

**BOARD OF EDUCATION OF
CHARLES COUNTY, MARYLAND**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

INDEPENDENT AUDITORS' REPORT	1
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	4
MANAGEMENT'S DISCUSSION AND ANALYSIS — REQUIRED SUPPLEMENTARY INFORMATION	9
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	24
STATEMENT OF ACTIVITIES	25
FUND FINANCIAL STATEMENTS	
BALANCE SHEET — GOVERNMENTAL FUNDS	26
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	27
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS	28
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	29
STATEMENT OF FIDUCIARY NET POSITION — FIDUCIARY FUNDS	30
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION — FIDUCIARY FUNDS	31
NOTES TO FINANCIAL STATEMENTS	32

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

REQUIRED SUPPLEMENTARY INFORMATION

MARYLAND STATE RETIREMENT AND PENSION SYSTEM — SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	72
MARYLAND STATE RETIREMENT AND PENSION SYSTEM — SCHEDULE OF BOARD'S CONTRIBUTIONS	73
MARYLAND STATE RETIREMENT AND PENSION SYSTEM — NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	74
BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN — SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS	75
BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN — SCHEDULES OF EMPLOYER CONTRIBUTIONS, INVESTMENT RETURNS, AND EMPLOYER'S NET PENSION LIABILITY	76
BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN — NOTES TO REQUIRED SUPPLEMENTARY PENSION PLAN	78
RETIREE HEALTH PLAN TRUST — SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS	79
RETIREE HEALTH PLAN TRUST — SCHEDULE OF EMPLOYER CONTRIBUTIONS AND NOTES TO REQUIRED SCHEDULES	80
SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS — GENERAL FUND	81
GENERAL FUND — RECONCILIATION OF REVENUES AND EXPENDITURES	82

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES — BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS — GENERAL FUND	83
SCHEDULE OF EXPENDITURES — BUDGET AND ACTUAL — NON- GAAP BUDGETARY BASIS — GENERAL FUND	84
COMBINING BALANCE SHEET — CAPITAL PROJECTS SUB-FUNDS	86
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — CAPITAL PROJECTS SUB-FUNDS	87
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES — BUDGET AND ACTUAL NON-GAAP BASIS —SPECIAL REVENUE — RESTRICTED PROGRAMS FUND	88
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES — BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS —SPECIAL REVENUE — FOOD SERVICE FUND	89
COMBINING SCHEDULE OF FIDUCIARY NET POSITION — RETIREE HEALTH AND PENSION TRUST FUNDS	90
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION — RETIREE HEALTH AND PENSION TRUST FUNDS	91



INDEPENDENT AUDITORS' REPORT

Members of the Board
Board of Education of Charles County, Maryland
La Plata, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Charles County, Maryland (the Board), a component unit of the county Commissioners of Charles County, Maryland, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board'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, each major fund, and the aggregate remaining fund information of the Board, as of June 30, 2022, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective July 1, 2021, the Board adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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, and for 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 Board'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.

Auditors' 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 auditors' 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Board'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 Board'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 on pages 9 through 23, and the required supplementary information on pages 72 through 82 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 GAAS, 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 Board's basic financial statements. The other supplementary information on pages 83 through 91 as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information 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 October 6, 2022, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Board's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 6, 2022



**INDEPENDENT AUDITORS' 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
Board of Education of Charles County, Maryland
La Plata, 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, each major fund, and the aggregate remaining fund information of the Board of Education of Charles County, Maryland (the Board), a component unit of the County Commissioner of Charles County, Maryland, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 6, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing 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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and management response as items 2022-001 and 2022-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and management response as item 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

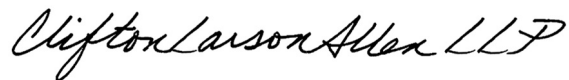
As part of obtaining reasonable assurance about whether the Board’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

The Board’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Board’s response to the findings identified in our audit and described in the accompanying schedule of findings and management response. The Board’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity’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.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 6, 2022

Board of Education of Charles County, Maryland
Schedule of Findings and Management Response
June 30, 2022

Material Weakness

Finding 2022-001 – Capital Projects Fund – Audit Adjustment

Condition

We discovered a material misstatement which required adjustment and was identified after the records were provided for audit relating to the accounts receivable and revenue balances.

Criteria

COSO/Internal Control Framework defines control activities as “policies and procedures that help ensure management’s directives are carried out.” Management review controls are defined as, “the activities of a person, different than the preparer, through analyzing and performing oversight of activities performed, and is an integral part of any internal control structure.”

Context

During our review of the Capital Projects Fund, we observed a material variance between the reported accounts receivable balance on the trial balance and supporting schedule of the account provided by management for our audit support. When we inquired of management about this variance, it was discovered that there are been in error in booking a journal entry which caused a current year cash receipt of approximately \$5 million dollars to be incorrectly applied to Accounts Receivable instead of Revenue. As a result of our audit inquiry, management corrected the journal entry to properly state the balance.

Effect

Audit adjustments of approximately \$5 million were required to properly state the Capital Projects Fund accounts receivable and revenue balances.

Cause

Management did not complete a final review and reconciliation of the Capital Projects Fund account receivable and revenues balances at yearend.

