

ST. MARY'S COUNTY PUBLIC SCHOOLS

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

For the Year Ended June 30, 2023

ST. MARY'S COUNTY PUBLIC SCHOOLS

Financial Statements Together with Reports of Independent Public Accountants

JUNE 30, 2023

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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 Audit of the Financial Statements

Opinions

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, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School System, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The School System's management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability – Maryland Statement 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, budgetary comparison schedule – general fund, and the notes to required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School System's basic financial statements. The combining budgetary comparison schedule – general fund – unrestricted funds and restricted funds, combining budgetary comparison schedule – general fund – unrestricted funds, statement of revenues, expenses, and changes in net position – proprietary fund – budget vs. actual, the schedule of changes in cash and cash equivalents – school activities, and the Schedule of Expenditures of Federal Awards, *as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining budgetary comparison schedule – general fund – unrestricted funds and restricted funds, combining budgetary comparison schedule – general fund – unrestricted funds, statement of revenues, expenses, and changes in net position – proprietary fund – budget vs. actual, the schedule of changes in cash and cash equivalents – school activities, and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of



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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 combining budgetary comparison schedule – general fund – unrestricted funds and restricted funds, combining budgetary comparison schedule – general fund – unrestricted funds, statement of revenues, expenses, and changes in net position – proprietary fund – budget vs. actual, the schedule of changes in cash and cash equivalents – school activities, and the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023, 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 27, 2023

SB & Company, LLC

ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2023

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, 2023. 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 by \$5,129,940 (see page 22) due predominantly salary savings recognized as a result of the COVID-19 pandemic's impact on the labor force leading to "The Great Resignation," followed by "The Great Reshuffle." Teacher shortages were recognized across the state, leading to the passing of the Maryland Educator Shortage Reduction Act of 2023, HB1219.
- There is a planned use of the prior year's fund balance for the fiscal year ended June 30, 2024 in the amount of \$4,041,484 for non-recurring purchases, such as technology, security infrastructure enhancements, classroom furniture, and textbooks (see page 41).
- The school district strives to forecast anticipated savings in advance, which resulted in the proactive planned use of the available fund balance in the FY2023 Adopted Budget, which was also identified in the June 30, 2022 notes to the financial statements (see page 41 of the financial statements ending June 30, 2022).
- The School System's Governmental Funds fund balance includes \$1,987,732 to reflect the inclusion of the Governmental Accounting Standards Board (GASB) Statement No. 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 by accounting for the funds as Governmental instead of Fiduciary. St. Mary's County Public School's administrative involvement entails monitoring, internal reviews, and 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 \$6.6 million (see page 38).
- The School System is reporting a net position for governmental activities in 2023 of \$(126,568,345). The School System reported \$(139,652,786) for 2022, a positive difference of \$13 million. The requirements under GASB No. 75 for OPEB reporting is the primary contributor to this difference (see page 19).
- The Unrestricted Fund expenditure budgetary savings of \$5,556,549 were recognized in due predominantly to staffing vacancies and associated fixed charges. A positive revenue variance of \$3,670,572 was associated with interest income earnings and pension reimbursements associated with grant funded positions.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2023

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.

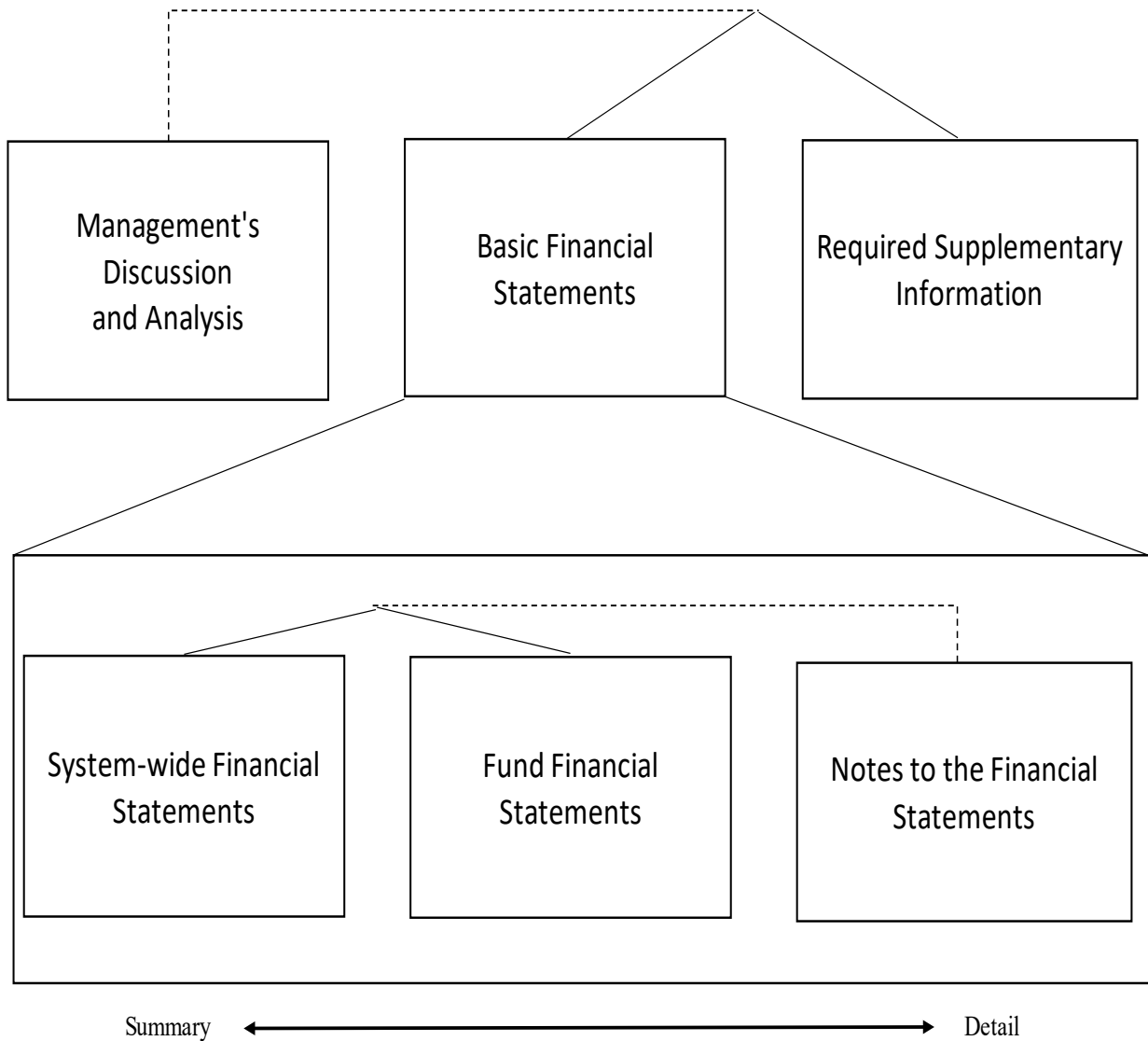
- The first two statements are system-wide financial statements that provide both short-term and long-term information about the School System's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School System's operations. These statements 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, 2023**

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



ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2023

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

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

ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2023

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, 2023

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 increased \$13.3 million (see page 19).

ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2023

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

| | Governmental Activities | | Business-type Activities | | Total School System | | Total % Change |
|----------------------------------|----------------------------|-------------------|-----------------------------|---------------|------------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Current and other assets | \$ 59.7 | \$ 44.4 | \$ 6.8 | \$ 6.7 | \$ 66.5 | \$ 51.1 | 30.1% |
| Capital assets | 276.3 | 269.8 | 0.4 | 0.3 | 276.7 | 270.1 | 2.4% |
| Total Assets | 336.0 | 314.2 | 7.2 | 7.0 | 343.2 | 321.2 | 6.8% |
| Deferred outflows | 145.0 | 123.0 | - | - | 145.0 | 123.0 | 17.9% |
| Liabilities | | | | | | | |
| Long-term outstanding | 335.5 | 373.8 | 0.2 | 0.2 | 335.7 | 374.0 | -10.2% |
| Other liabilities | 40.4 | 30.2 | 0.7 | 0.6 | 41.1 | 30.8 | 33.4% |
| Total Liabilities | 375.9 | 404.0 | 0.9 | 0.8 | 376.8 | 404.8 | -6.9% |
| Deferred inflows | 231.7 | 172.8 | - | - | 231.7 | 172.8 | 34.1% |
| Net Position | | | | | | | |
| Net investment in capital assets | 276.3 | 269.3 | 0.4 | 0.3 | 276.7 | 269.6 | 2.6% |
| Restricted | 0.1 | 0.1 | - | - | 0.1 | 0.1 | 0.0% |
| Unrestricted | (402.9) | (409.1) | 6.0 | 5.9 | (396.9) | (403.2) | -1.6% |
| Total Net Position | \$ (126.5) | \$ (139.7) | \$ 6.4 | \$ 6.2 | \$ (120.1) | \$ (133.5) | -10.0% |

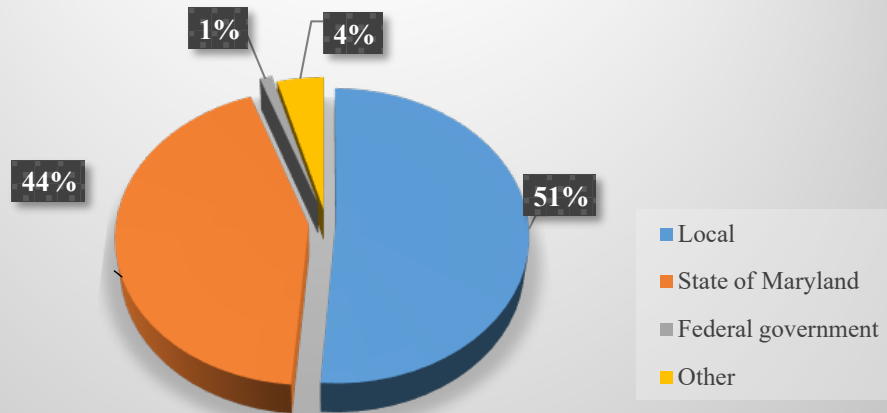
Figure A-4
Condensed Statement of Net Activities (in millions of dollars)

| | Governmental Activities | | Business-type Activities | | Total School System | | Total % Change |
|-------------------------------------|----------------------------|-----------------|-----------------------------|---------------|------------------------|-----------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Revenue | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 0.2 | \$ 0.2 | \$ 2.3 | \$ 0.3 | \$ 2.5 | \$ 0.5 | 400.0% |
| Operating grants and contributions | 66.4 | 65.3 | 6.6 | 13.0 | 73.0 | 78.3 | -6.8% |
| Capital grants and contributions | 16.3 | 16.1 | - | - | 16.3 | 16.1 | 1.2% |
| General revenues: | | | | | | | |
| County | 121.5 | 114.5 | - | - | 121.5 | 114.5 | 6.1% |
| State | 102.9 | 98.0 | - | - | 102.9 | 98.0 | 5.0% |
| Federal | 2.7 | 2.3 | - | - | 2.7 | 2.3 | 17.4% |
| Other | 10.1 | 0.2 | - | - | 10.1 | 0.2 | 4950.0% |
| Total Revenue | 320.1 | 296.6 | 8.9 | 13.3 | 329.0 | 309.9 | 6.2% |
| Expenses | | | | | | | |
| Administrative | 24.4 | 22.8 | - | - | 24.4 | 22.8 | 7.0% |
| Instruction | 108.3 | 105.1 | - | - | 108.3 | 105.1 | 3.0% |
| Special education | 26.4 | 27.2 | - | - | 26.4 | 27.2 | -2.9% |
| Student personnel & health services | 6.2 | 5.6 | - | - | 6.2 | 5.6 | 10.7% |
| Transportation | 24.2 | 21.9 | - | - | 24.2 | 21.9 | 10.5% |
| Operations & maintenance | 36.7 | 34.7 | - | - | 36.7 | 34.7 | 5.8% |
| Fixed charges | 77.3 | 85.7 | - | - | 77.3 | 85.7 | -9.8% |
| Other | 3.6 | 2.7 | 8.7 | 9.9 | 12.3 | 12.6 | -2.4% |
| Total Expenses | 307.1 | 305.7 | 8.7 | 9.9 | 315.8 | 315.6 | 0.1% |
| Change in Net Position | \$ 13.0 | \$ (9.1) | \$ 0.2 | \$ 3.4 | \$ 13.2 | \$ (5.7) | -331.6% |

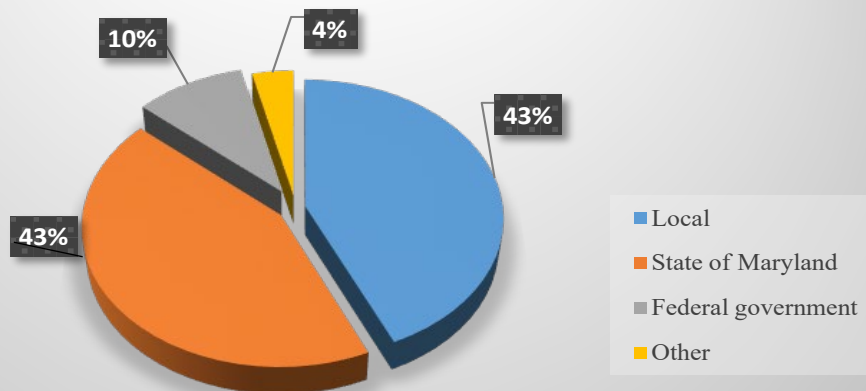
ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis
June 30, 2023

**Figure A-5: Sources of Revenues FY-2023
Governmental Activities**



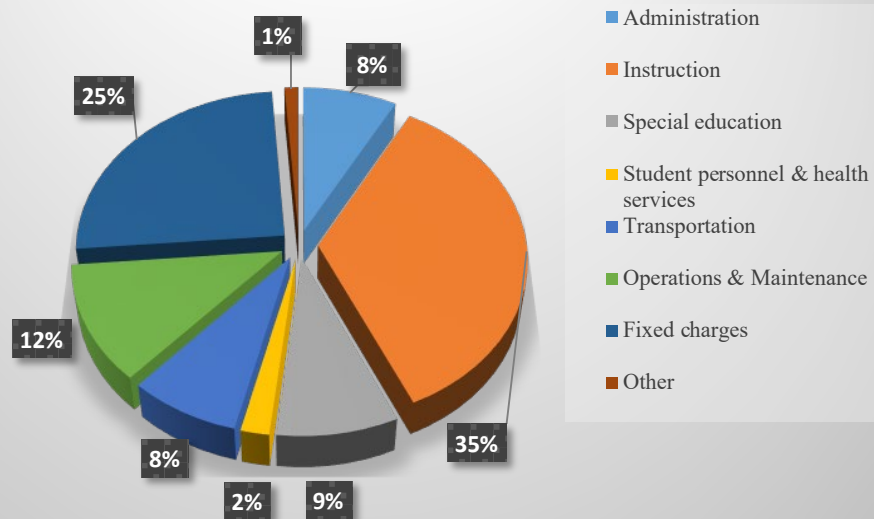
**Figure A-6: Sources of Revenues FY-2022
Governmental Activities**



