	2,765,005	3,003,601	-	818,391	-
SPED Pass Thru	84.027	210261.01	7/1/2020 - 9/30/2022	3,012,180	-	1,897,331	2,603,148	-	705,817	-
SPED Pass Thru CCEIS	84.027	210261.03	7/1/2020 - 9/30/2022	564,004	-	363,999	504,480	-	140,481	-
SPED Pass Thru	84.027	190306.01	7/1/2018 - 9/30/2020	3,480,564	13,781	13,781	-	-	-	-
SPED Pass Thru	84.027	200322.01	7/1/2019 - 9/30/2021	3,519,021	706,436	888,363	343,385	-	161,458	-
SPED Pass Thru Parent Placed	84.027	210261.01	7/1/2020 - 9/30/2022	68,135	-	-	-	-	-	-
SPED Pass Thru Parent Placed	84.027	190306.02	7/1/2018 - 6/30/2021	69,386	-	57,642	61,092	-	3,450	-
SPED Pass Thru Parent Placed	84.027	200322.02	7/1/2019 - 9/30/2021	67,673	-	-	-	-	-	-
Family Support System	84.027	210261.05	7/1/2020 - 9/30/2021	16,000	-	1,040	5,766	-	4,726	-
Family Support System	84.027	200322.04	7/1/2019 - 9/30/2020	16,000	775	11,277	11,849	-	1,347	-
SPED SEAC	84.027	210261.04	7/1/2020 - 9/30/2021	2,500	-	647	1,274	-	627	-
SPED SEAC	84.027	200322.03	7/1/2019 - 9/30/2020	2,500	1,179	2,236	1,057	-	-	-
PLO Conference	84.027	210261.06	7/1/2020 - 9/30/2021	250	-	-	-	-	-	-
Infants & Toddlers Program	84.027	200372.01	7/1/2019 - 9/30/2020	58,289	1,311	3,083	1,772	-	-	-
Infants & Toddlers Program	84.027	210281.01	7/1/2020 - 6/30/2022	55,042	-	49,224	55,042	-	5,818	-
Infants & Toddlers Program	84.027	200322.05	7/1/2019 - 9/30/2020	4,000	-	-	-	-	-	-

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Schedule of Expenditures of Federal Awards (continued) June 30, 2021