Recommendation

We recommend that the Board establish policies and procedures for their yearend close and the account reconciliation process to ensure accounts are properly stated. The policies and procedures established should also ensure account reconciliations are reviewed timely and by the appropriate personnel.

Management Response

Management concurs with the finding. A listing of year end Capital Project accounts receivable entries recorded was supplied to the auditors rather than a reconciliation of the applicable ledger balances. To ensure this finding is not repeated, CCPS will revise the Capital Projects audit documentation format to reflect a detailed reconciliation of the Capital Project accounts receivable and revenue ledger balances. Supporting ledger reports validating reconciled values will be included with the documentation supplied. There will be an additional final review of reconciliations and the GL trial balance prior to releasing financial statements to the auditors.

Board of Education of Charles County, Maryland
Schedule of Findings and Management Response (Continued)
June 30, 2022

Finding 2022-002 – Pension Trust Fund – Audit Adjustment

Condition

We discovered a material misstatement which required adjustment and was identified after the records were provided for audit relating to the investment balance.

Criteria

COSO/Internal Control Framework defines control activities as “policies and procedures that help ensure management’s directives are carried out.” Management review controls are defined as, “the activities of a person, different than the preparer, through analyzing and performing oversight of activities performed, and is an integral part of any internal control structure.”

Context

During our review of the Pension Trust Fund, we noted a variance between our confirmations of the GYL Financial Synergies, the Trust’s investment account, account balance and the investment balance noted by Reliance Trust (the Trustee). The noted variance was approximately \$14.8 million dollars. Upon inquiry, management reached out to GYL and Reliance to identify the cause of the variance. It was discovered that two new accounts were opened by GYL during the fiscal year. These accounts were reflected in the GYL statement but had not been included in Reliance’s statements. The Board using the Reliance statements as their book of record for the Trust Fund therefore Net Position was understated by roughly \$14.8 million.

Effect

Audit adjustments of approximately \$14.8 million were required to properly state the Pension Trust Fund investment and net increase in fair value of investments balances.

Cause

Management did not complete a final review and reconciliation of the Pension Trust Fund investment and net increase in fair value of investments balances at yearend.

Recommendation

We recommend that the Board establish policies and procedures for their yearend close and the account reconciliation process between the GYL and Reliance accounts to ensure accounts are properly stated. The policies and procedures established should also ensure account reconciliations are reviewed timely and by the appropriate personnel.

Management Response

The existing procedure used Reliance Trust’s monthly and annual statements to reconcile the Pension activity to the general ledger. The procedure will now include a three-way reconciliation to include a monthly statement from GYL Financial Synergies (Trust’s Custodian) to the Reliance Trust (the Trustee) monthly statement to reconcile to the GL. This process will be part of the year end checklist and included in the final review of reconciliations and GL trial balance prior to releasing financial statements to the auditors.

Board of Education of Charles County, Maryland
Schedule of Findings and Management Response (Continued)
June 30, 2022

Significant Deficiency

Finding 2022-003 – Food Service Fund – Audit Adjustment

Condition

We discovered a material misstatement which required adjustment and was identified after the records were provided for audit relating to the unearned revenue balance.

Criteria

COSO/Internal Control Framework defines control activities as “policies and procedures that help ensure management’s directives are carried out.” Management review controls are defined as, “the activities of a person, different than the preparer, through analyzing and performing oversight of activities performed, and is an integral part of any internal control structure.”

Context

During our review procedures over the Food Service Fund unearned revenues balance, we noted the account balance had remained the same from prior year and did not agree to the detailed schedule provided for current year audit support. When we inquired of management about this variance, it was that an oversight had occurred, and reconciliation procedures had not been properly performed over this account balance. As a result of our audit inquiry, management reconciled the unearned revenue account and booked an adjustment of approximately \$75 thousand to properly state the balance.

Effect

Audit adjustments of approximately \$75 thousand were required to properly state the Food Service Fund unearned revenue and revenue balances.

Cause

Management did not complete a final review and reconciliation of the Food Service Fund unearned revenue and revenues balances at yearend.

Recommendation

We recommend that the Board establish policies and procedures for their yearend close and the account reconciliation process to ensure accounts are properly stated. The policies and procedures established should also ensure account reconciliations are reviewed timely and by the appropriate personnel.

Management Response

Management concurs with the finding. The reconciliation of Food Service unearned revenue has historically been done once a year during the year end closeout. A year end checklist will be developed and utilized to ensure that all entries are made. There will be an additional final review of reconciliations and the GL trial balance prior to releasing financial statements to the auditors.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

As Management of the Board of Education of Charles County (the Board) we offer readers of the Board's financial statements this discussion and analysis of the Board's financial performance during the fiscal year ended June 30, 2022. This section should be read in conjunction with the financial statements, which immediately follow this discussion.

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Government-Wide Financial Statements (Continued)

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

The governmental activities of the Board include Instruction (Regular and Special), Pupil Services, Administration, Instructional Support, Operation and Maintenance, Transportation, Community Services, School Lunch Services, Planning and Construction, and Student Activities. These activities are mostly supported by county and state appropriations mandated in accordance with state law, and state and federal grants.