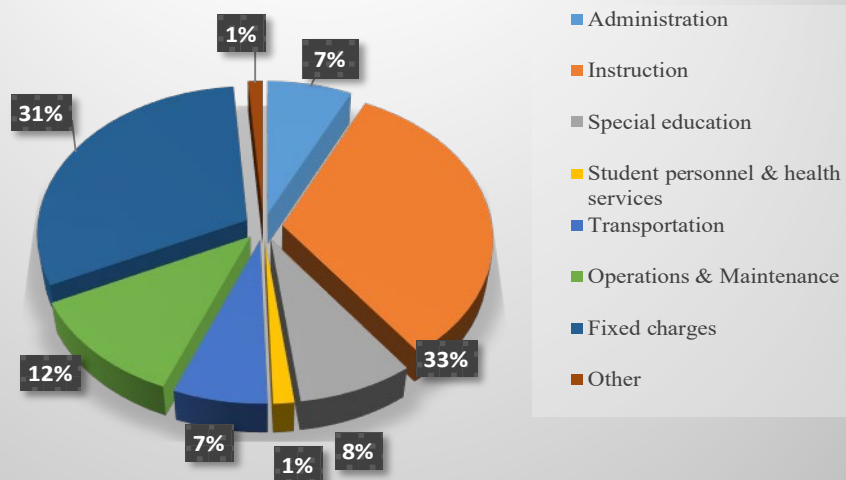
ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2023

**Figure A-7: Expenses FY-2023
Governmental Activities**



**Figure A-8: Expenses FY-2022
Governmental Activities**



ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2023

Governmental Activities

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

- Negative variance:
 - The School System provides employee and retiree health insurance benefits, with a retrospective claims settlement under a modified self-insured policy administered by CareFirst. The healthcare claims costs for the year ending June 30, 2023 exceeded the underwriter's projection, leading to an Unrestricted Fund negative variance in the Fixed Charges category of \$636,401. This variance is offset by the savings within the social security account associated with staffing shortages.
- Positive variance:
 - Unrestricted Fund staffing vacancy/attrition savings of \$4,514,699.

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

| | Total Cost of Services | | | Net Cost (Benefit) of Services | | |
|-------------------------------------|------------------------|-----------------|-----------|--------------------------------|-----------------|-----------|
| | 2023 | 2022 | % change | 2023 | 2022 | % change |
| Administrative | \$ 24.4 | \$ 22.8 | 7% | \$ 22.5 | \$ 21.0 | 7% |
| Instruction | 108.3 | 105.1 | 3% | 94.0 | 90.1 | 4% |
| Special education | 26.4 | 27.2 | -3% | 11.8 | 13.3 | -11% |
| Student personnel & health services | 6.2 | 5.6 | 11% | 4.2 | 4.0 | 5% |
| Transportation | 24.2 | 21.9 | 11% | 13.8 | 11.9 | 16% |
| Operations & maintenance | 36.7 | 34.7 | 6% | 34.8 | 33.1 | 5% |
| Fixed charges | 77.3 | 85.7 | -10% | 42.9 | 55.5 | -23% |
| Student activity/other | 3.6 | 2.7 | 33% | 0.1 | (4.7) | 0% |
| Total | \$ 307.1 | \$ 305.7 | 0% | \$ 224.1 | \$ 224.2 | 0% |

ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2023

Business-Type Activities

- Net position for Food Service increased by \$232,309 (see page 19).

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 2023, the General Fund shows a net \$5,129,940 of revenues in excess of expenditures and other financing uses, which was offset by the planned use of fund balance for non-recurring items (page 22).

Capital Projects expenditures amounted to \$16.6 million for the year ended June 30, 2023 (page 22). As discussed later, these expenditures were for a full array of capital projects.

General Fund Budgetary Highlights

Overall, revenues came in at 101.44% of the unrestricted fund amended budget. The FY 2023 year-end budgetary expenditure balance of \$5,556,549 reflected a spending of 97.8% 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 and approval to utilize restricted grants.
- Adjustments within a category to realign the budget to meet emerging needs.

Capital Asset and Debt Administration

Capital Assets

During FY 2023, the School System invested \$17.4 million (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 38).

ST. MARY'S COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis June 30, 2023

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

| | Governmental Activities | | Business-type Activities | | Total School System | | Total % Change |
|----------------------------------|------------------------------------|-----------------|-------------------------------------|---------------|--------------------------------|-----------------|---------------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Land | \$ 3.7 | \$ 3.7 | \$ - | \$ - | \$ 3.7 | \$ 3.7 | 0% |
| Facilities under construction | 17.2 | 22.6 | - | - | 17.2 | 22.6 | -24% |
| Buildings | 248.9 | 237.9 | - | - | 248.9 | 237.9 | 5% |
| Equipment | 6.5 | 5.6 | 0.4 | 0.3 | 6.9 | 5.9 | 17% |
| Total Capital Assets, Net | \$ 276.3 | \$ 269.8 | \$ 0.4 | \$ 0.3 | \$ 276.7 | \$ 270.1 | 2% |

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 2023 there was one payment made to the OPEB trust for \$2 million and the net liability for OPEB decreased \$42 million in the current year. GASB 68 required the School System to record a increase in pension liability for FY 2023 of \$4 million. Additional information on long-term debt can be found in Note 7 to the basic Financial Statements (page 40).

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

| | Governmental Activities | | Business-type Activities | | Total School System | | Total % Change |
|--------------------------------|------------------------------------|-----------------|-------------------------------------|---------------|--------------------------------|-----------------|---------------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Equipment financing agreements | \$ - | \$ 0.4 | \$ - | \$ - | \$ - | \$ 0.4 | 0% |
| Compensated absences | 5.6 | 5.3 | 0.2 | 0.2 | 5.8 | 5.5 | 5% |
| Net OPEB liability | 314.9 | 357.0 | - | - | 314.9 | 357.0 | -12% |
| Net pension liability | 15.1 | 11.0 | - | - | 15.1 | 11.0 | 37% |
| Total Long-Term Debt | \$ 335.6 | \$ 373.7 | \$ 0.2 | \$ 0.2 | \$ 335.8 | \$ 373.9 | -10% |

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 requires the School System to recognize the entire unfunded accrued liability associated with post-employment benefits. The School System's net liability is \$314 million as of June 30, 2023. This liability will keep the government-wide net position in a negative position for the foreseeable future.
- GASB 68 requires the School System to recognize a long-term pension liability of \$15 million for the year ending June 30, 2023. 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, 2023

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. The pandemic resulted in supply chain issues for major equipment purchases and major infrastructure projects, as well as ongoing staffing challenges. The School System continues to pursue every viable grant opportunity to cover indirect COVID-19 related costs, such as instructional technology to provide a platform for a continuity of learning, as well as instructional recovery efforts.
- The implementation of the Blueprint for Maryland's Future will result in funding previously being deemed as unrestricted, becoming restricted in nature as the per pupil allocation is being directed by COMAR to be used to support specific instructional purposes.

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, 2023

| | Governmental Activities | Business-Type Activities | Total |
|---------------------------------------|----------------------------|-----------------------------|-------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 49,709,093 | \$ 518,799 | \$ 50,227,892 |
| Certificate of deposit | 94,072 | - | 94,072 |
| Due from other governments | 15,479,972 | 298,215 | 15,778,187 |
| Internal balances | (5,578,833) | 5,578,833 | - |
| Other receivables, net | - | 31,424 | 31,424 |
| Inventory | - | 415,197 | 415,197 |
| Prepaid items | 3,060 | - | 3,060 |
| Capital assets | | | |
| Land | 3,734,759 | - | 3,734,759 |
| Building and improvements | 447,449,662 | - | 447,449,662 |
| Furniture and equipment | 14,848,140 | 2,118,671 | 16,966,811 |
| Construction in process | 17,157,153 | - | 17,157,153 |
| Accumulated depreciation | (206,863,020) | (1,742,976) | (208,605,996) |
| Total Assets | 336,034,058 | 7,218,163 | 343,252,221 |
| Deferred Outflows | | | |
| Deferred outflows related to pensions | 9,100,819 | - | 9,100,819 |
| Deferred outflows related to OPEB | 135,880,818 | - | 135,880,818 |
| Total Deferred Outflows | 144,981,637 | - | 144,981,637 |
| Liabilities | | | |
| Accounts payable | 8,249,176 | 41,010 | 8,290,186 |
| Accrued salaries and related costs | 22,290,961 | 365,877 | 22,656,838 |
| Due to other governments | 216,562 | - | 216,562 |
| Unearned revenue | 9,581,407 | 262,590 | 9,843,997 |
| Long-term liabilities | | | |
| Due within one year: | | | |
| Compensated absences | 668,569 | 13,020 | 681,589 |
| Financing agreements payable | 43,242 | - | 43,242 |
| Due after one year: | | | |
| Compensated absences | 4,889,666 | 170,198 | 5,059,864 |
| Net pension liability | 15,076,525 | - | 15,076,525 |
| Net OPEB liability | 314,859,632 | - | 314,859,632 |
| Total Liabilities | 375,875,740 | 852,695 | 376,728,435 |
| Deferred Inflows | | | |
| Deferred inflows related to pension | 5,889,503 | - | 5,889,503 |
| Deferred inflows related to OPEB | 225,818,797 | - | 225,818,797 |
| Total Deferred Inflows | 231,708,300 | - | 231,708,300 |
| Net Position | | | |
| Net investment in capital assets | 276,283,452 | 375,695 | 276,659,147 |
| Restricted - capital projects | 94,922 | - | 94,922 |
| Unrestricted (deficit) | (402,946,719) | 5,989,773 | (396,956,946) |
| Total Net Position | \$ (126,568,345) | \$ 6,365,468 | \$ (120,202,877) |

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, 2023

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and 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 | \$ 4,624,582 | \$ - | \$ 785,246 | \$ - | \$ (3,839,336) | \$ - | \$ (3,839,336) |
| Mid-level administration | 19,778,118 | - | 1,150,261 | - | (18,627,857) | - | (18,627,857) |
| Instructional salaries | 95,061,726 | - | 7,677,741 | - | (87,383,985) | - | (87,383,985) |
| Instructional textbooks and supplies | 10,727,822 | 21,170 | 5,706,984 | - | (4,999,668) | - | (4,999,668) |
| Other instructional costs | 2,502,426 | - | 887,661 | - | (1,614,765) | - | (1,614,765) |
| Special education | 26,368,058 | - | 14,594,081 | - | (11,773,977) | - | (11,773,977) |
| Student personnel services | 2,830,735 | - | 1,450,576 | - | (1,380,159) | - | (1,380,159) |
| Student health services | 3,372,298 | - | 509,426 | - | (2,862,872) | - | (2,862,872) |
| Student transportation services | 24,232,009 | - | 10,401,326 | - | (13,830,683) | - | (13,830,683) |
| Operation of plant | 32,045,270 | 142,546 | 1,692,567 | - | (30,210,157) | - | (30,210,157) |
| Maintenance of plant | 4,645,793 | - | 19,515 | - | (4,626,278) | - | (4,626,278) |
| Community services | 616,505 | - | 616,501 | - | (4) | - | (4) |
| Fixed charges | 77,255,269 | - | 17,994,465 | 16,319,258 | (42,941,546) | - | (42,941,546) |
| Student activity | 2,954,395 | - | 2,869,627 | - | (84,768) | - | (84,768) |
| Interest on long-term debt | 9,270 | - | - | - | (9,270) | - | (9,270) |
| Total Governmental Activities | 307,024,276 | 163,716 | 66,355,977 | 16,319,258 | (224,185,325) | - | (224,185,325) |
| Business-type activities | | | | | | | |
| Food services | 8,699,432 | 2,347,753 | 6,568,676 | - | - | 216,997 | 216,997 |
| Total Government | \$ 315,723,708 | \$ 2,511,469 | \$ 72,924,653 | \$ 16,319,258 | (224,185,325) | 216,997 | (223,968,328) |
| General revenue | | | | | | | |
| Unrestricted grants and contributions: | | | | | | | |
| Local | | | | | 121,524,908 | - | 121,524,908 |
| State | | | | | 102,927,707 | - | 102,927,707 |
| Federal | | | | | 2,686,493 | - | 2,686,493 |
| Investment earnings | | | | | 1,739,342 | 14,922 | 1,754,264 |
| Other | | | | | 8,391,316 | 390 | 8,391,706 |
| Total General Revenue | | | | | 237,269,766 | 15,312 | 237,285,078 |
| Change in Net Position | | | | | 13,084,441 | 232,309 | 13,316,750 |
| Net position, beginning of year | | | | | (139,652,786) | 6,133,159 | (133,519,627) |
| Net Position, End of Year | | | | | \$ (126,568,345) | \$ 6,365,468 | \$ (120,202,877) |

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, 2023

| | General Fund | Capital Projects Fund | Total Governmental Funds |
|---|----------------------|-----------------------|--------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 49,686,510 | \$ 22,583 | \$ 49,709,093 |
| Certificate of deposit | - | 94,072 | 94,072 |
| Due from other governments | 11,327,782 | 4,152,190 | 15,479,972 |
| Due from other funds | - | 2,035,147 | 2,035,147 |
| Prepaid items | 3,060 | - | 3,060 |
| Total Assets | \$ 61,017,352 | \$ 6,303,992 | \$ 67,321,344 |
| Liabilities | | | |
| Liabilities | | | |
| Accounts payable | \$ 5,044,319 | \$ 3,204,858 | \$ 8,249,177 |
| Accrued salaries and related costs | 22,290,961 | - | 22,290,961 |
| Due to other governments | 216,562 | - | 216,562 |
| Due to other funds | 7,613,980 | - | 7,613,980 |
| Unearned revenue | 6,577,195 | 3,004,212 | 9,581,407 |
| Total Liabilities | 41,743,017 | 6,209,070 | 47,952,087 |
| Fund balances | | | |
| Nonspendable | 3,060 | - | 3,060 |
| Restricted | - | 94,922 | 94,922 |
| Assigned | 14,972,261 | - | 14,972,261 |
| Unassigned | 4,299,014 | - | 4,299,014 |
| Total Fund Balance | 19,274,335 | 94,922 | 19,369,257 |
| Total Liabilities and Fund Balance | \$ 61,017,352 | \$ 6,303,992 | \$ 67,321,344 |