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/20	Cash received FY 2021	FY '21 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/21	Passed through to subrecipients
LIR: Access, Equity and Progress	84.027	211009.03	10/1/2020 - 9/30/2022	105,677	-	18,142	18,142	-	-	-
LIR: Access, Equity and Progress	84.027	190306.07	7/1/2018 - 6/30/2021	63,649	7,238	31,798	40,686	-	16,126	-
LIR: Access, Equity and Progress	84.027	201118.03	10/1/2019 - 9/30/2021	66,454	-	17,944	33,004	-	15,060	-
LIR: Access, Equity and Progress	84.027	2011009.01	10/1/2020 - 9/30/2022	129,787	-	485	485	-	-	-
LIR: Early Childhood	84.027	190306.05	7/1/2018 - 6/30/2021	68,057	30,035	56,305	26,270	-	-	-
LIR: Early Childhood	84.027	201118.01	10/1/2019 - 9/30/2021	69,622	-	2,935	68,522	-	65,587	-
LIR: Secondary Transition	84.027	211009.02	10/1/2020 - 9/30/2022	84,393	-	16,364	24,418	-	8,054	-
LIR: Secondary Transition	84.027	190306.06	7/1/2018 - 6/30/2021	75,965	12,940	31,587	18,647	-	-	-
LIR: Secondary Transition	84.027	201118.02	10/1/2019 - 9/30/2021	71,149	6,260	36,699	37,702	-	7,263	-
IDEA Pre-school	84.173	190270.01	7/1/2018 - 9/30/2020	111,715	-	-	-	-	-	-
IDEA Pre-school	84.173	210430.01	7/1/2020 - 9/30/2022	114,555	-	71,910	114,555	-	42,645	-
IDEA Pre-school	84.173	200321.01	7/1/2019 - 9/30/2021	114,567	26,365	26,365	-	-	-	-
IDEA Pre-school Parent Placed	84.173	210430.02	7/1/2020 - 9/30/2022	1,151	-	-	-	-	-	-
IDEA Pre-school Parent Placed	84.173	190270.02	7/1/2018 - 9/30/2020	1,101	-	-	-	-	-	-
IDEA Pre-school Parent Placed	84.173	200321.02	7/1/2019 - 9/30/2021	603	-	-	-	-	-	-
Infants & Toddlers Program	84.173	201830.01	6/30/2020 - 9/30/2021	7,000	-	1,039	1,249	-	210	-
Infants & Toddlers Program	84.173	190152.01	7/1/2018 - 6/30/2020	7,000	2,330	2,330	-	-	-	-
Infants & Toddlers Program	84.173	200437.01	7/1/2019 - 6/30/2021	7,000	(2,046)	-	6,699	-	4,653	-
Infants & Toddlers Program	84.173	201830.02	6/30/2020 - 9/30/2021	4,484	-	3,789	4,484	-	695	-
Infants & Toddlers Program	84.173	200437.02	7/1/2019 - 6/30/2021	4,749	303	2,904	2,601	-	-	-
<b>Total Special Education Cluster (IDEA)</b>				<b>12,044,222</b>	<b>806,907</b>	<b>3,609,219</b>	<b>3,986,329</b>	<b>-</b>	<b>1,184,017</b>	<b>-</b>
<u>Direct Program:</u>										
Impact Aid	84.041		7/1/2020 - 6/30/2021	2,100,000	-	1,771,405	1,771,405	-	-	-
Passed through the Maryland State Dept. of Education:										
Perkins (Program Improvement)	84.048	200874.01	7/1/2019 - 8/30/2020	198,047	8,589	8,589	-	-	-	-
Perkins (Program Improvement)	84.048	210913.01	7/1/2020 - 8/31/2021	183,171	-	159,079	165,668	-	6,589	-
CTE Reserve Fund	84.048	200755.01	7/1/2019 - 8/30/2020	6,426	39	4,259	4,220	-	-	-
CTE Reserve Fund	84.048	210534.01	7/1/2020 - 8/31/2021	3,965	-	-	-	-	-	-
<b>Total Program</b>				<b>391,609</b>	<b>8,628</b>	<b>171,927</b>	<b>169,888</b>	<b>-</b>	<b>6,589</b>	<b>-</b>
Vocational Rehabilitation	84.126	211650.01	4/1/2021 - 8/31/2021	22,045	-	-	711	-	711	-
Infants & Toddlers Program	84.181	200458.01	7/1/2019 - 6/30/2021	138,407	11,577	50,423	42,118	-	3,272	-
Infants & Toddlers Program	84.181	210301.02	7/1/2020 - 6/30/2022	153,925	-	115,815	126,782	-	10,967	-
Infants & Toddlers Program	84.181	190165.01	7/1/2018 - 6/30/2020	133,241	65,549	65,549	-	-	-	-
Infants & Toddlers Program	84.181	200458.02	7/1/2019 - 9/30/2020	2,000	-	-	-	-	-	-
<b>Total Program</b>				<b>427,573</b>	<b>77,126</b>	<b>231,787</b>	<b>168,900</b>	<b>-</b>	<b>14,239</b>	<b>-</b>
Charter Schools Program	84.282A	201708.01	9/1/2019 - 6/30/2021	300	-	-	-	-	-	-
Homeless Education	84.196a	211308.01	7/1/2020 - 9/30/2021	63,704	-	12,873	21,848	-	8,975	-
Homeless Education	84.196a	201414.01	7/1/2019 - 12/31/2020	63,705	38,762	50,206	11,444	-	-	-
<b>Total Program</b>				<b>127,409</b>	<b>38,762</b>	<b>63,079</b>	<b>33,292</b>	<b>-</b>	<b>8,975</b>	<b>-</b>

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Schedule of Expenditures of Federal Awards (continued) June 30, 2021