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

Fund Financial Statements

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

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

The Board has four governmental funds:

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

Restricted Programs Fund consists of individual funds for state, local, and federal grants restricted for specific purposes.

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Fund Financial Statements (Continued)

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in reconciliations found on pages 27 and 29.

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

The Board's fiduciary funds include the Pension and Retiree Health (OPEB) Trust Funds which accumulates resources held in trust for pension and other postemployment health benefits to qualified beneficiaries.

Budget and Actual Financial Statements

A Schedule of Revenues and Expenditures — Budget and Actual – Non-GAAP Budgetary Basis is presented for the General Fund, which has a legally adopted annual budget. This schedule shows both original and final adopted budgets, along with actual revenues and expenditures compared to the final budget. In these statements, open encumbrances are treated as expenditures. The Schedule of Revenues and Expenditures — Budget and Actual — Non-GAAP Budgetary Basis can be found immediately following the basic governmental fund financial statements on page 81.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Financial Analysis of the Board as A Whole (Government-Wide)

The Board's combined Net Position as of June 30, 2022 totaled (\$116.2) million, a decrease of \$9.1 million or 8.5%.

Condensed Statement of Net Position (in millions of dollars)

	Governmental Activities		Total Percent
	2021	2022	Change 2021-2022
Assets			
Current and Other Assets	\$ 132.2	\$ 136.2	3.0%
Capital Assets	418.7	432.5	3.3%
Total Assets	550.9	568.6	3.2%
Deferred Outflows of Resources	202.2	260.5	28.9%
Liabilities			
Long-Term Liabilities	591.3	698.8	18.2%
Other Liabilities	52.6	56.5	7.4%
Total Liabilities	643.9	755.3	17.3%
Deferred Inflows of Resources	216.3	190.0	-12.2%
Net Position			
Investment in Capital Assets	415.2	430.3	3.6%
Restricted	1.2	11.0	834.0%
Unrestricted	(523.5)	(557.5)	6.5%
Total Net Position	\$ (107.1)	\$ (116.2)	8.5%

The major portion of the Board's net position reflects the investment in capital assets (land, land improvements, buildings, equipment, and construction), \$430.3 million. These assets include school buildings, relocatable classrooms, land for athletic fields, playgrounds, and equipment in the school classrooms and other buildings.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Changes In Net Position: The Board's Net Position decreased by \$9.1 million in 2022 as opposed to an increase of \$32.7 million in 2021.

- The Board's government-wide activities had an unrestricted net deficit of (\$557.5) million at June 30, 2022, a decrease of \$34.0 million. The increase in deficit is due primarily to an increase in long-term liabilities attributable to increases in the pension and OPEB liabilities.
- The Board's revenues of \$518.8 million increased by \$20.8 million or 4.2% over last year. The overall increase of \$20.8 million is largely attributable to a return to school for all students and free meals for all students. This caused an overall increase in grant revenue of \$34.5 million of which \$15.5 million was for food service. There was also an additional \$5 million appropriation from Charles County. This was offset by a decrease in revenues for Capital projects of \$20.5 million.
- Expenses totaled \$527.8 million or \$62.4 million more than fiscal year 2021. The most significant increases are \$19.8 million in Operation and Maintenance, \$16.4 million in Instruction, \$9 million in Transportation and \$6.4 million in school lunch services. Operation and Maintenance projects are for various projects including a new tennis court, HVAC repairs, and electrical and cell tower projects. Instruction increases are additional funds directed to close the achievement gap due to the pandemic. The increase in Transportation is due to additional funds paid to ensure we are competitive and have bus drivers to transport children to and from school. The increase in School Lunch Service is attributable to the cost incurred to feed all children meals.