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, 2023

| | |
|---|----------------------|
| Total Fund Balances - Governmental Funds | \$ 19,369,257 |
|---|----------------------|

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 | \$ 483,189,715 | |
| Accumulated depreciation | <u>(206,863,020)</u> | 276,326,695 |

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 | (5,558,235) | |
| Financing agreements payable | (43,242) | |
| Net OPEB liability | (314,859,632) | |
| Net pension liability | (15,076,525) | |
| Deferred outflows/inflows - related to pension | 3,211,316 | |
| Deferred outflows/inflows - related to OPEB | <u>(89,937,979)</u> | <u>(422,264,297)</u> |

| | |
|---|--------------------------------|
| Total Net Position - Governmental Activities | <u>\$ (126,568,345)</u> |
|---|--------------------------------|

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, 2023

| | General Fund | Capital Projects Fund | Total Governmental Funds |
|--------------------------------------|----------------------|-----------------------|--------------------------|
| Revenue | | | |
| St. Mary's County | \$ 121,524,908 | \$ 9,467,759 | \$ 130,992,667 |
| State of Maryland | 135,419,800 | 6,851,499 | 142,271,299 |
| Federal government | 33,478,735 | - | 33,478,735 |
| Tuition | 55,300 | - | 55,300 |
| Investment income | 1,737,471 | 1,871 | 1,739,342 |
| Student activities | 2,869,627 | - | 2,869,627 |
| Other | 8,499,732 | - | 8,499,732 |
| Total Revenue | 303,585,573 | 16,321,129 | 319,906,702 |
| Expenditures | | | |
| Current | | | |
| Administration | 4,591,973 | - | 4,591,973 |
| Mid-level administration | 19,734,550 | - | 19,734,550 |
| Instructional salaries | 95,061,726 | - | 95,061,726 |
| Instructional textbooks and supplies | 10,727,822 | - | 10,727,822 |
| Other instructional costs | 2,496,500 | - | 2,496,500 |
| Special education | 26,364,608 | - | 26,364,608 |
| Student personnel services | 2,830,053 | - | 2,830,053 |
| Student health services | 3,367,026 | - | 3,367,026 |
| Student transportation services | 24,069,344 | - | 24,069,344 |
| Operation of plant | 20,533,142 | - | 20,533,142 |
| Maintenance of plant | 4,467,679 | - | 4,467,679 |
| Community services | 616,505 | - | 616,505 |
| Fixed charges | 78,042,795 | - | 78,042,795 |
| Student activities | 2,954,397 | - | 2,954,397 |
| Capital outlay | 1,873,448 | 16,641,336 | 18,514,784 |
| Debt service | | | |
| Principal | 392,717 | - | 392,717 |
| Interest | 9,270 | - | 9,270 |
| Total Expenditures | 298,133,555 | 16,641,336 | 314,774,891 |
| Excess of revenues over expenditures | 5,452,018 | (320,207) | 5,131,811 |
| Other financing sources (uses) | | | |
| Interfund transfers | (322,078) | 322,078 | - |
| Net Change in Fund Balances | 5,129,940 | 1,871 | 5,131,811 |
| Fund balance, beginning of year | 14,144,395 | 93,051 | 14,237,446 |
| Fund Balance, End of Year | \$ 19,274,335 | \$ 94,922 | \$ 19,369,257 |

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, 2023

| | |
|--|-----------------------------|
| Total net change in fund balances - governmental funds | \$ 5,131,811 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. | |
| However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. | 6,571,387 |
| 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. | 392,717 |
| 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 | (228,510) |
| Net OPEB liabilities | 42,169,203 |
| Net pension liabilities | (4,050,118) |
| Deferred outflows and inflows of resources related to pensions | 4,168,637 |
| Deferred outflows and inflows of resources related to OPEB | <u>(41,070,686)</u> |
| Change in Net Position of Governmental Activities | <u>\$ 13,084,441</u> |

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

ST. MARY'S COUNTY PUBLIC SCHOOLS

Statement of Net Position – Proprietary Fund As of June 30, 2023

Assets

Current assets

| | |
|----------------------------|------------------|
| Cash and cash equivalents | \$ 518,799 |
| Due from other governments | 298,215 |
| Due from other funds | 5,578,833 |
| Accounts receivable, net | 31,424 |
| Inventory, at cost | 415,197 |
| Total current assets | <u>6,842,468</u> |

Noncurrent assets

| | |
|-----------------------------|-------------------------|
| Food service equipment | 2,118,671 |
| Accumulated depreciation | <u>(1,742,976)</u> |
| Food service equipment, net | <u>375,695</u> |
| Total Assets | <u>7,218,163</u> |

Liabilities

Current liabilities

| | |
|------------------------------------|----------------|
| Accounts payable | 41,010 |
| Accrued salaries and related costs | 365,877 |
| Unearned revenue | 262,590 |
| Compensated absences | <u>13,020</u> |
| | <u>682,497</u> |

Noncurrent liabilities

| | |
|--------------------------|-----------------------|
| Compensated absences | <u>170,198</u> |
| Total Liabilities | <u>852,695</u> |

Net Position

| | |
|----------------------------------|----------------------------|
| Net investment in capital assets | 375,695 |
| Unrestricted | <u>5,989,773</u> |
| Total Net Position | <u>\$ 6,365,468</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, 2023

| | |
|------------------------------------|---------------------|
| Operating revenue | |
| Food service sales | \$ 2,347,753 |
| Federal grants and commodities | 6,232,122 |
| State matching and other | 336,554 |
| Total Operating Revenue | <u>8,916,429</u> |
| Operating expenses | |
| Payroll costs | 4,307,054 |
| Professional and contract services | 53,837 |
| Supplies and materials | 3,934,139 |
| Depreciation | 76,858 |
| Other operating costs | 327,544 |
| Total Operating Expenses | <u>8,699,432</u> |
| Operating Income | <u>216,997</u> |
| Non-operating revenue | |
| Interest income | 14,922 |
| Donations | 390 |
| Total Non-Operating Revenue | <u>15,312</u> |
| Change in net position | 232,309 |
| Net position, beginning of year | 6,133,159 |
| Net Position, End of Year | <u>\$ 6,365,468</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, 2023

Cash Flows From Operating Activities

| | |
|--|-------------------------|
| Cash received from user charges | \$ 2,329,412 |
| Operating grants and subsidies received | 10,006,631 |
| Payments to employees for services | (4,275,242) |
| Payments to suppliers for goods and services | (4,136,811) |
| Payments for other operating expenses | <u>(327,544)</u> |
| Net Cash From Operating Activities | <u>3,596,446</u> |

Cash Flows From Non-Capital Financing Activities

| | |
|---|---------------------------|
| Donations received | 390 |
| Internal activity - net payments to other funds | <u>(3,462,816)</u> |
| Net Cash From Non-Capital Financing Activities | <u>(3,462,426)</u> |

Cash Flows From Capital and Related Financing Activities

| | |
|---|-------------------------|
| Acquisition and construction of capital assets | <u>(193,596)</u> |
| Net Cash From Capital and Related Financing Activities | <u>(193,596)</u> |

Cash Flows From Investing Activities

| | |
|---|----------------------|
| Interest received on investments | <u>14,922</u> |
| Net Cash From Investing Activities | <u>14,922</u> |

Net Change in Cash and Cash Equivalents (44,654)

Cash and Cash Equivalents

| | |
|-----------|--------------------------|
| Beginning | <u>563,453</u> |
| Ending | <u>\$ 518,799</u> |

Reconciliation of Operating Income to Net Cash From Operating Activities:

| | |
|---|----------------------------|
| Operating income | \$ 216,997 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 76,858 |
| Changes in assets and liabilities: | |
| Due from other governments | 3,423,697 |
| Receivables | (18,341) |
| Inventory | (117,445) |
| Accounts payable | (31,390) |
| Accrued salaries and related costs | 48,430 |
| Unearned revenue | 14,258 |
| Compensated absences | <u>(16,618)</u> |
| Net Cash From Operating Activities | <u>\$ 3,596,446</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, 2023

| | Private-Purpose Trust Fund | Retiree Benefit Trust Fund (OPEB) |
|------------------------------------|---------------------------------------|--|
| Assets | | |
| Cash and cash equivalents | \$ 104,570 | \$ - |
| Investments held in MABE Trust | <u>-</u> | <u>68,411,927</u> |
| Total Assets | <u>104,570</u> | <u>68,411,927</u> |
| Liabilities | | |
| Accounts payable | <u>1,094</u> | <u>-</u> |
| Total Liabilities | <u>1,094</u> | <u>-</u> |
| Net Position | | |
| Reserved for scholarships | <u>\$ 103,476</u> | |
| Held in trust for retiree benefits | | <u>\$ 68,411,927</u> |

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

ST. MARY'S COUNTY PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position – Fiduciary Funds For the Year Ended June 30, 2023

| | Private-Purpose Trust Fund | Retiree Benefit Trust Fund (OPEB) |
|--|-------------------------------|---|
| Additions | | |
| Investment loss and other income, net of administrative fees | \$ 3,497 | \$ 5,424,453 |
| Employer contributions | - | 2,000,000 |
| Deductions | | |
| Scholarships awarded | 50 | - |
| Change in Net Position | 3,447 | 7,424,453 |
| Net position | | |
| Beginning of year | 100,029 | 60,987,474 |
| End of Year | \$ 103,476 | \$ 68,411,927 |

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

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2023

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 (the County) has oversight responsibility for approval and partial funding of the School System's operating budget.

The School System is a component unit of the County 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, 2023

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, 2023

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.

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.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The School System has four items that meet this criterion as of 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.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022, 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, 2023

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 as of June 30, 2023; 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, grantors 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 85% 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, 2023

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, 2023, 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, 2023, the carrying amount of the School System's deposits was \$9,700,461 and the bank balance was \$12,446,121.

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, 2023, 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 \$40,176,468, \$446,601, and \$103,004, 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, 2023

2. DEPOSITS AND INVESTMENTS (continued)

Long-Term Investments

As of June 30, 2023, 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's (OPEB) 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, 2023, the pooled net position of the MABE Trust was \$616,539,843, in total, of which the School System's allocated investment balance was \$68,411,927. 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, 2023

3. RECEIVABLES AND PAYABLES

Receivables and payables as of June 30, 2023 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 | \$ 275,082 | \$ 3,190,183 | \$ 246 | \$ 3,465,511 |
| State | 2,678,845 | 962,007 | 121,151 | 3,762,003 |
| Federal | 8,373,855 | - | 176,818 | 8,550,673 |
| | <u>\$ 11,327,782</u> | <u>\$ 4,152,190</u> | <u>\$ 298,215</u> | <u>\$ 15,778,187</u> |
| Other receivables | | | | |
| Accounts | \$ 1,713,261 | \$ - | \$ 31,424 | \$ 1,744,685 |
| | <u>\$ 1,713,261</u> | <u>\$ -</u> | <u>\$ 31,424</u> | <u>\$ 1,744,685</u> |
| Accounts payable | | | | |
| Vendors | \$ 5,044,319 | \$ 3,204,858 | \$ 41,010 | \$ 8,290,187 |
| | <u>\$ 5,044,319</u> | <u>\$ 3,204,858</u> | <u>\$ 41,010</u> | <u>\$ 8,290,187</u> |
| Due to other governments | | | | |
| Local | \$ 216,562 | \$ - | \$ - | \$ 216,562 |

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 is as follows:

| | <u>Balance, June 30, 2022</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance, June 30, 2023</u> |
|--|-----------------------------------|---------------------|---------------------------------|-----------------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 3,734,759 | \$ - | \$ - | \$ 3,734,759 |
| Construction in process | 22,611,232 | 12,646,040 | (18,100,119) | 17,157,153 |
| | <u>26,345,991</u> | <u>12,646,040</u> | <u>(18,100,119)</u> | <u>20,891,912</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 427,345,280 | 2,741,078 | 17,363,304 | 447,449,662 |
| Furniture and equipment | 13,110,517 | 2,036,135 | (298,512) | 14,848,140 |
| | <u>440,455,797</u> | <u>4,777,213</u> | <u>17,064,792</u> | <u>462,297,802</u> |
| Accumulated depreciation for | | | | |
| Building and improvements | (189,494,190) | (9,092,353) | 51,581 | (198,534,962) |
| Furniture and equipment | (7,552,290) | (986,237) | 210,469 | (8,328,058) |
| | <u>(197,046,480)</u> | <u>(10,078,590)</u> | <u>262,050</u> | <u>(206,863,020)</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 269,755,308</u> | <u>\$ 7,344,663</u> | <u>\$ (773,277)</u> | <u>\$ 276,326,694</u> |

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements June 30, 2023

4. CAPITAL ASSETS (continued)

| | Balance, June 30, 2022 | Additions | Deletions/ Transfers | Balance, June 30, 2023 |
|---|---------------------------|-------------------|-------------------------|---------------------------|
| Business-Type Activities | | | | |
| Capital assets being depreciated | | | | |
| Furniture and equipment | \$ 1,925,075 | \$ 193,596 | \$ - | \$ 2,118,671 |
| | <u>1,925,075</u> | <u>193,596</u> | <u>-</u> | <u>2,118,671</u> |
| Accumulated depreciated for | | | | |
| Furniture and equipment | (1,666,118) | (76,858) | - | (1,742,976) |
| | <u>(1,666,118)</u> | <u>(76,858)</u> | <u>-</u> | <u>(1,742,976)</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 258,957</u> | <u>\$ 116,738</u> | <u>\$ -</u> | <u>\$ 375,695</u> |

Depreciation expense that was charged in the statement of activities for the year ended June 30, 2023, was as follows:

Governmental Activities

| | |
|---------------------------------|----------------------|
| Administration | \$ 32,609 |
| Mid-level administration | 42,552 |
| Other instructional costs | 5,926 |
| Special education | 3,450 |
| Student personnel services | 682 |
| Student health services | 5,272 |
| Student transportation services | 162,665 |
| Operation of plant | 9,647,320 |
| Maintenance of plant | 178,114 |
| | <u>\$ 10,078,590</u> |

Business-Type Activities

| | |
|--------------|------------------|
| Food service | <u>\$ 76,858</u> |
|--------------|------------------|

5. UNEARNED REVENUE

General Fund: Unearned revenue primarily consists of payments received under restricted programs in excess of the expenses/expenditures incurred to date under those programs as of June 30, 2023 of \$6,577,195.