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/20	Cash received FY 2021	FY '21 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/21	Passed through to subrecipients
21st Century Learning Centers	84.287C	201340.01	9/1/2019 - 8/31/2021	100,350	-	618	3,371	309	3,062	-
21st Century Learning Centers	84.287C	211463.01	9/1/2020 - 8/31/2021	116,549	-	-	2,594	-	2,594	-
21st Century Learning Centers	84.287C	201341.01	9/1/2019 - 8/31/2020	116,549	14,088	59,851	45,763	-	-	-
<b>Total Program</b>				<b>333,448</b>	<b>14,088</b>	<b>60,469</b>	<b>51,728</b>	<b>309</b>	<b>5,656</b>	<b>-</b>
Title III	84.365A	190373.01	7/1/2018 - 9/30/2021	30,866	489	1,380	1,112	-	221	-
Title III	84.365A	200737.01	7/1/2019 - 9/30/2021	30,642	182	182	1,130	-	1,130	-
Title III	84.365A	210479.01	7/1/2020 - 9/30/2022	38,755	-	21,336	20,588	-	(748)	-
Title III (Immigrant)	84.365A	200737.02	7/1/2019 - 9/30/2021	11,140	958	11,140	10,182	-	-	-
Title III (Immigrant)	84.365A	210479.02	7/1/2020 - 9/30/2022	45,367	-	3,880	8,690	-	4,810	-
<b>Total Program</b>				<b>156,770</b>	<b>1,629</b>	<b>37,918</b>	<b>41,702</b>	<b>-</b>	<b>5,413</b>	<b>-</b>
Title II Part A	84.367	191367.01	7/1/2018 - 9/30/2021	504,221	22,511	37,048	14,537	-	-	-
Title II Part A	84.367	201028.01	7/1/2019 - 9/30/2021	544,291	129,357	334,175	284,081	-	79,263	-
Title II Part A	84.367	210770.01	7/1/2020 - 6/30/2022	539,050	-	80,111	286,122	-	206,011	-
<b>Total Program</b>				<b>1,587,562</b>	<b>151,868</b>	<b>451,334</b>	<b>584,740</b>	<b>-</b>	<b>285,274</b>	<b>-</b>
Striving Readers Comprehensive Literacy	84.371C	191090.01	10/1/2018 - 9/30/2020	472,000	91,032	142,398	51,366	-	-	-
Striving Readers Comprehensive Literacy	84.371C	201241.01	10/1/2019 - 6/30/2021	528,000	-	365,449	528,000	-	162,551	-
<b>Total Program</b>				<b>1,000,000</b>	<b>91,032</b>	<b>507,847</b>	<b>579,366</b>	<b>-</b>	<b>162,551</b>	<b>-</b>
Title IV, Part A	84.424A	191299.01	7/1/2018 - 9/30/2021	219,162	11,271	65,138	59,370	-	5,503	-
Title IV, Part A	84.424A	201577.01	7/1/2019 - 6/30/2021	228,472	38,216	102,987	85,068	-	20,297	-
Title IV, Part A	84.424A	211365.01	7/1/2020 - 9/30/2022	257,657	-	-	609	-	609	-
<b>Total Program</b>				<b>705,291</b>	<b>49,487</b>	<b>168,125</b>	<b>145,047</b>	<b>-</b>	<b>26,409</b>	<b>-</b>
Cares - ESSER I	84.425D	202090.01	4/29/2020 - 9/30/2021	60,489	-	-	60,489	-	60,489	-
Cares - ESSER I	84.425D	201783.01	3/13/2020 - 9/30/2022	2,574,352	-	1,100,715	1,684,011	-	583,296	-
Cares - GEER I	84.425D	201868.01	3/13/2020 - 9/30/2022	132,461	-	132,421	132,461	-	40	-
Cares - ESSER Reopening	84.425D	202040.01	3/13/2020 - 9/30/2022	681,832	-	-	-	-	-	-
Cares (CRRSA) - ESSER II	84.425D	202120.01	3/13/2020 - 9/30/2022	11,611,000	-	-	201,870	-	201,870	-
<b>Total Program</b>				<b>15,060,134</b>	<b>-</b>	<b>1,233,136</b>	<b>2,078,831</b>	<b>-</b>	<b>845,695</b>	<b>-</b>
<b>Total U.S. Department of Education</b>				<b>43,564,767</b>	<b>1,819,322</b>	<b>11,071,251</b>	<b>12,615,540</b>	<b>309</b>	<b>3,363,920</b>	<b>-</b>
<b><u>U.S. Department of Health and Human Services:</u></b>										
Passed through the St. Mary's County Health Dept.:										
Air Quality Sensors Installation	93.323	21-1725	3/5/2021 - 6/30/2021	37,056	-	-	37,056	-	37,056	-
<b><u>Direct Program</u></b>										
Office of Head Start	93.600	03CH010878-02	4/1/2019 - 3/31/2024	2,420,710	182,921	1,806,078	1,623,157	-	-	-
Office of Head Start	93.600	03CH010878-02-C3	4/1/2019 - 3/31/2024	145,003	-	90,993	90,993	-	-	-
Office of Head Start	93.600	03CH010878-03	4/1/2021 - 3/31/2026	2,554,000	-	319,056	670,488	-	351,432	-
Office of Head Start-Covid funds	93.600	03HE001185-01-00	4/1/2021 - 3/31/2023	49,660	-	-	-	-	-	-
Office of Head Start-American Rescue Plan	93.600	03HE001185-01-01	4/1/2021 - 3/31/2023	197,423	-	-	-	-	-	-
<b>Total Program</b>				<b>5,366,796</b>	<b>182,921</b>	<b>2,216,127</b>	<b>2,384,638</b>	<b>-</b>	<b>351,432</b>	<b>-</b>



# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Schedule of Expenditures of Federal Awards (continued) June 30, 2021

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/20	Cash received FY 2021	FY '21 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/21	Passed through to subrecipients
Passed through the Maryland State Dept. of Education:										
Medical Assistance	93.778	N/A	7/1/2019 - 6/30/2020	2,241,637	(2,658,127)	1,015,661	1,200,712	-	(2,473,076)	-
<b>Total U.S. Department of Health and Human Services</b>				<b>7,645,489</b>	<b>(2,475,206)</b>	<b>3,231,788</b>	<b>3,622,406</b>	<b>-</b>	<b>(2,084,588)</b>	<b>-</b>
<b>Federal Emergency Management Agency:</b>										
Passed through the Maryland Emergency Management Agency:										
Public Assistance Program (Community Feeding)	97.036		7/1/2020 - 6/30/2021	-	-	278,277	278,277	-	-	-
<b>Total Federal Emergency Management Agency</b>				<b>-</b>	<b>-</b>	<b>278,277</b>	<b>278,277</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total Expenditures of Federal Awards				<b>\$ 63,181,125</b>	<b>\$ 556,161</b>	<b>\$ 27,204,561</b>	<b>\$ 29,141,430</b>	<b>\$ 309</b>	<b>\$ 2,493,339</b>	<b>\$ 1,685,821</b>

# ST. MARY'S COUNTY PUBLIC SCHOOLS

## Notes to the Schedule of Expenditures of Federal Awards June 30, 2021

### 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, 2021. 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 2021 cash or non-cash expenditure activities to ensure coverage of at least 20% of federally granted funds. Our actual coverage was 45%.

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 2.04% for the year ended June 30, 2021, which was approved by the Maryland State Department of Education.

<b>Federal Grantor/Pass Through Grantor/ Program Title</b>	<b>CFDA Number</b>	<b>Federal Program Expenditures</b>
Child and Adult Care Food Program	10.558	\$ 1,692,382
CARES Act - Broadband for Unserved Students, Tutoring, Technology, and Summer School	21.019 84.027, 84.027A,	5,276,430
Special Education Cluster (IDEA)	84.173	3,986,329
CARES Act - ESSER I, GEER I, ESSER Reopening, and ESSER II	84.425D	2,078,831
		<u>\$ 13,033,972</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, 2021

### Section I – Summary of Independent Public Account's Results

#### Financial Statements

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

#### Federal Awards

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

#### Identification of Major Programs:

<b>Federal Grantor/Pass Through Grantor/ Program Title</b>	<b>CFDA Number</b>	<b>Federal Program Expenditures</b>
Child and Adult Care Food Program	10.558	\$ 1,692,382
CARES Act - Broadband for Unserved Students, Tutoring, Technology, and Summer School	21.019 84.027, 84.027A,	5,276,430
Special Education Cluster (IDEA)	84.173	3,986,329
CARES Act - ESSER I, GEER I, ESSER Reopening, and ESSER II	84.425D	2,078,831
		<u>\$ 13,033,972</u>
Threshold for distinguishing between Type A and B programs		\$ 874,243
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, 2021**

**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, 2021**

No findings were reported during the prior year.