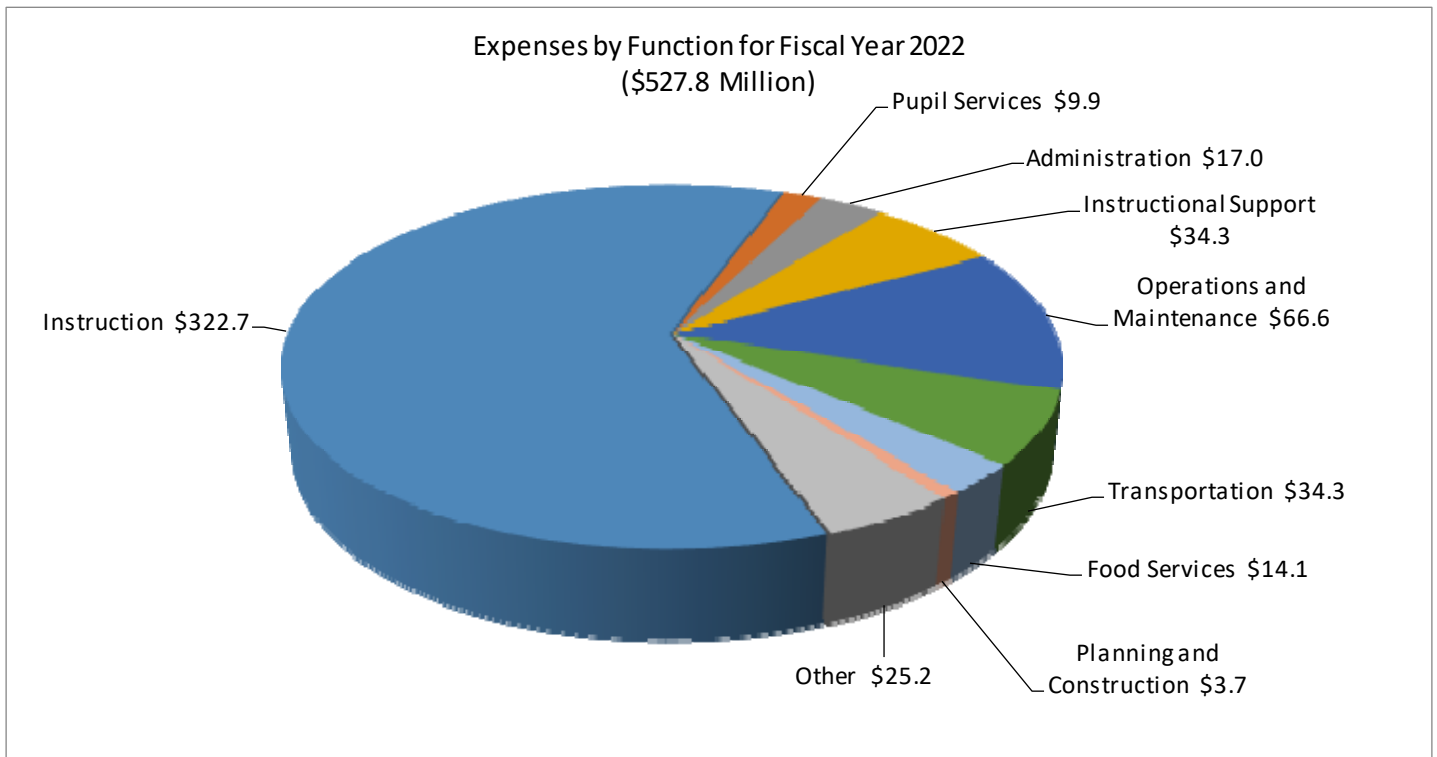
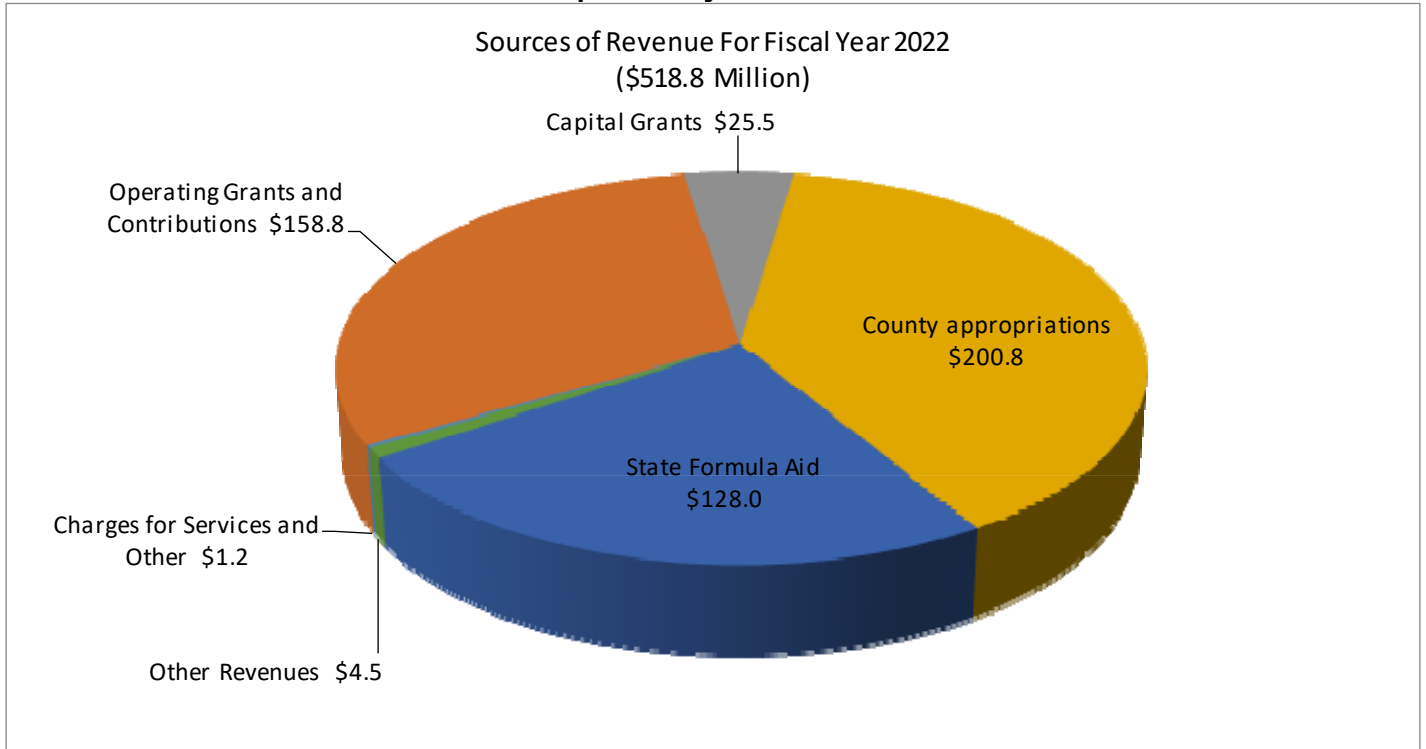
**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Changes in Net Position (in millions of dollars)