Capital Projects Fund: Unearned revenue consists of prefunding in the amount of \$3,004,212 for construction projects at Spring Ridge Middle School and Safety and Security Initiatives.

Enterprise Fund: Unearned revenue of \$262,590 represents student lunch ticket sales collected in advance which will be consumed by students in fiscal year 2024.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements June 30, 2023

6. INTERFUND BALANCES

The composition of interfund balances as of June 30, 2023 was as follows:

| Payable Fund | Receivable Fund | | |
|--------------|------------------|--------------|-----------------|
| | Capital Projects | | |
| | General Fund | Fund | Enterprise Fund |
| General fund | \$ - | \$ 2,035,147 | \$ 5,578,833 |

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, 2023 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, 2023:

| | Balance, June 30, 2022 | Additions | Deductions | Balance, June 30, 2023 | Amounts Due Within one Year |
|---------------------------------|---------------------------|---------------------|----------------------|---------------------------|--------------------------------|
| Governmental Activities | | | | | |
| Equipment financing agreements | \$ 435,959 | \$ - | \$ 392,717 | \$ 43,242 | \$ 43,242 |
| Compensated absences | 5,329,725 | 257,505 | 28,995 | 5,558,235 | 668,569 |
| Net OPEB liability | 357,028,835 | - | 42,169,203 | 314,859,632 | - |
| Net pension liability | 11,026,407 | 4,050,118 | - | 15,076,525 | - |
| | <u>\$ 373,820,926</u> | <u>\$ 4,307,623</u> | <u>\$ 42,590,915</u> | <u>\$ 335,537,634</u> | <u>\$ 711,811</u> |
| Business-Type Activities | | | | | |
| Compensated absences | <u>\$ 199,836</u> | <u>\$ 7,111</u> | <u>\$ 23,729</u> | <u>\$ 183,218</u> | <u>\$ 13,020</u> |

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

The School System entered into various lease-purchase agreements to acquire certain office equipment and various student, teacher and administrative computers. These agreements have varying terms consisting of combined monthly payments of \$41,486 at interest rates ranging from 1.99% to 4.00%, with two leases expiring FY 2023 and one lease expiring in early FY2024. 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, 2023

7. LONG-TERM LIABILITIES (continued)

The future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2023 under these equipment financing agreements are as follows:

| <u>Year Ending June 30,</u> | |
|---|------------------|
| 2024 | \$ 45,982 |
| | <u>45,982</u> |
| Amount representing interest | <u>(2,740)</u> |
| Present value of minimum lease payments | <u>\$ 43,242</u> |

8. GOVERNMENTAL FUND BALANCES

Governmental fund balances as of June 30, 2023 are summarized as follows:

| | <u>General Fund</u> | <u>Capital Projects</u> | <u>Total</u> |
|--------------------------------------|----------------------|-------------------------|----------------------|
| Nonspendable | | | |
| Prepaid items | <u>\$ 3,060</u> | <u>\$ -</u> | <u>\$ 3,060</u> |
| Restricted for | | | |
| Capital projects | <u>-</u> | <u>94,922</u> | <u>94,922</u> |
| Assigned to | | | |
| Purchase orders: | | | |
| Administration | 17,255 | - | 17,255 |
| Mid-level administration | 38,797 | - | 38,797 |
| Instructional textbooks and supplies | 47,326 | - | 47,326 |
| Student transportation services | 138,466 | - | 138,466 |
| Operation of plant | 2,378 | - | 2,378 |
| Maintenance of plant | 28,087 | - | 28,087 |
| Total purchase orders | <u>272,309</u> | <u>-</u> | <u>272,309</u> |
| Healthcare | 6,633,000 | - | 6,633,000 |
| Wellness – restricted fund | 225,567 | - | 225,567 |
| CPCS | 512,624 | - | 512,624 |
| FY24 CPCS adopted budget | 299,545 | - | 299,545 |
| FY24 adopted budget | 4,041,484 | - | 4,041,484 |
| Fuel | 500,000 | - | 500,000 |
| Snow / emergency | 500,000 | - | 500,000 |
| Student activity | 1,987,732 | - | 1,987,732 |
| Total Assigned | <u>14,972,261</u> | <u>-</u> | <u>14,972,261</u> |
| Unassigned | <u>4,299,014</u> | <u>-</u> | <u>4,299,014</u> |
| Total Fund Balances | <u>\$ 19,274,335</u> | <u>\$ 94,922</u> | <u>\$ 19,369,257</u> |

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2023

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 19 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 \$500,000 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, 2023

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, 2023

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 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 \$8,376,039 or 5.404% of current covered payroll, and the State of Maryland made contributions on behalf of the School System totaling \$12,306,152 or 7.94% of current covered payroll for fiscal year 2023. 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, 2023

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, 2021, are used as the basis for determining each employer's proportionate share of the net pension liability. As of June 30, 2023, the School System reported a liability of \$15,076,525 of the SRPS total liability of \$20,008,532,000. As of June 30, 2023, the School System's proportionate share of the SRPS was 0.075%, an increase of 0.002% from the prior year.

For the year ended June 30, 2023, the School System recognized pension expense of approximately (\$4,050,118). As of June 30, 2023, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-----------------------------------|---|--|
| 2023 Contributions | \$ 1,855,536 | \$ - |
| Change in assumptions | 1,681,922 | 144,284 |
| Change in proportion | 953,476 | - |
| Actual and expected experience | - | 1,077,916 |
| Difference in investment earnings | 4,609,885 | 4,667,303 |
| Total | \$ 9,100,819 | \$ 5,889,503 |

\$1,855,536 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 ending June 30, 2024.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements June 30, 2023

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 Ending June 30:</u> | |
|-----------------------------|---------------------|
| 2024 | \$ 175,846 |
| 2025 | 160,251 |
| 2026 | (54,527) |
| 2027 | 1,188,513 |
| 2028 | (114,303) |
| Total | <u>\$ 1,355,780</u> |

Actuarial Methods and Assumptions: The total pension liability of the SRPS in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.25% general, 2.75% wage |
| Salary increases | 2.75% to 11.25%, including wage inflation |
| Investment rate of return | 6.80% |
| 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, 2023

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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------|------------------------------|---|
| Public equity | 36% | 6.0% |
| Private equity | 15% | 8.4% |
| Rate sensitive | 20% | 1.2% |
| Credit opportunity | 8% | 4.9% |
| Real assets | 15% | 5.2% |
| Absolute return | 6% | 3.5% |
| | <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, 2022. For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was (2.97)%. 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 6.8% 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 6.8%. 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 6.8%, 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, 2023

10. PENSION PLANS (continued)

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

| | 1% Decrease to 5.80% | Current Discount | 1% Increase to 7.80% |
|--|---------------------------------|-----------------------------|---------------------------------|
| School System's proportionate share of the net pension liability | \$ 23,132,187 | \$ 15,076,525 | \$ 8,392,193 |

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 85% 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, 2023

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, 2023, the date of the actuarial valuation:

Number of Participants

| | |
|---------------------------|--------------|
| Active employees | 1,638 |
| Retirees - pre-medicare* | 242 |
| Retirees - post-medicare* | 961 |
| Total | <u>2,841</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 7.32% of annual covered payroll. The School System contributed \$11,346,861, for the year ended June 30, 2023, 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, 2023.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements June 30, 2023

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

Investments (continued)

Rate of return: For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 8.89%. 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, 2023 were as follows:

| | |
|-----------------------------|-----------------------|
| Total OPEB liability | \$ 383,271,559 |
| Plan fiduciary net position | (68,411,927) |
| Net OPEB liability | <u>\$ 314,859,632</u> |

| | |
|---|--------|
| Plan fiduciary net position as a percentage of the total OPEB liability | 17.85% |
|---|--------|

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, 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 | 3.50% |
| Investment rate of return | 7.00% |
| Discount rate | 5.02% |
| Healthcare cost trend rate | 7.50%, ultimate trend rate of 3.94% |
| Mortality | Pub-2010, MP 2021 |

The actuarial assumptions used in the June 30, 2023 valuation was based on the results of an actuarial experience study for the period January 1, 2021 to December 31, 2022.

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, 2023 was 8.89%.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2023

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

Discount rate. The discount rate used to measure the total OPEB liability was 5.02 percent, based on a 20-year municipal bond rate average of AA/Aa or higher. 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 (4.02%) or 1-percentage-point higher (6.02%) than the current discount rate:

| | 1% Decrease 4.02% | Discount Rate 5.02% | 1% Increase 6.02% |
|--------------------|------------------------------|--------------------------------|------------------------------|
| Net OPEB liability | \$ 382,886,189 | \$ 314,859,632 | \$ 260,687,832 |

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

The following presents the net OPEB liability of the School System, as well as what the School System's net OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage-point lower (2.94%) or 1-percentage-point higher (4.94%) than the current healthcare cost trend rate:

| | 1% Decrease 2.94% | Healthcare Cost Trend Rates 3.94% | 1% Increase 4.94% |
|--------------------|------------------------------|--|------------------------------|
| Net OPEB liability | \$ 256,159,973 | \$ 314,859,632 | \$ 391,115,353 |

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2023, the School System recognized OPEB expense of \$10,248,344. As of June 30, 2023, 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, 2023

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-------------------------------|---|--|
| Changes in experience | \$ 77,162,995 | \$ 12,488,494 |
| Changes in assumptions | 54,162,474 | 213,330,303 |
| Projected and actual earnings | 4,555,349 | - |
| Total | <u>\$ 135,880,818</u> | <u>\$ 225,818,797</u> |

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

| <u>Years Ending June 30:</u> | <u>Total</u> |
|------------------------------|------------------------|
| 2024 | \$ (15,933,950) |
| 2025 | (16,348,869) |
| 2026 | (14,573,733) |
| 2027 | (17,180,332) |
| 2028 | (17,912,303) |
| Thereafter | (7,988,792) |
| Total | <u>\$ (89,937,979)</u> |

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

In the September 11, 2023 revised 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 2.75% to 9.25% per year, attributable to seniority/merit (used for life insurance purposes), (d) annual healthcare cost trend rate of 7.50% initially, reduced annually to arrive at an ultimate healthcare cost trend of 3.94%, (e) rates of mortality based upon RP 2021 Combined Healthy Mortality Table, (f) termination of service rates based upon age and sex, ranging from 3.00% to 19.00%, (g) disablement rates based on age, ranging from 0.03% to 0.38%, (h) retirement rates based on age, sex, and length of service, ranging from 2.00% to 39.00%, and (i) medical claims including prescription drugs are based on actual experience during the period from January 1, 2021 through December 31, 2022, and were projected with annual increases of 6.00% for medical claims and 6.00% 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 16 years for the year ended June 30, 2023.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements June 30, 2023

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

Changes in the net OPEB liability

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
|--|-------------------------------------|--|---|
| Balance as of June 30, 2022 | \$ 418,016,309 | \$ 60,987,474 | \$ 357,028,835 |
| Changes for the year: | | | |
| Service cost | 14,466,088 | - | 14,466,088 |
| Interest | 16,057,537 | - | 16,057,537 |
| Contributions - employer | - | 11,346,861 | (11,346,861) |
| Net investment income | - | 5,437,086 | (5,437,086) |
| Administrative expenses | - | (12,633) | 12,633 |
| Differences between expected and actual experience | 47,157,065 | - | 47,157,065 |
| Changes of assumptions | (103,078,579) | - | (103,078,579) |
| Benefit payments | (9,346,861) | (9,346,861) | - |
| Net Changes | (34,744,750) | 7,424,453 | (42,169,203) |
| Balance as of June 30, 2023 | \$ 383,271,559 | \$ 68,411,927 | \$ 314,859,632 |

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, 2023, 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 \$22,882,040.

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, 2023, no refund was due.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Financial Statements June 30, 2023

13. GOVERNMENTAL ACCOUNTING BOARD STANDARDS

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 adopted this standard in FY 2023, and it did not have a material effect on the financial statements.

14. NEW GOVERNMENTAL ACCOUNTING BOARD STANDARDS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2023, 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. 101, *Compensated Absences*: This Statement aligns recognition and measurement guidance for all types of compensated absences under a unified model which will result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The model also will lead to greater consistency in application and improved comparability across governments. The requirements of this Statement are effective for periods beginning after December 15, 2023 (FY 2024). 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, 2023

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|
| School System's proportion of the net pension liability | 0.075% | 0.073% | 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 | \$ 15,076,525 | \$ 11,026,407 | \$ 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 | 156,142,046 | 127,317,680 | 191,071,692 | 180,294,375 | 188,110,615 | 189,998,229 | 215,427,373 | 171,331,354 | 42,592,154 |
| | <u>\$ 171,218,571</u> | <u>\$ 138,344,087</u> | <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 | \$ 150,931,539 | \$ 154,998,548 | \$ 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 | 9.989% | 7.114% | 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 | 76.270% | 81.840% | 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, 2023

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contributions | \$ 8,376,039 | \$ 6,902,094 | \$ 6,740,929 | \$ 6,517,606 | \$ 6,299,724 | \$ 6,172,196 | \$ 5,879,367 | \$ 5,726,546 | \$ 5,299,971 | \$ 4,416,608 |
| Actual contributions made: | | | | | | | | | | |
| Employee systems | 1,855,536 | 1,719,727 | 1,619,548 | 1,428,552 | 1,319,557 | 1,227,914 | 1,098,302 | 1,092,326 | 1,269,260 | 1,265,916 |
| Teacher system | <u>6,520,503</u> | <u>5,182,367</u> | <u>5,121,381</u> | <u>5,089,054</u> | <u>4,980,167</u> | <u>4,944,282</u> | <u>4,781,065</u> | <u>4,634,220</u> | <u>4,030,711</u> | <u>3,150,692</u> |
| | <u>8,376,039</u> | <u>6,902,094</u> | <u>6,740,929</u> | <u>6,517,606</u> | <u>6,299,724</u> | <u>6,172,196</u> | <u>5,879,367</u> | <u>5,726,546</u> | <u>5,299,971</u> | <u>4,416,608</u> |
| Contribution deficiency | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School system's covered-payroll | \$ 150,931,539 | \$ 154,998,548 | \$ 145,451,909 | \$ 130,613,111 | \$ 127,901,817 | \$ 125,980,783 | \$ 121,123,057 | \$ 115,255,917 | \$ 118,651,284 | \$ 116,191,213 |
| Contributions as a percentage of covered-payroll | 5.550% | 4.453% | 4.634% | 4.990% | 4.925% | 4.899% | 4.854% | 4.969% | 4.467% | 3.801% |