	Governmental Activities		Change	Percent Change
	2021	2022		
Revenues				
Program Revenues:				
Charges for Services	\$ 0.7	\$ 1.2	\$ 0.5	68.2%
Operating Grants and Contributions	124.3	158.8	34.5	27.7%
Capital Grants and Contributions	46.0	25.5	(20.5)	-44.5%
General Revenues:				
County Appropriations	195.7	200.8	5.1	2.6%
State Formula Aid	129.3	128.0	(1.3)	-1.0%
Other	2.0	4.5	2.5	124.4%
Total Revenues	<u>498.0</u>	<u>518.8</u>	<u>20.8</u>	4.2%
Expenses				
Instruction	306.3	322.7	16.4	5.3%
Support Services:				
Pupil Services	8.1	9.9	1.8	22.6%
Administration	16.4	17.0	0.6	3.6%
Instructional Support	31.5	34.3	2.8	9.1%
Operations and Maintenance	46.8	66.6	19.8	42.3%
Transportation	25.3	34.3	9.0	35.6%
Food Services	7.6	14.1	6.4	84.5%
Planning and Construction	0.3	3.7	3.4	1289.1%
Other	23.0	25.2	2.2	10.0%
Total Expenses	<u>465.3</u>	<u>527.8</u>	<u>62.4</u>	13.4%
(Decrease) Increase in Net Position	<u>\$ 32.7</u>	<u>\$ (8.9)</u>	<u>\$ (41.6)</u>	-127.8%

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Revenues and Expenses by Source and Function



**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Governmental Activities

The county appropriation for the operating budget in fiscal year 2022 was \$200.8 million or \$5.1 million more than in fiscal year 2021. Total cost of services increased 13.4% from 2021. Also, in fiscal year 2022, the net cost of services increased by \$51.8 million or 17.9%. In fiscal year 2021 the net cost increased by \$3.8 million or 1.3%.

Net Cost of Governmental Activities: The cost of the nine major Board activities (schedule shown below): Instruction, Instructional Support, Pupil Services, Administration, Transportation, Operation and Maintenance, Food Services, Planning and Construction and Other (Community Services, Student Activities and unallocated depreciation) are reflected in the table below. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the impact on the Board by each of the activities. General revenues, including county appropriations and state aid, must support the net cost of the Board's activities.

Net Cost of Government Activities (in millions of dollars)

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2021	2022	Change 2021-2022	2021	2022	Change 2021-2022
Instruction	\$ 306.3	\$ 322.7	5.3%	\$ 174.3	\$ 212.5	21.9%
Pupil Services	8.1	9.9	22.6%	8.0	9.5	18.4%
Administration	16.4	17.0	3.6%	14.6	15.6	6.8%
Instructional Support	31.5	34.3	9.1%	28.7	33.0	15.1%
Operations and Maintenance	46.8	66.6	42.3%	47.4	65.7	38.6%
Transportation	25.3	34.3	35.6%	18.8	21.4	14.0%
Food Services	7.6	14.1	84.5%	(0.2)	(7.0)	3374.0%
Planning and Construction	0.3	3.7	1289.1%	(21.8)	(32.5)	49.1%
Other	23.0	25.2	10.0%	20.7	24.1	16.5%
Total	<u>\$ 465.2</u>	<u>\$ 527.7</u>	13.4%	<u>\$ 290.5</u>	<u>\$ 342.4</u>	17.9%

**Financial Highlights
Financial Analysis of the Board's Funds**

The general fund is the operating fund for the Board. On a GAAP basis the Board ended the fiscal year with a general fund balance of \$60.4 million. The fund balance consists of amounts assigned for purchase order encumbrances and subsequent year's expenditures.

The total governmental funds consist of the General, Restricted Programs (restricted by purpose and source of funds), Food Service, and Capital Projects. Capital Projects receive their funding on a reimbursement basis. The Board reported a total governmental funds balance of \$78.5 million as compared to last year's combined ending balance of \$71.2 million or \$7.3 million more than last year. The increase in the fund balance of \$7.3 million is primarily due to an increase in the Restricted Program Fund of \$9.8 million and the Food Services Fund of \$5.4 million. The General Fund Balance decreased by \$8.1 million.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Changes in Fund Balance – Governmental Funds – GAAP Basis

Changes in Fund Balance - Governmental Funds - GAAP Basis

	General Fund	Restricted Program Fund	Food Services Fund	Capital Projects	Total Governmental Funds
REVENUES					
State of Maryland	\$ 223,936,895	\$ 3,651,500	\$ 452,149	\$ 14,964,307	\$ 243,004,851
Federal Government	829,902	36,453,398	19,551,625	-	56,834,925
Other Sources	5,252,823	1,356,304	711,711	45	7,320,883
Local Sources	200,796,657	314,528	-	10,575,667	211,686,852
Total Revenues	<u>430,816,277</u>	<u>41,775,730</u>	<u>20,715,485</u>	<u>25,540,019</u>	<u>518,847,511</u>
EXPENDITURES					
Current:					
Administration	12,358,742	587,002	-	-	12,945,744
Mid-Level Administration	25,306,137	1,023,242	-	-	26,329,379
Instruction:					
Instructional Salaries	143,885,258	8,857,604	-	-	152,742,862
Materials of Instruction	6,513,389	2,061,808	-	-	8,575,197
Other Costs of Instruction	1,597,898	4,192,416	-	-	5,790,314
Special Education	38,395,360	6,727,229	-	-	45,122,589
Student Personnel Services	4,176,819	189,985	-	-	4,366,804
Health Service	4,053,730	145,889	-	-	4,199,619
Transportation	32,985,355	501,941	-	-	33,487,296
Operations	44,258,370	876,338	-	-	45,134,708
Maintenance	9,476,402	63,500	-	-	9,539,902
Food Service	-	306,077	13,488,684	-	13,794,761
Community Service	559,906	946,796	-	-	1,506,702
Fixed Charges	103,650,706	3,119,837	1,786,891	-	108,557,434
Student Activities	4,087,145	-	-	-	4,087,145
Capital Outlay	7,463,491	2,024,432	-	25,291,096	34,779,019
Debt Service -					
Principal	574,553	-	-	-	574,553
Interest	2,667	-	-	-	2,667
Total Expenditures	<u>439,345,928</u>	<u>31,624,096</u>	<u>15,275,575</u>	<u>25,291,096</u>	<u>511,536,695</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(8,529,651)	10,151,634	5,439,910	248,923	7,310,816
OTHER FINANCING SOURCES (USES)					
Transfer	297,625	-	-	-	297,625
Transfer Out	-	(297,625)	-	-	(297,625)
Lease Proceeds	45,365	-	-	-	45,365
Total Other Financing Sources (Uses)	<u>342,990</u>	<u>(297,625)</u>	<u>-</u>	<u>-</u>	<u>45,365</u>
NET CHANGE IN FUND BALANCE	(8,186,661)	9,854,009	5,439,910	248,923	7,356,181
Fund Balances - Beginning of Year	68,632,893	1,177,127	1,504,505	(154,889)	71,159,636
FUND BALANCES - END OF YEAR	<u>\$ 60,446,232</u>	<u>\$ 11,031,136</u>	<u>\$ 6,944,415</u>	<u>\$ 94,034</u>	<u>\$ 78,515,817</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

General Fund Budgetary Highlights — Non-GAAP

The Board's final budget for General Fund requires total revenues to be equal to total expenditures.

Over the course of the year, the Board may revise the annual operating budget. These budget amendments fall into three categories:

- Intra-category transfers to align budgets within the expenditure category. These changes require county government notification and are generally done as needed throughout the year.
- Inter-category transfers to fund categories over budget. According to state law, no expenditure category can exceed approved budget amounts. Inter-category budget transfers require Board and county government approval, and are generally done once per year.
- Revenue budget changes require approval; when they provide a source of funding for expenditure categories, or a transfer from fund balance.

Budget Adjustments

Funds were redirected in May 2022 to support various initiatives explained in greater detail below. Funds were used to support recurring items not supported by individual budget lines. The purchases included several science, psychology, and foreign language textbooks along with many on-line subscriptions.

Funds were also used to support the replacement of laptops and computers in computer labs currently over five years of age and the purchase of 1:1 device. In addition, funding provided classroom touch panels and the repair of a sewer line between the Robert D. Stethem Educational Center and Dr. James Craik Elementary.

Funding supported the replacement of the gym floor and bleachers at General Smallwood Middle School. In addition, funds supported relocatable classrooms, a new CTE program at Robert D. Stethem Educational Center, the renovation of Maurice J. McDonough's auditorium and the renovation of the HVAC system at La Plata High School.

REVENUES

Total revenues were \$622,127 less than the anticipated budgetary levels primarily due to Interest Income levels less than budgeted and the cancellation of the non-recurring cost exclusion fiber project in County Supplemental revenue.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

EXPENDITURES

The expenditure savings of \$3.2 million, in addition to the positive revenue variance, contributed to the overall positive variance of \$2.6 million. Savings included \$1.5 million in unfilled positions, \$1.2 million in equipment and \$827 thousand in other charges.