ST. MARY'S COUNTY PUBLIC SCHOOLS

Schedule of Changes in the School System's Net OPEB Liability and Related Ratios June 30, 2023

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total OPEB Liability | | | | | | | |
| Service cost | \$ 14,466,088 | \$ 23,929,592 | \$ 18,243,733 | \$ 14,414,143 | \$ 13,007,551 | \$ 12,676,617 | \$ 12,238,000 |
| Interest | 16,057,537 | 12,255,956 | 11,427,554 | 12,356,164 | 13,206,282 | 12,506,803 | 11,001,955 |
| Differences between expected and actual experience | 47,157,065 | (2,636) | 57,886,115 | 828,873 | (28,094,872) | 310,034 | 3,131,014 |
| Changes of assumptions | (103,078,579) | (173,773,959) | 13,991,398 | 52,424,340 | 36,659,739 | (2,558,940) | (56,209,000) |
| Benefit payments | (9,346,861) | (8,053,267) | (8,165,280) | (8,195,190) | (4,811,441) | (7,300,000) | (6,696,969) |
| Net change in total OPEB liability | (34,744,750) | (145,644,314) | 93,383,520 | 71,828,330 | 29,967,259 | 15,634,514 | (36,535,000) |
| Total OPEB liability - beginning | 418,016,309 | 563,660,623 | 470,277,103 | 398,448,773 | 368,481,514 | 352,847,000 | 389,382,000 |
| Total OPEB liability - ending (a) | <u>\$ 383,271,559</u> | <u>\$ 418,016,309</u> | <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> |
| Plan Fiduciary Net Position | | | | | | | |
| Contributions - employer | \$ 11,346,861 | \$ 12,041,416 | \$ 10,165,280 | \$ 8,952,732 | \$ 5,811,441 | \$ 8,300,000 | \$ 6,696,969 |
| Net investment income | 5,437,086 | (9,488,199) | 12,580,464 | 1,434,223 | 3,293,993 | 3,088,016 | 4,215,949 |
| Benefit payments | (9,346,861) | (8,053,267) | (8,165,280) | (8,195,190) | (4,811,441) | (7,300,000) | (6,696,969) |
| Administrative expense | (12,633) | (12,687) | (12,586) | (12,761) | (12,650) | (12,942) | (15,243) |
| Net change in plan fiduciary net position | 7,424,453 | (5,512,737) | 14,567,878 | 2,179,004 | 4,281,343 | 4,075,074 | 4,200,706 |
| Plan fiduciary net position - beginning | 60,987,474 | 66,500,211 | 51,932,333 | 49,753,329 | 45,471,986 | 41,396,912 | 37,196,206 |
| Plan fiduciary net position - ending (b) | <u>\$ 68,411,927</u> | <u>\$ 60,987,474</u> | <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>\$ 314,859,632</u> | <u>\$ 357,028,835</u> | <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 | 17.85% | 14.59% | 11.80% | 11.04% | 12.49% | 12.34% | 11.73% |
| Covered-payroll | \$ 150,931,539 | \$ 154,998,548 | \$ 145,451,909 | \$ 130,613,111 | \$ 127,901,817 | \$ 125,980,783 | \$ 121,123,057 |
| School System's net OPEB liability as a percentage of covered-payroll | 208.61% | 230.34% | 341.80% | 320.29% | 272.63% | 256.40% | 257.14% |

ST. MARY'S COUNTY PUBLIC SCHOOLS

Schedule of School System's Contributions - OPEB June 30, 2023

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarial determined contribution | \$ 22,930,000 | \$ 18,654,000 | \$ 19,867,000 | \$ 15,045,000 | \$ 14,099,000 | \$ 14,401,000 | \$ 13,846,000 |
| Less: Contributions in relation to the actuarially determined contribution | <u>11,346,861</u> | <u>12,041,416</u> | <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>\$ 11,583,139</u> | <u>\$ 6,612,584</u> | <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 | \$ 150,931,539 | \$ 154,998,548 | \$ 145,451,909 | \$ 130,613,111 | \$ 127,901,817 | \$ 125,980,783 | \$ 121,123,057 |
| Contributions as a percentage of covered- payroll | 7.52% | 7.77% | 6.99% | 6.85% | 4.54% | 6.59% | 5.53% |

ST. MARY’S COUNTY PUBLIC SCHOOLS

**Schedule of Investment Returns – OPEB
June 30, 2023**

| | <u>2023</u> | <u>2022</u> | <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 | 8.89% | -14.29% | 24.20% | 2.86% | 7.21% | 7.43% | 11.29% |

ST. MARY'S COUNTY PUBLIC SCHOOLS

Budgetary Comparison Schedule – General Fund June 30, 2023

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance With Amended Budget Favorable (Unfavorable) |
|---|--------------------|--------------------|--------------------------------|---|
| | Original | Amended | | |
| Revenues | | | | |
| Local | \$ 121,562,752 | \$ 121,713,956 | \$ 121,616,869 | \$ (97,087) |
| State of Maryland | 136,696,374 | 131,627,437 | 130,307,352 | (1,320,085) |
| Federal government | 55,197,880 | 55,676,387 | 31,168,204 | (24,508,183) |
| Tuition | 6,800 | 93,569 | 55,299 | (38,270) |
| Investment income | 32,000 | 32,000 | 1,737,471 | 1,705,471 |
| Utilization of fund balance | | | | |
| Unassigned | 2,287,831 | 4,011,831 | 4,011,831 | - |
| Other | 3,784,740 | 2,864,552 | 3,202,521 | 337,969 |
| | <u>319,568,377</u> | <u>316,019,732</u> | <u>292,099,547</u> | <u>(23,920,185)</u> |
| Expenditures | | | | |
| Administration | 5,739,529 | 5,884,534 | 4,581,041 | 1,303,493 |
| Mid-level administration | 20,508,183 | 20,522,698 | 19,773,350 | 749,348 |
| Instructional salaries | 106,360,904 | 103,831,477 | 95,061,716 | 8,769,761 |
| Instructional textbooks and supplies | 10,722,977 | 13,510,440 | 10,775,141 | 2,735,299 |
| Other instructional costs | 5,168,563 | 4,732,207 | 2,496,495 | 2,235,712 |
| Special education | 34,090,413 | 32,287,121 | 26,364,601 | 5,922,520 |
| Student personnel services | 4,991,399 | 4,083,931 | 2,830,051 | 1,253,880 |
| Student health services | 4,307,065 | 3,823,216 | 3,367,024 | 456,192 |
| Student transportation services | 27,192,448 | 26,644,577 | 24,207,810 | 2,436,767 |
| Operation of plant | 22,048,533 | 23,095,841 | 20,563,709 | 2,532,132 |
| Maintenance of plant | 4,613,368 | 4,726,223 | 4,495,526 | 230,697 |
| Fixed charges | 71,297,449 | 69,685,439 | 65,543,937 | 4,141,502 |
| Community services | 1,045,818 | 989,821 | 616,501 | 373,320 |
| Capital outlays | 1,481,728 | 2,202,207 | 2,195,525 | 6,682 |
| | <u>319,568,377</u> | <u>316,019,732</u> | <u>282,872,427</u> | <u>33,147,305</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | 9,227,120 | <u>\$ 9,227,120</u> |
| Adjustments to conform with generally accepted accounting principles | | | (4,097,180) | |
| Fund balance | | | | |
| Beginning | | | 14,144,395 | |
| Ending | | | <u>\$ 19,274,335</u> | |

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to Required Supplementary Information June 30, 2023

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 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, 2023

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 2023 from the budget basis to the GAAP basis, are as follows:

| | Revenues | Expenditures, Encumbrances and Transfers | Current Year Effect on Fund Balances |
|----------------------------------|-----------------------|---|---|
| General fund - budgetary basis | \$ 292,099,547 | \$ 282,872,427 | \$ 9,227,120 |
| Budget to GAAP reconciliation | | | |
| Purchase orders | - | 581 | (581) |
| State retirement contribution | 12,628,230 | 12,628,230 | - |
| Fund balance usage | (4,011,831) | - | (4,011,831) |
| Student activity | 2,869,627 | 2,954,395 | (84,768) |
| | 11,486,026 | 15,583,206 | (4,097,180) |
| General Fund - GAAP basis | \$ 303,585,573 | \$ 298,455,633 | \$ 5,129,940 |

SUPPLEMENTARY INFORMATION

ST. MARY'S COUNTY PUBLIC SCHOOLS

Combining Budgetary Comparison Schedule – General Fund – Unrestricted Funds and Restricted Funds June 30, 2023

| | Unrestricted Fund | | | | Restricted Funds | | | | Total Combined General 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 | \$ 121,524,907 | \$ 121,524,907 | \$ 121,524,908 | \$ 1 | \$ 37,845 | \$ 189,049 | \$ 91,961 | \$ (97,088) | \$ 121,562,752 | \$ 121,713,956 | \$ 121,616,869 | \$ (97,087) |
| State of Maryland | 125,382,752 | 125,382,752 | 125,885,443 | 502,691 | 11,313,622 | 6,244,685 | 4,421,909 | (1,822,776) | 136,696,374 | 131,627,437 | 130,307,352 | (1,320,085) |
| Federal government | 2,486,000 | 2,486,000 | 2,686,493 | 200,493 | 52,711,880 | 53,190,387 | 28,481,711 | (24,708,676) | 55,197,880 | 55,676,387 | 31,168,204 | (24,508,183) |
| Tuition | 6,800 | 6,800 | 11,208 | 4,408 | - | 86,769 | 44,091 | (42,678) | 6,800 | 93,569 | 55,299 | (38,270) |
| Investment income | 32,000 | 32,000 | 1,737,471 | 1,705,471 | - | - | - | - | 32,000 | 32,000 | 1,737,471 | 1,705,471 |
| Utilization of fund balance | 2,287,831 | 4,011,831 | 4,011,831 | - | - | - | - | - | 2,287,831 | 4,011,831 | 4,011,831 | - |
| Other | 1,032,000 | 1,032,000 | 2,289,508 | 1,257,508 | 2,752,740 | 1,832,552 | 913,013 | (919,539) | 3,784,740 | 2,864,552 | 3,202,521 | 337,969 |
| | <u>252,752,290</u> | <u>254,476,290</u> | <u>258,146,862</u> | <u>3,670,572</u> | <u>66,816,087</u> | <u>61,543,442</u> | <u>33,952,685</u> | <u>(27,590,757)</u> | <u>319,568,377</u> | <u>316,019,732</u> | <u>292,099,547</u> | <u>(23,920,185)</u> |
| Expenditures | | | | | | | | | | | | |
| Administration | 3,970,727 | 3,970,727 | 3,795,795 | 174,932 | 1,768,802 | 1,913,807 | 785,246 | 1,128,561 | 5,739,529 | 5,884,534 | 4,581,041 | 1,303,493 |
| Mid-level administration | 18,814,605 | 18,814,605 | 18,623,089 | 191,516 | 1,693,578 | 1,708,093 | 1,150,261 | 557,832 | 20,508,183 | 20,522,698 | 19,773,350 | 749,348 |
| Instructional salaries | 89,688,126 | 89,688,126 | 87,383,975 | 2,304,151 | 16,672,778 | 14,143,351 | 7,677,741 | 6,465,610 | 106,360,904 | 103,831,477 | 95,061,716 | 8,769,761 |
| Instructional textbooks and supplies | 4,530,749 | 5,125,749 | 5,068,157 | 57,592 | 6,192,228 | 8,384,691 | 5,706,984 | 2,677,707 | 10,722,977 | 13,510,440 | 10,775,141 | 2,735,299 |
| Other instructional costs | 2,041,113 | 2,041,113 | 1,608,834 | 432,279 | 3,127,450 | 2,691,094 | 887,661 | 1,803,433 | 5,168,563 | 4,732,207 | 2,496,495 | 2,235,712 |
| Special education | 21,486,232 | 21,486,232 | 20,382,357 | 1,103,875 | 12,604,181 | 10,800,889 | 5,982,244 | 4,818,645 | 34,090,413 | 32,287,121 | 26,364,601 | 5,922,520 |
| Student personnel services | 1,458,840 | 1,458,840 | 1,379,476 | 79,364 | 3,532,559 | 2,625,091 | 1,450,575 | 1,174,516 | 4,991,399 | 4,083,931 | 2,830,051 | 1,253,880 |
| Student health services | 2,996,850 | 2,996,850 | 2,857,598 | 139,252 | 1,310,215 | 826,366 | 509,426 | 316,940 | 4,307,065 | 3,823,216 | 3,367,024 | 456,192 |
| Student transportation services | 23,045,815 | 23,045,815 | 22,100,102 | 945,713 | 4,146,633 | 3,598,762 | 2,107,708 | 1,491,054 | 27,192,448 | 26,644,577 | 24,207,810 | 2,436,767 |
| Operation of plant | 19,635,370 | 19,635,370 | 19,071,634 | 563,736 | 2,413,163 | 3,460,471 | 1,492,075 | 1,968,396 | 22,048,533 | 23,095,841 | 20,563,709 | 2,532,132 |
| Maintenance of plant | 4,583,368 | 4,667,368 | 4,476,011 | 191,357 | 30,000 | 58,855 | 19,515 | 39,340 | 4,613,368 | 4,726,223 | 4,495,526 | 230,697 |
| Fixed charges | 59,541,279 | 59,541,279 | 60,177,680 | (636,401) | 11,756,170 | 10,144,160 | 5,366,257 | 4,777,903 | 71,297,449 | 69,685,439 | 65,543,937 | 4,141,502 |
| Community services | - | - | - | - | 1,045,818 | 989,821 | 616,501 | 373,320 | 1,045,818 | 989,821 | 616,501 | 373,320 |
| Capital outlay | 959,216 | 2,004,216 | 1,995,034 | 9,182 | 522,512 | 197,991 | 200,491 | (2,500) | 1,481,728 | 2,202,207 | 2,195,525 | 6,682 |
| | <u>\$ 252,752,290</u> | <u>\$ 254,476,290</u> | <u>248,919,742</u> | <u>\$ 5,556,548</u> | <u>\$ 66,816,087</u> | <u>\$ 61,543,442</u> | <u>33,952,685</u> | <u>\$ 27,590,757</u> | <u>\$ 319,568,377</u> | <u>\$ 316,019,732</u> | <u>282,872,427</u> | <u>\$ 33,147,305</u> |
| Net Change in Fund Balances | | | 9,227,120 | | | | - | | | | 9,227,120 | |
| Adjustments to conform with generally accepted accounting principles | | | (4,097,180) | | | | - | | | | (4,097,180) | |
| Fund balance | | | | | | | | | | | | |
| Beginning | | | 13,918,829 | | | | 225,566 | | | | 14,144,395 | |
| Ending | | | <u>\$ 19,048,769</u> | | | | <u>\$ 225,566</u> | | | | <u>\$ 19,274,335</u> | |