Fund Balance — Unassigned

At the Board's direction, the use of unassigned fund balance has been used to fund major projects for technology and deferred maintenance. The unassigned fund balance changed for the General Fund as follows:

	<u>2021</u>	<u>2022</u>	<u>Change</u>
Health Insurance Reserve (Self-Insurance 7.5% of Claims)	\$ 4,206,216	\$ 4,604,680	\$ 398,464
Contingency Reserve (1% of Annual Operating Budget)	4,080,071	4,390,141	310,070
Capital Maintenance/Technology Reserve	<u>19,285,602</u>	<u>17,824,315</u>	<u>(1,461,287)</u>
Total Unassigned Fund Balance at June 30	<u>\$ 27,571,889</u>	<u>\$ 26,819,136</u>	<u>\$ (752,753)</u>

Food Service Budget to Actual — Non-GAAP

Budget and actual — Non-GAAP Budgetary Basis statement can be found in the Other Supplementary Information section on page 89.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

General Fund Budget and Actual – Non-GAAP Budgetary Basis

General Fund Budget and Actual - Non-GAAP Budgetary Basis

	2022			Variances Positive (Negative)	2021
	Original Budget	As amended Budget	Actual		Actual
REVENUES					
State of Maryland	\$ 201,339,968	\$ 201,339,968	\$ 201,496,272	\$ 156,304	\$ 199,577,684
Federal Government	970,000	970,000	829,902	(140,098)	1,689,191
Other Sources	1,419,080	1,419,080	1,007,754	(411,326)	970,414
Local Sources	200,933,664	201,023,664	200,796,657	(227,007)	195,747,167
Total Revenues	<u>404,662,712</u>	<u>404,752,712</u>	<u>404,130,585</u>	<u>(622,127)</u>	<u>397,984,456</u>
EXPENDITURES					
Administration	13,575,117	12,710,904	12,650,604	60,300	11,296,063
Mid-Level Administration	26,385,093	25,985,092	25,674,630	310,462	24,257,014
Instructional Salaries	150,133,701	144,921,173	143,885,258	1,035,915	140,759,392
Materials of Instruction	5,440,485	6,092,377	5,924,017	168,360	8,582,064
Other Costs of Instruction	2,212,640	1,705,089	1,597,898	107,191	1,259,406
Special Education	41,157,727	38,851,127	38,358,272	492,855	37,931,263
Student Personnel Services	4,245,291	4,141,290	4,114,462	26,828	4,079,902
Health Service	4,191,900	3,925,901	3,921,533	4,368	3,722,805
Transportation	35,473,430	33,973,431	33,759,582	213,849	24,192,537
Operations	30,342,150	32,151,150	31,800,776	350,374	43,977,330
Maintenance	8,979,306	9,284,306	9,258,246	26,060	9,160,031
Community Service	535,098	565,098	559,906	5,192	325,793
Capital Outlay	2,329,525	12,484,525	12,455,457	29,068	8,936,224
Fixed Charges	83,245,390	81,545,390	81,210,083	335,307	76,442,725
Total Expenditures	<u>408,246,853</u>	<u>408,336,853</u>	<u>405,170,724</u>	<u>3,166,129</u>	<u>394,922,549</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,584,141)	(3,584,141)	(1,040,139)	2,544,002	3,061,907
OTHER FINANCING SOURCES					
Transfers In	239,706	239,706	297,625	57,919	226,303
Transfers Out	-	-	-	-	(3,404,539)
Use of Prior Year Fund Balance	3,344,435	3,344,435	-	(3,344,435)	-
Total Other Financing Sources	<u>3,584,141</u>	<u>3,584,141</u>	<u>297,625</u>	<u>(3,286,516)</u>	<u>(3,178,236)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	(742,514)	<u>\$ (742,514)</u>	<u>\$ (116,329)</u>
FUND BALANCE AT JUNE 30, 2021			<u>31,060,844</u>		
FUND BALANCE AT JUNE 30, 2022			<u>\$ 30,318,330</u>		

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Capital Asset and Long-Term Debt

Capital Assets

During the year, the Board completed several building projects. The projects were:

	Cost (in millions)
Additions to building (flooring, door replacements, wastewater plant, cooling tower replacement, underground tank replacement, raceway conductors, refrigeration replacement, miscellaneous building repairs, well/pump maintenance, roofing projects and repair, and clock system replacement).	\$ 3.5
Dr. Brown Elementary- renovation	\$ 5.9
Eva Turner Elementary-renovation	25.0
Henson Middle- building improvements	3.5
Stoddert Middle- renovation	1.4
La Plata High- building improvements	\$ 1.2
Total	\$ 40.5

During fiscal year 2022, capital assets and amortizable lease assets increased \$13.8 million, which was an increase of 3.3% from fiscal year 2021. Some of the changes were as follows:

- Land Improvements increased due to concrete work, paving projects, waste water treatment project, playground equipment and improvements, turf field replacement and fencing.
- Construction in progress included Full Day Kindergarten Projects at six schools (\$1,057,202), Security Enhancements at various schools (\$95,065), Roof Replacements (\$252,413), Benjamin Stoddert Renovation (\$45,859,115), McDonough Renovation (\$1,255,900), Various Additional Improvements (\$611,627), New Elementary School (\$1,328,054), T.C. Martin Study/Renovation (\$1,926,475), LaPlata Renovations, Security Enhancements, and Circulation Upgrades (\$303,181), and Local Portables (\$72,659).
- Equipment decreased due to computer replacement.
- Right-to-use assets increased by \$0.9 million due to the implementation of GASB Statement No. 87, *Leases*.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Capital Assets (Continued)

Capital Assets (in millions of dollars)