ST. MARY'S COUNTY PUBLIC SCHOOLS

Combining Budgetary Comparison Schedule – General Fund – Unrestricted Funds June 30, 2023

| | 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 | | | | Budgeted Amounts | | | | | | | | | |
| | Original | Amended | | | Original | Amended | | | Original | Amended | | | | |
| Revenues | | | | | | | | | | | | | | |
| Local | \$ 121,524,907 | \$ 121,524,907 | \$ 121,524,908 | \$ 1 | \$ - | \$ - | \$ - | \$ - | \$ 121,524,907 | \$ 121,524,907 | \$ 121,524,908 | \$ 1 | | |
| State of Maryland | 125,382,752 | 125,382,752 | 125,885,443 | 502,691 | - | - | - | - | 125,382,752 | 125,382,752 | 125,885,443 | 502,691 | | |
| Federal government | 2,486,000 | 2,486,000 | 2,686,493 | 200,493 | - | - | - | - | 2,486,000 | 2,486,000 | 2,686,493 | 200,493 | | |
| Tuition | 6,800 | 6,800 | 11,208 | 4,408 | - | - | - | - | 6,800 | 6,800 | 11,208 | 4,408 | | |
| Investment income | 32,000 | 32,000 | 1,737,471 | 1,705,471 | - | - | - | - | 32,000 | 32,000 | 1,737,471 | 1,705,471 | | |
| Utilization of fund balance | 2,000,000 | 3,724,000 | 3,724,000 | - | 287,831 | 287,831 | 287,831 | - | 2,287,831 | 4,011,831 | 4,011,831 | - | | |
| Other | 1,032,000 | 1,032,000 | 2,289,508 | 1,257,508 | - | - | - | - | 1,032,000 | 1,032,000 | 2,289,508 | 1,257,508 | | |
| | 252,464,459 | 254,188,459 | 257,859,031 | 3,670,572 | 287,831 | 287,831 | 287,831 | - | 252,752,290 | 254,476,290 | 258,146,862 | 3,670,572 | | |
| Expenditures | | | | | | | | | | | | | | |
| Administration | 3,970,727 | 3,970,727 | 3,795,795 | 174,932 | - | - | - | - | 3,970,727 | 3,970,727 | 3,795,795 | 174,932 | | |
| Mid-level administration | 18,076,418 | 18,076,418 | 17,952,913 | 123,505 | 738,187 | 738,187 | 670,176 | 68,011 | 18,814,605 | 18,814,605 | 18,623,089 | 191,516 | | |
| Instructional salaries | 86,843,305 | 86,823,705 | 84,632,468 | 2,191,237 | 2,844,821 | 2,864,421 | 2,751,507 | 112,914 | 89,688,126 | 89,688,126 | 87,383,975 | 2,304,151 | | |
| Instructional textbooks and supplies | 4,448,593 | 5,043,593 | 5,008,692 | 34,901 | 82,156 | 82,156 | 59,465 | 22,691 | 4,530,749 | 5,125,749 | 5,068,157 | 57,592 | | |
| Other instructional costs | 1,967,290 | 1,967,290 | 1,555,799 | 411,491 | 73,823 | 73,823 | 53,035 | 20,788 | 2,041,113 | 2,041,113 | 1,608,834 | 432,279 | | |
| Special education | 20,933,523 | 20,933,523 | 19,913,382 | 1,020,141 | 552,709 | 552,709 | 468,975 | 83,734 | 21,486,232 | 21,486,232 | 20,382,357 | 1,103,875 | | |
| Student personnel services | 1,455,840 | 1,455,840 | 1,378,035 | 77,805 | 3,000 | 3,000 | 1,441 | 1,559 | 1,458,840 | 1,458,840 | 1,379,476 | 79,364 | | |
| Student health services | 2,900,610 | 2,900,610 | 2,761,007 | 139,603 | 96,240 | 96,240 | 96,591 | (351) | 2,996,850 | 2,996,850 | 2,857,598 | 139,252 | | |
| Student transportation services | 22,725,815 | 22,725,815 | 21,785,592 | 940,223 | 320,000 | 320,000 | 314,510 | 5,490 | 23,045,815 | 23,045,815 | 22,100,102 | 945,713 | | |
| Operation of plant | 18,510,114 | 18,510,114 | 17,946,378 | 563,736 | 1,125,256 | 1,125,256 | 1,125,256 | - | 19,635,370 | 19,635,370 | 19,071,634 | 563,736 | | |
| Maintenance of plant | 4,583,368 | 4,667,368 | 4,476,011 | 191,357 | - | - | - | - | 4,583,368 | 4,667,368 | 4,476,011 | 191,357 | | |
| Fixed charges | 58,314,405 | 58,314,405 | 59,148,595 | (834,190) | 1,226,874 | 1,226,874 | 1,029,085 | 197,789 | 59,541,279 | 59,541,279 | 60,177,680 | (636,401) | | |
| Community services | - | - | - | - | - | - | - | - | - | - | - | - | | |
| Capital outlay | 959,216 | 2,004,216 | 1,995,034 | 9,182 | - | - | - | - | 959,216 | 2,004,216 | 1,995,034 | 9,182 | | |
| | 245,689,224 | 247,393,624 | 242,349,701 | 5,043,923 | 7,063,066 | 7,082,666 | 6,570,041 | 512,625 | 252,752,290 | 254,476,290 | 248,919,742 | 5,556,548 | | |
| Net Change in Fund Balances | \$ 6,775,235 | \$ 6,794,835 | 15,509,330 | \$ 8,714,495 | \$ (6,775,235) | \$ (6,794,835) | (6,282,210) | \$ (512,625) | \$ - | \$ - | 9,227,120 | \$ 9,227,120 | | |
| Adjustments to conform with generally accepted accounting principles | | | (3,809,349) | | | | (287,831) | | | | (4,097,180) | | | |
| Charter School funding | | | (6,794,835) | | | | 6,794,835 | | | | - | | | |
| Fund balance | | | | | | | | | | | | | | |
| Beginning | | | 13,331,452 | | | | 587,377 | | | | 13,918,829 | | | |
| Ending | | | \$ 18,236,598 | | | | \$ 812,171 | | | | \$ 19,048,769 | | | |

ST. MARY'S COUNTY PUBLIC SCHOOLS

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund – Budget vs. Actual June 30, 2023

| | Amended Budget | Actual | Variance With Amended Budget Favorable (Unfavorable) |
|------------------------------------|-------------------|---------------------|---|
| Revenues | | | |
| Food service sales | \$ 6,654,504 | \$ 2,394,297 | \$ (4,260,207) |
| Federal grants and commodities | 5,024,785 | 6,231,731 | 1,206,946 |
| State matching and other | 263,479 | 290,401 | 26,922 |
| Donations | - | 390 | 390 |
| Interest income | 500 | 14,922 | 14,422 |
| | <u>11,943,268</u> | <u>8,931,741</u> | <u>(3,011,527)</u> |
| Expenses | | | |
| Payroll costs | 3,314,100 | 3,109,166 | 204,934 |
| Professional and contract services | 142,318 | 62,241 | 80,077 |
| Supplies and materials | 3,389,652 | 4,097,119 | (707,467) |
| Depreciation | 73,444 | 76,858 | (3,414) |
| Equipment | 3,550,475 | - | 3,550,475 |
| Fixed charges | 1,374,739 | 1,197,888 | 176,851 |
| Other operating costs | 98,540 | 156,160 | (57,620) |
| | <u>11,943,268</u> | <u>8,699,432</u> | <u>3,243,836</u> |
| Change in Net Position | <u>\$ -</u> | <u>232,309</u> | <u>\$ 232,309</u> |
| Net position | | | |
| Beginning | | <u>6,133,159</u> | |
| Ending | | <u>\$ 6,365,468</u> | |

ST. MARY'S COUNTY PUBLIC SCHOOLS

Schedule of Changes in Cash and Cash Equivalents - School Activities June 30, 2023

| | School Activity Accounts Balance | | | School Activity Accounts Balance | | |
|--------------------------------------|-------------------------------------|---------------------|-----------------------|-------------------------------------|--|--|
| | July 1, 2022 | Additions | Deductions | June 30, 2023 | | |
| School - Checking | | | | | | |
| Benjamin Banneker Elementary | \$ 66,096 | \$ 65,456 | \$ (60,008) | \$ 71,544 | | |
| Capt. Walter Francis Duke Elementary | 52,559 | 39,158 | (43,198) | 48,519 | | |
| Chesapeake Public Charter School | 38,612 | 90,053 | (80,163) | 48,502 | | |
| Dynard Elementary | 28,676 | 23,631 | (18,426) | 33,881 | | |
| Evergreen Elementary | 23,233 | 45,380 | (42,293) | 26,320 | | |
| George Washington Carver Elementary | 5,234 | 22,494 | (23,356) | 4,372 | | |
| Green Holly School | 9,613 | 18,375 | (17,670) | 10,318 | | |
| Greenview Knolls Elementary | 8,465 | 18,704 | (18,195) | 8,974 | | |
| Hollywood Elementary | 22,578 | 58,441 | (62,449) | 18,570 | | |
| Leonardtown Elementary | 6,168 | 24,104 | (28,306) | 1,966 | | |
| Lettie Marshall Dent Elementary | 38,421 | 41,409 | (37,177) | 42,653 | | |
| Lexington Park Elementary | 9,110 | 22,692 | (27,996) | 3,806 | | |
| Mechanicsville Elementary | 18,469 | 33,461 | (32,114) | 19,816 | | |
| Oakville Elementary | 15,453 | 41,509 | (35,059) | 21,903 | | |
| ParkHall Elementary | 9,766 | 21,184 | (23,813) | 7,137 | | |
| Piney Point Elementary | 21,461 | 49,976 | (53,587) | 17,850 | | |
| Ridge Elementary | 23,222 | 28,024 | (31,273) | 19,973 | | |
| Town Creek Elementary | 18,905 | 11,607 | (15,634) | 14,878 | | |
| White Marsh Elementary | 39,461 | 15,677 | (15,127) | 40,011 | | |
| Esperanza Middle | 54,536 | 37,650 | (52,950) | 39,236 | | |
| Leonardtown Middle | 100,220 | 74,422 | (55,409) | 119,233 | | |
| Margaret Brent Middle | 31,096 | 99,551 | (101,562) | 29,085 | | |
| Spring Ridge Middle | 48,457 | 53,024 | (60,576) | 40,905 | | |
| Chopticon High | 285,128 | 494,732 | (509,730) | 270,130 | | |
| Great Mills High | 127,681 | 491,024 | (537,565) | 81,140 | | |
| Leonardtown High | 230,205 | 700,872 | (732,743) | 198,334 | | |
| Dr. J. A. Forrest Career & Tech Ctr | 64,136 | 222,275 | (220,598) | 65,813 | | |
| Fairlead Academy I | 9,794 | 7,760 | (5,918) | 11,636 | | |
| DCI PD | 4,779 | 50 | (1,500) | 3,329 | | |
| | <u>\$ 1,411,534</u> | <u>\$ 2,852,695</u> | <u>\$ (2,944,395)</u> | <u>\$ 1,319,834</u> | | |

ST. MARY'S COUNTY PUBLIC SCHOOLS

Schedule of Changes in Cash and Cash Equivalents - School Activities June 30, 2023

| | School Activity Accounts Balance | | | School Activity Accounts Balance | |
|------------------------------|-------------------------------------|---------------|--------------------|-------------------------------------|-------------------|
| | July 1, 2022 | Additions | Deductions | June 30, 2023 | |
| School - Savings | | | | | |
| Benjamin Banneker Elem | \$ 2,753 | \$ 2 | - | | 2,755 |
| Carver Elem | 301 | 1 | - | | 302 |
| Chopticon High | 102,780 | 147 | - | | 102,927 |
| Forrest Career & Tech Center | 70,252 | 22 | (10,002) | | 60,272 |
| | <u>\$ 176,086</u> | <u>\$ 172</u> | <u>\$ (10,002)</u> | | <u>\$ 166,256</u> |

| | School Activity Accounts Balance | | | School Activity Accounts Balance | |
|---|-------------------------------------|---------------------|-----------------------|-------------------------------------|------------------|
| | July 1, 2022 | Additions | Deductions | June 30, 2023 | |
| School - MLGIP (Maryland Local Government Investment Pool) | | | | | |
| Dynard Elem | \$ 5,427 | \$ 188 | \$ - | \$ | 5,615 |
| Green Holly School | 8,384 | 290 | - | | 8,674 |
| Greenview Knolls Elem | 9,987 | 345 | - | | 10,332 |
| Hollywood Elem | 11,214 | 388 | - | | 11,602 |
| Leonardtown Elem | 2,341 | 81 | - | | 2,422 |
| Oakville Elem | 1,340 | 46 | - | | 1,386 |
| ParkHall Elem | 4,491 | 155 | - | | 4,646 |
| Piney Point Elem | 8,805 | 304 | - | | 9,109 |
| Esperanza Middle | 6,626 | 229 | - | | 6,855 |
| Leonardtown Middle | 16,366 | 566 | - | | 16,932 |
| Margaret Brent Middle | 24,885 | 860 | - | | 25,745 |
| Spring Ridge Middle | 8,277 | 286 | - | | 8,563 |
| Great Mills High | 181,762 | 6,283 | - | | 188,045 |
| Leonardtown High | 155,508 | 5,375 | - | | 160,883 |
| Forrest Career & Tech Center | 39,469 | 1,364 | - | | 40,833 |
| | <u>\$ 484,882</u> | <u>\$ 16,760</u> | <u>\$ -</u> | <u>\$</u> | <u>501,642</u> |
| Total | <u>\$ 2,072,502</u> | <u>\$ 2,869,627</u> | <u>\$ (2,954,397)</u> | <u>\$</u> | <u>1,987,732</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, 2023, 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 27, 2023.

Report on Internal Control over Financial Reporting

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

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

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



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Report on 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 27, 2023

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

Opinion on 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School System and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of the School System's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School System's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School System's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School System's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School System's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 27, 2023

SB & Company, LLC

ST. MARY'S COUNTY PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards June 30, 2023

| Grant Name | Federal Assistance Listing | Grant Number | Project Period | Grant Award | Accrued/ (Deferred) 6/30/22 | Cash received FY 2023 | FY '23 Revenue Recognized & Expenditures | Refunded to MSDE/ (Write Off) | Accrued/ (Deferred) 6/30/23 | Passed Through to Subrecipients |
|---|----------------------------|--------------|-----------------------|-------------------|-----------------------------|-----------------------|--|-------------------------------|-----------------------------|---------------------------------|
| <u>U.S. Department of Agriculture:</u> | | | | | | | | | | |
| Passed through the <u>Maryland State Dept. of Education:</u> | | | | | | | | | | |
| USDA Commodities | 10.555 | Unknown | 7/1/2022 - 6/30/2023 | \$ 692,821 | \$ - | \$ 968,468 | \$ 968,468 | \$ - | \$ - | \$ - |
| Summer Food Program | 10.559 | Unknown | 7/1/2022 - 6/30/2023 | 50,000 | - | 1,953 | 3,958 | - | 2,005 | - |
| Breakfast | 10.553 | Unknown | 7/1/2022 - 6/30/2023 | 1,390,416 | - | 1,277,200 | 1,326,121 | - | 48,921 | - |
| Breakfast | 10.553 | Unknown | 7/1/2021 - 6/30/2022 | 1,428,537 | 927,015 | 927,015 | - | - | - | - |
| USDA Supply Chain Assistance (SCA) | 10.555 | Unknown | 3/1/2023 - 9/30/2024 | 282,380 | - | 412,556 | 412,556 | - | - | - |
| Federal Snack Program | 10.555 | Unknown | 7/1/2022 - 6/30/2023 | 3,500 | - | 865 | 865 | - | - | - |
| Lunch (Sec 4 & 11) | 10.555 | Unknown | 7/1/2021 - 6/30/2022 | 4,216,167 | 2,784,599 | 2,784,599 | - | - | - | - |
| Lunch (Sec 4 & 11) | 10.555 | Unknown | 7/1/2022 - 6/30/2023 | 2,858,048 | - | 3,374,803 | 3,500,681 | - | 125,878 | - |
| State Administrative Grant (P-EBT Admin) | 10.555 | Unknown | 10/1/2022 - 9/30/2023 | 20,000 | - | 5,950 | 5,950 | - | - | - |
| Total Child Nutrition Cluster | | | | 10,941,869 | 3,711,614 | 9,753,409 | 6,218,599 | - | 176,804 | - |
| Child and Adult Care Food Program | 10.558 | Unknown | 7/1/2021 - 6/30/2022 | 30,000 | 10,027 | 10,027 | - | - | - | - |
| Child and Adult Care Food Program | 10.558 | Unknown | 7/1/2022 - 6/30/2023 | 30,000 | - | 13,511 | 13,523 | - | 12 | - |
| Total Program | | | | 60,000 | 10,027 | 23,538 | 13,523 | - | 12 | - |
| Total Department of Agriculture | | | | 11,001,869 | 3,721,641 | 9,776,947 | 6,232,122 | - | 176,816 | - |
| <u>U.S. Department of Defense:</u> | | | | | | | | | | |
| <u>Direct Program:</u> | | | | | | | | | | |
| ROTC Navy | 12.000 | None | 7/1/2022 - 6/30/2023 | 77,000 | 20,939 | 77,484 | 78,183 | - | 21,638 | - |
| ROTC Air Force | 12.000 | None | 7/1/2022 - 6/30/2023 | 63,000 | 2,625 | 48,024 | 48,853 | - | 3,454 | - |
| Total Program | | | | 140,000 | 23,564 | 125,508 | 127,036 | - | 25,092 | - |
| Public Law 102-484 | 12.558 | None | 7/1/2021 - 6/30/2022 | 692,000 | 640,560 | 640,560 | - | - | - | - |
| Public Law 102-484 | 12.558 | None | 7/1/2022 - 6/30/2023 | 646,000 | - | - | 760,358 | - | 760,358 | - |
| Total Program | | | | 1,338,000 | 640,560 | 640,560 | 760,358 | - | 760,358 | - |
| Total U.S. Department of Defense | | | | 1,478,000 | 664,124 | 766,068 | 887,394 | - | 785,450 | - |
| <u>U.S. Department of Treasury:</u> | | | | | | | | | | |
| Passed through the <u>Maryland State Dept. of Education:</u> | | | | | | | | | | |
| Americal Rescue Plan - School Reopening | 21.027 | 211808.01 | 3/3/2021 - 12/31/2024 | 222,535 | 1,672 | 1,672 | - | - | - | - |
| Americal Rescue Plan - Trauma & Behavioral Health | 21.027 | 211799.01 | 3/3/2021 - 12/31/2024 | 222,535 | - | 59,725 | 59,725 | - | - | - |
| American Rescue Plan - Supplemental Instruction & Tutoring | 21.027 | 211835.01 | 3/3/2021 - 12/31/2024 | 2,559,106 | 400,250 | 669,990 | 131,730 | - | (138,010) | - |
| American Rescue Plan - Transitional Supplemental Instruction | 21.027 | 211881.01 | 3/3/2021 - 12/31/2024 | 398,018 | 22,828 | 215,679 | 218,562 | - | 25,711 | - |
| American Rescue Plan - Behavioral Health | 21.027 | 211900.01 | 3/3/2021 - 12/31/2024 | 333,802 | - | 264,882 | 304,984 | - | 40,102 | - |
| Americal Rescue Plan - Summer School | 21.027 | 211916.02 | 3/3/2021 - 12/31/2024 | 354,956 | - | 2,774 | 3,280 | - | 506 | - |
| Americal Rescue Plan - Summer School | 21.027 | 211823.01 | 3/3/2021 - 12/31/2024 | 354,956 | 2,829 | 60,940 | 58,110 | - | (1) | - |
| Total Program | | | | 4,445,908 | 427,579 | 1,275,662 | 776,391 | - | (71,692) | - |
| Total U.S. Department of Treasury | | | | 4,445,908 | 427,579 | 1,275,662 | 776,391 | - | (71,692) | - |

The accompanying notes are an integral part of this schedule.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards (continued) June 30, 2023

| Grant Name | Federal Assistance Listing | Grant Number | Project Period | Grant Award | Accrued/ (Deferred) 6/30/22 | Cash received FY 2023 | FY '23 Revenue Recognized & Expenditures | Refunded to MSDE/ (Write Off) | Accrued/ (Deferred) 6/30/23 | Passed Through to Subrecipients |
|---|----------------------------|--------------|-----------------------|-------------------|-----------------------------|-----------------------|--|-------------------------------|-----------------------------|---------------------------------|
| U.S. Department of Education: | | | | | | | | | | |
| Passed through the Maryland State Dept. of Education: | | | | | | | | | | |
| E.C.I.A. Title I | 84.010 | 200998.01 | 7/1/2019 - 9/30/2022 | \$ 3,306,106 | \$ 39,088 | \$ 43,122 | \$ 4,034 | \$ - | \$ - | \$ - |
| E.C.I.A. Title I | 84.010 | 211085.01 | 7/1/2020 - 9/30/2022 | 3,277,112 | 122,285 | 321,889 | 199,604 | - | - | - |
| E.C.I.A. Title I | 84.010 | 221509.01 | 7/1/2021 - 9/30/2023 | 3,360,735 | 617,822 | 1,185,862 | 642,853 | - | 74,813 | - |
| E.C.I.A. Title I | 84.010 | 231099.01 | 7/1/2022 - 9/30/2024 | 3,333,317 | - | 1,965,945 | 2,546,594 | - | 580,649 | - |
| School Improvement Supplemental grant | 84.010A | 232018.01 | 3/1/2023 - 9/30/2023 | 19,926 | - | - | - | - | - | - |
| School Improvement grant | 84.010A | 232000.01 | 3/1/2023 - 9/30/2024 | 114,875 | - | - | - | - | - | - |
| Total Program | | | | 13,412,071 | 779,195 | 3,516,818 | 3,393,085 | - | 655,462 | - |
| SPED Pass Thru | 84.027 | 210261.01 | 7/1/2020 - 9/30/2022 | 3,012,180 | 222,508 | 222,508 | - | - | - | - |
| SPED Pass Thru | 84.027 | 220393.01 | 7/1/2021 - 9/30/2023 | 3,536,093 | 1,014,460 | 1,181,862 | 414,237 | - | 246,835 | - |
| SPED Pass Thru | 84.027 | 230608.01 | 7/1/2022 - 9/30/2024 | 3,156,909 | - | 1,530,262 | 2,548,690 | - | 1,018,428 | - |
| SPED Pass Thru ARP | 84.027 | 221252.01 | 7/1/2021 - 9/30/2023 | 859,289 | 36,664 | 354,060 | 490,348 | - | 172,952 | - |
| SPED Pass Thru CCEIS | 84.027 | 210261.03 | 7/1/2020 - 9/30/2022 | 564,004 | 12,839 | 12,839 | - | - | - | - |
| SPED Pass Thru CCEIS | 84.027 | 230608.03 | 7/1/2022 - 9/30/2024 | 592,665 | - | 334,004 | 386,576 | - | 52,572 | - |
| SPED Pass Thru Parent Placed | 84.027 | 220393.02 | 7/1/2021 - 9/30/2023 | 64,327 | 3,502 | 38,327 | 41,975 | - | 7,150 | - |
| SPED Pass Thru Parent Placed | 84.027 | 210261.02 | 7/1/2020 - 9/30/2022 | 68,135 | 12,304 | 18,454 | 6,150 | - | - | - |
| SPED Pass Thru Parent Placed | 84.027 | 230608.02 | 7/1/2022 - 9/30/2024 | 80,320 | - | 9,720 | 12,557 | - | 2,837 | - |
| SPED Pass Thru Parent Placed ARP | 84.027 | 221252.02 | 7/1/2021 - 9/30/2023 | 15,632 | - | - | 15,632 | - | 15,632 | - |
| Family Support System | 84.027 | 220393.04 | 7/1/2021 - 6/30/2023 | 16,000 | (4,626) | 7,876 | 13,502 | - | 1,000 | - |
| Family Support System | 84.027 | 210261.05 | 7/1/2020 - 6/30/2022 | 16,000 | 8,116 | 8,116 | - | - | - | - |
| Family Support System | 84.027 | 230608.05 | 7/1/2022 - 9/30/2023 | 16,000 | - | 3,977 | 4,348 | - | 371 | - |
| SPED SEAC | 84.027 | 220393.03 | 7/1/2021 - 9/30/2022 | 2,500 | 1,052 | 2,249 | 1,197 | - | - | - |
| SPED SEAC | 84.027 | 230608.04 | 7/1/2022 - 9/30/2023 | 2,500 | - | 665 | 1,063 | - | 398 | - |
| Infants & Toddlers Program | 84.027 | 220154.01 | 7/1/2021 - 9/30/2022 | 54,653 | 8,745 | 8,745 | - | - | - | - |
| Infants & Toddlers Program | 84.027 | 230588.01 | 7/1/2022 - 6/30/2024 | 24,985 | - | 24,985 | 1,226 | - | (23,759) | - |
| LIR: Access, Equity and Progress | 84.027 | 221320.02 | 10/1/2021 - 9/30/2023 | 51,056 | - | 5,654 | 23,175 | - | 17,521 | - |
| LIR: Access, Equity and Progress | 84.027 | 211009.03 | 10/1/2020 - 9/30/2022 | 105,677 | 2,435 | 55,134 | 52,699 | - | - | - |
| LIR: Access, Equity and Progress | 84.027 | 231071.03 | 10/1/2022 - 9/30/2024 | 110,861 | - | - | (4,379) | - | (4,379) | - |
| LIR: Early Childhood | 84.027 | 211009.01 | 10/1/2020 - 9/30/2022 | 129,787 | 75,322 | 92,630 | 17,308 | - | - | - |
| LIR: Early Childhood | 84.027 | 231071.01 | 10/1/2022 - 9/30/2024 | 103,971 | - | 419 | 3,558 | - | 3,139 | - |
| LIR: Secondary Transition | 84.027 | 221320.01 | 10/1/2021 - 9/30/2023 | 54,621 | 5,632 | 32,504 | 30,406 | - | 3,534 | - |
| LIR: Secondary Transition | 84.027 | 211009.02 | 10/1/2020 - 9/30/2022 | 84,393 | 792 | 34,469 | 33,678 | - | 1 | - |
| LIR: Secondary Transition | 84.027 | 231071.02 | 10/1/2022 - 9/30/2024 | 74,781 | - | 12,658 | 26,023 | - | 13,365 | - |
| IDEA Pre-school | 84.173 | 220374.01 | 7/1/2021 - 9/30/2023 | 113,965 | (66,035) | - | 83,088 | - | 17,053 | - |
| IDEA Pre-school | 84.173 | 210430.01 | 7/1/2020 - 9/30/2022 | 114,555 | - | - | - | - | - | - |
| IDEA Pre-school | 84.173 | 230577.01 | 7/1/2022 - 9/30/2024 | 120,582 | - | 95,959 | 86,718 | - | (9,241) | - |
| IDEA Pre-school - ARP | 84.173 | 221250.01 | 7/1/2021 - 9/30/2023 | 63,766 | 942 | 942 | 60,820 | - | 60,820 | - |
| IDEA Pre-school Parent Placed | 84.173 | 220374.02 | 7/1/2021 - 9/30/2023 | 2,326 | - | - | - | - | - | - |
| IDEA Pre-school Parent Placed | 84.173 | 210430.02 | 7/1/2020 - 9/30/2022 | 1,151 | - | 1,151 | 1,151 | - | - | - |
| IDEA Pre-school Parent Placed | 84.173 | 230577.02 | 7/1/2022 - 9/30/2024 | 625 | - | - | - | - | - | - |
| IDEA Pre-school Parent Placed ARP | 84.173 | 221250.02 | 7/1/2021 - 9/30/2023 | 1,301 | - | - | - | - | - | - |
| Infants & Toddlers Program | 84.173 | 220508.01 | 7/1/2021 - 6/30/2023 | 7,000 | (125) | 3,138 | 3,793 | - | 530 | - |
| Infants & Toddlers Program | 84.173 | 220508.02 | 7/1/2021 - 9/30/2022 | 4,453 | (1,963) | 1,729 | 3,692 | - | - | - |
| Infants & Toddlers Program | 84.173 | 230594.01 | 7/1/2022 - 9/30/2023 | 7,000 | - | 2,484 | - | - | (2,484) | - |
| Infants & Toddlers Program | 84.173 | 230594.02 | 7/1/2022 - 9/30/2023 | 4,401 | - | 4,401 | 4,401 | - | - | - |
| Total Special Education Cluster (IDEA) | | | | 13,238,464 | 1,332,564 | 4,101,921 | 4,363,632 | - | 1,594,275 | - |

The accompanying notes are an integral part of this schedule.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards (continued) June 30, 2023

| Grant Name | Federal Assistance Listing | Grant Number | Project Period | Grant Award | Accrued/ (Deferred) 6/30/22 | Cash received FY 2023 | FY '23 Revenue Recognized & Expenditures | Refunded to MSDE/ (Write Off) | Accrued/ (Deferred) 6/30/23 | Passed Through to Subrecipients |
|--|----------------------------|--------------|----------------------|------------------|-----------------------------|-----------------------|--|-------------------------------|-----------------------------|---------------------------------|
| <u>Direct Program:</u> | | | | | | | | | | |
| Impact Aid | 84.041 | None | 7/1/2022 - 6/30/2023 | \$ 1,700,000 | \$ - | \$ 1,799,099 | \$ 1,799,099 | \$ - | \$ - | \$ - |
| <u>Passed through the Maryland State Dept. of Education:</u> | | | | | | | | | | |
| Perkins (Program Improvement) | 84.048 | 210913.01 | 7/1/2020 - 8/31/2021 | 183,171 | - | - | - | - | - | - |
| Perkins (Program Improvement) | 84.048 | 220529.02 | 7/1/2021 - 6/30/2022 | 191,093 | 6,558 | 6,558 | - | - | - | - |
| Perkins (Program Improvement) | 84.048 | 230088.01 | 7/1/2022 - 6/30/2023 | 200,124 | - | 138,497 | 200,124 | - | 61,627 | - |
| CTE Reserve Fund | 84.048 | 210534.01 | 7/1/2020 - 8/31/2021 | 3,965 | - | - | - | - | - | - |
| CTE Reserve Fund | 84.048 | 230101.01 | 7/1/2022 - 6/30/2023 | 8,000 | - | - | 8,000 | - | 8,000 | - |
| Total Program | | | | 586,353 | 6,558 | 145,055 | 208,124 | - | 69,627 | - |
| Pathways to STEM Apprenticeship | 84.051E | 220535.01 | 7/1/2021 - 6/30/2022 | 5,000 | 4,979 | 4,979 | - | - | - | - |
| Vocational Rehabilitation - PreETS | 84.126 | 231928.01 | 5/5/2023 - 9/30/2023 | 20,097 | - | - | 526 | - | 526 | - |
| Vocational Rehabilitation - PreETS | 84.126 | 221836.01 | 4/1/2022 - 8/31/2022 | 22,919 | 5,370 | 21,499 | 16,129 | - | - | - |
| Total Program | | | | 43,016 | 5,370 | 21,499 | 16,655 | - | 526 | - |
| Infants & Toddlers Program | 84.181 | 210301.02 | 7/1/2020 - 6/30/2022 | 153,925 | 2,059 | 2,059 | - | - | - | - |
| Infants & Toddlers Program | 84.181 | 220133.01 | 7/1/2021 - 9/30/2022 | 123,306 | 33,679 | 33,679 | - | - | - | - |
| Infants & Toddlers Program ARP | 84.181 | 221745.01 | 3/1/2022 - 9/30/2023 | 86,154 | - | 69,443 | 86,154 | - | 16,711 | - |
| Infants & Toddlers Program ARP | 84.181 | 221745.02 | 7/1/2022 - 9/30/2023 | 18,822 | - | 12,360 | 13,496 | - | 1,136 | - |
| Infants & Toddlers Program ARP | 84.181 | 221207.01 | 7/1/2021 - 9/30/2023 | 35,445 | - | - | - | - | - | - |
| Infants & Toddlers Program ARP | 84.181 | 221965.01 | 7/1/2022 - 9/30/2023 | 29,034 | - | 29,034 | 29,034 | - | - | - |
| Infants & Toddlers Program ARP | 84.181 | 230598.02 | 7/1/2022 - 6/30/2024 | 121,872 | - | 89,101 | 61,540 | - | (27,561) | - |
| Total Program | | | | 568,558 | 35,738 | 235,676 | 190,224 | - | (9,714) | - |
| Homeless Education | 84.196a | 231259.01 | 7/1/2022 - 9/30/2023 | 24,371 | - | - | 24,371 | - | 24,371 | - |
| Homeless Education | 84.196a | 221573.01 | 7/1/2021 - 9/30/2022 | 61,823 | 10,324 | 11,325 | 1,001 | - | - | - |
| Total Program | | | | 86,194 | 10,324 | 11,325 | 25,372 | - | 24,371 | - |
| Title III | 84.365A | 220671.01 | 7/1/2021 - 9/30/2023 | 37,619 | 2,961 | 11,597 | 11,726 | - | 3,090 | - |
| Title III | 84.365A | 190373.01 | 7/1/2018 - 9/30/2021 | 30,866 | - | - | - | - | - | - |
| Title III | 84.365A | 200737.01 | 7/1/2019 - 9/30/2021 | 30,642 | - | - | - | - | - | - |
| Title III | 84.365A | 210479.01 | 7/1/2020 - 9/30/2022 | 38,755 | 541 | 17,311 | 16,770 | - | - | - |
| Title III | 84.365A | 230439.01 | 7/1/2022 - 9/30/2023 | 40,591 | - | 28,970 | 32,374 | - | 3,404 | - |
| Title III (Immigrant) | 84.365A | 200737.02 | 7/1/2019 - 9/30/2021 | 11,140 | - | - | - | - | - | - |
| Title III (Immigrant) | 84.365A | 210479.02 | 7/1/2020 - 9/30/2022 | 45,367 | 1,833 | 16,111 | 14,278 | - | - | - |
| Total Program | | | | 234,980 | 5,335 | 73,989 | 75,148 | - | 6,494 | - |
| Title II Part A | 84.367 | 191367.01 | 7/1/2018 - 9/30/2021 | 504,221 | - | - | - | - | - | - |
| Title II Part A | 84.367 | 201028.01 | 7/1/2019 - 9/30/2021 | 544,291 | - | - | - | - | - | - |
| Title II Part A | 84.367 | 210770.01 | 7/1/2020 - 9/30/2022 | 539,050 | 54,770 | 69,024 | 14,254 | - | - | - |
| Title II Part A | 84.367 | 221049.01 | 7/1/2021 - 6/30/2023 | 512,306 | 170,577 | 232,949 | 116,729 | - | 54,357 | - |
| Title II Part A | 84.367 | 230700.01 | 7/1/2022 - 6/30/2023 | 436,230 | - | 199,900 | 268,802 | - | 68,902 | - |
| Total Program | | | | 2,536,098 | 225,347 | 501,873 | 399,785 | - | 123,259 | - |

The accompanying notes are an integral part of this schedule.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards (continued) June 30, 2023

| Grant Name | Federal Assistance Listing | Grant Number | Project Period | Grant Award | Accrued/ (Deferred) 6/30/22 | Cash received FY 2023 | FY '23 Revenue Recognized & Expenditures | Refunded to MSDE/ (Write Off) | Accrued/ (Deferred) 6/30/23 | Passed Through to Subrecipients |
|---|----------------------------|------------------|-----------------------|-----------------------|-----------------------------|-----------------------|--|-------------------------------|-----------------------------|---------------------------------|
| Title IV, Part A | 84.424A | 191299.01 | 7/1/2018 - 9/30/2021 | 219,162 | - | - | - | - | - | - |
| Title IV, Part A | 84.424A | 201577.01 | 7/1/2019 - 9/30/2021 | 228,472 | - | - | - | - | - | - |
| Title IV, Part A | 84.424A | 211365.01 | 7/1/2020 - 9/30/2022 | 257,657 | 57,971 | 100,415 | 42,445 | - | 1 | - |
| Title IV, Part A | 84.424A | 221537.01 | 7/1/2021 - 9/30/2023 | 249,328 | 6,573 | 80,765 | 190,080 | - | 115,888 | - |
| Title IV, Part A | 84.424A | 231219.01 | 7/1/2022 - 9/30/2024 | 266,178 | - | 59,732 | 38,837 | - | (20,895) | - |
| Stronger Connections | 84.424F | 232075.01 | 9/15/2022 - 9/30/2025 | 1,989,148 | - | - | - | - | - | - |
| Total Program | | | | 3,209,945 | 64,544 | 240,912 | 271,362 | - | 94,994 | - |
| Cares - ESSER I | 84.425D | 202090.01 | 4/29/2020 - 9/30/2021 | 60,489 | - | - | - | - | - | - |
| Cares - ESSER I | 84.425D | 201783.01 | 3/13/2020 - 9/30/2022 | 2,574,352 | 10,477 | 10,477 | - | - | - | - |
| Cares - GEER I | 84.425D | 201868.01 | 3/13/2020 - 9/30/2022 | 132,461 | - | - | - | - | - | - |
| 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 - 9/30/2023 | 11,611,000 | 1,258,882 | 4,252,409 | 5,426,765 | - | 2,433,238 | - |
| ARP ESSER Homeless Children & Youth | 84.425D | 221585.01 | 7/1/2021 - 9/30/2024 | 37,925 | - | 15,864 | 35,222 | - | 19,358 | - |
| Expanding AP Opportunities for Low income students | 84.425D | 221367.01 | 7/1/2021 - 9/30/2023 | 36,844 | - | 15,120 | 21,724 | - | 6,604 | - |
| Cares - ESSER III | 84.425U | 211943.01 | 3/24/2021 - 9/30/2024 | 26,095,398 | 951,993 | 6,966,465 | 7,307,874 | - | 1,293,402 | - |
| ARP ESSER- LEA Maryland Leads- Grow your own | 84.425U | 221872.02 | 6/1/2022 - 9/30/2024 | 2,179,186 | - | 394,154 | 528,637 | - | 134,483 | - |
| ARP ESSER- LEA Maryland Leads- Staff support & retention | 84.425U | 221872.03 | 6/1/2022 - 9/30/2024 | 2,648,936 | - | 1,219,037 | 1,298,180 | - | 79,143 | - |
| ARP ESSER- LEA Maryland Leads- Science of reading | 84.425U | 221872.04 | 6/1/2022 - 9/30/2024 | 2,030,429 | - | 435,757 | 648,509 | - | 212,752 | - |
| Passed through the Maryland Dept. of Housing and Community Development: | | | | | | | | | | |
| Broadband for Unserved Students | 84.425 | Unkown | 9/1/2021 - 9/15/2022 | 339,392 | - | 339,392 | 339,392 | - | - | - |
| Total Program | | | | 48,428,244 | 2,221,352 | 13,648,675 | 15,606,303 | - | 4,178,980 | - |
| Total U.S. Department of Education | | | | 84,048,923 | 4,691,306 | 24,301,821 | 26,348,789 | - | 6,738,274 | - |
| U.S. Department of Health and Human Services: | | | | | | | | | | |
| <u>Direct Program</u> | | | | | | | | | | |
| Office of Head Start | 93.600 | 03CH010878-04-00 | 4/1/2022 - 6/30/2023 | 3,346,586 | 282,562 | 2,281,916 | 2,637,091 | - | 637,737 | - |
| Office of Head Start- Cares funds | 93.600 | 03CH010878-02-C3 | 4/1/2019 - 3/31/2024 | 90,993 | - | - | - | - | - | - |
| Office of Head Start- Cares funds | 93.600 | 03CH010878-04-C3 | 4/1/2022 - 3/31/2023 | 54,010 | 44,549 | 54,010 | 9,461 | - | - | - |
| Office of Head Start-Covid funds | 93.600 | 03HE001185-01-C5 | 4/1/2021 - 3/31/2023 | 49,660 | 3,696 | 4,707 | 1,010 | - | (1) | - |
| Office of Head Start-American Rescue Plan | 93.600 | 03HE001185-01-C6 | 4/1/2021 - 3/31/2023 | 197,423 | 21,396 | 144,883 | 123,487 | - | - | - |
| Total Program | | | | 3,738,672 | 352,203 | 2,485,516 | 2,771,049 | - | 637,736 | - |
| Passed through the Maryland State Dept. of Education: | | | | | | | | | | |
| Medical Assistance | 93.778 | N/A | 7/1/2021 - 6/30/2022 | 1,853,117 | (2,899,784) | 1,147,725 | 384,580 | - | (3,662,929) | - |
| Total U.S. Department of Health and Human Services | | | | 5,591,789 | (2,547,581) | 3,633,241 | 3,155,629 | - | (3,025,193) | - |
| Total Expenditures of Federal Awards | | | | \$ 106,566,489 | \$ 6,957,069 | \$ 39,753,739 | \$ 37,400,325 | \$ - | \$ 4,603,655 | \$ - |

The accompanying notes are an integral part of this schedule.

ST. MARY'S COUNTY PUBLIC SCHOOLS

Notes to the Schedule of Expenditures of Federal Awards June 30, 2023

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, 2023. 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 2023 cash or non-cash expenditure activities to ensure coverage of at least 20% of federally granted funds. Our actual coverage was 68%.

Expenditures reported on the schedule of expenditures of Federal awards (the Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School System did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. The School System was required to use an indirect allocation rate of 1.62% for the year ended June 30, 2023, which was approved by the Maryland State Department of Education.

| Program Title | Federal Assistance Listing | Federal Program Expenditures |
|--|----------------------------|------------------------------|
| | 10.555, 10.559, | |
| Child Nutrition Cluster | 10.553 | \$ 6,218,599 |
| American Rescue Plan | 21.027 | 776,391 |
| CARES Act - ESSER I, GEER I, ESSER Reopening, and ESSER II | 84,425, 84.425D, 84,425U | 15,606,303 |
| Head Start Cluster | 93.600 | 2,771,049 |
| | | <u>\$ 25,372,342</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, 2023

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:

| Program Title | Federal Assistance Listing | Federal Program Expenditures |
|--|----------------------------|------------------------------|
| | 10.555, 10.559, | |
| Child Nutrition Cluster | 10.553 | \$ 6,218,599 |
| American Rescue Plan | 21.027 | 776,391 |
| CARES Act - ESSER I, GEER I, ESSER Reopening, and ESSER II | 84,425, 84.425D, | |
| | 84,425U | 15,606,303 |
| Head Start Cluster | 93.600 | 2,771,049 |
| | | <u>\$ 25,372,342</u> |
| Threshold for distinguishing between Type A and B programs | | \$ 1,122,010 |
| 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, 2023**

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, 2023**

No findings were reported during the prior year.