	Governmental Activities		Change
	2021	2022	2021-2022
Land	\$ 19.4	\$ 19.4	\$ -
Construction in Progress	63.2	52.8	(10.4)
Land Improvements	26.0	28.5	2.5
Buildings	657.4	698.0	40.6
Equipment and Furniture	32.2	31.6	(0.6)
Accumulated Depreciation	(379.6)	(398.7)	(19.2)
Total	<u>\$ 418.7</u>	<u>\$ 431.6</u>	<u>\$ 12.9</u>
Right-To-Use Assets:			
Equipment	\$ -	\$ 1.46	1.46
Accumulated Amortization	-	(0.58)	(0.58)
Total	<u>\$ -</u>	<u>\$ 0.9</u>	<u>\$ 0.9</u>
Total Capital Assets and Right-To-Use Assets	<u>\$ 418.7</u>	<u>\$ 432.5</u>	<u>\$ 13.8</u>

The Board's fiscal year 2023 capital improvement program budget includes spending another \$74.4 million for capital projects, principally in 11 areas:

- \$16.4 million for McDonough modernization/ addition.
- \$17.5 million for T.C. Martin modernization/ addition.
- \$13.0 million for New Elementary School #23
- \$5.5 million for various maintenance projects, portable classrooms, boiler replacement, and HVAC.
- \$6.1 for full day kindergarten additions.
- \$4.6 million for roof replacements.
- \$2.6 million for Eva Turner modernization/addition.
- \$3.0 million for La Plata High renovation/ security enhancements.
- \$5.1 million for Piccowaxen open space enclosure renovation.
- \$0.4 million for John Hanson renovation study.
- \$0.2 million for Middle School #9

Over the next five years, the Board anticipates opening a new elementary and middle school, completing six full day kindergarten additions, open space enclosure projects for Piccowaxen Middle, Indian Head Elementary, and Dr. Craik Elementary, renovations and additions at Benjamin Stoddert Middle and T.C. Martin Elementary, safety/security upgrades and renovations at McDonough and La Plata High, and various boiler/chiller/roof replacements.

Long-Term Debt

At year-end, the Board had \$700.3 million in long-term liabilities. Compensated absences including accumulated vacation and sick leave for the Board's employees available upon termination accounted for \$11.2 million. The Board also has an obligation of \$669.2 million for postemployment benefits other than pensions (OPEB) liability. The Board has a net pension liability of \$19 million and a lease liability balance of \$887 thousand.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Factors Expected to Have an Effect on Future Operations

Enrollment in the county dropped slightly in FY 2022 when all students returned to class for in person education. The projection for FY 2023 enrollment is an increase to pre-pandemic levels with continued growth for future years. Free meals ended June 30, 2022, which will require families to pay for meals in FY 2023 unless the family qualifies for free or reduced meals. This change in service will result in fewer meals served in FY 2023.

The system is current with the employee salary scale progression. The Blueprint for Maryland's Future will require a new salary scale and career ladder for teachers and will increase the salaries for teachers over the next 4 years. The Blueprint for Maryland also mandates all day pre-k for certain income levels and ages which will put a strain on our current facilities to meet this requirement. This state mandate will significantly raise the operating costs of Charles County Public Schools. Funding other post-retirement benefits (OPEB) in accordance with GASB 75 remains a concern, but a low budget priority. The tradeoff between funding OPEB (including health care costs) and staff salaries in the future will be complicated during union negotiations. The national teacher shortage has resulted in an extremely competitive market both in terms of salary and affordable housing.

Factors Expected to Have an Effect on Future Operations (Continued)

Future initiatives to replace older mainframe software for human resources, and accounting systems, along with initiatives related to security will be extremely expensive. While fund balance has been used to fund many maintenance projects, a backlog of projects remains.

Charles County Public Schools continues to do an excellent job managing and allocating resources. Careful forecasting and management of funds produced no budget deficits or over expenditures in any category. At Board direction, the fund balance will be used over time to support the general fund and capital maintenance projects. With the possibility of increased costs to comply with the Blueprint for Maryland's Future initiative, it would be prudent for management to ensure that the fund balance reserves not be used to pay for recurring costs in the operating budget.

Contacting the Board's Financial Management

This financial report is designed to provide the Board's citizens, taxpayers, customers, investors, and creditors with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Charles County Public Schools, and P.O. Box 2770, La Plata, Maryland 20646.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 101,542,748
Accounts Receivable:	
Federal	23,101,092
State of Maryland	4,186,769
Other Sources	4,271,737
Leases Receivable	2,631,860
Inventories	430,436
Capital Assets:	
Land and Construction in Progress	72,175,824
Other Capital Assets, Net of Depreciation and Amortization	360,299,129
Total Assets	568,639,595
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pension	14,585,381
Deferred Outflows of Resources Related to OPEB	245,908,624
Total Deferred Outflows of Resources	260,494,005
Total Assets and Deferred Outflows of Resources	829,133,600
LIABILITIES	
Accounts Payable	16,573,497
Accrued Salaries and Fringe Benefits	29,803,185
Payroll Taxes and Withholding Payable	81,209
Other Liabilities	192,884
Payable for Health Insurance	3,914,000
Unearned Revenue	4,489,459
Noncurrent Liabilities:	
Due Within One Year	1,446,807
Due in More Than One Year	698,818,288
Total Liabilities	755,319,329
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Leases	2,594,591
Deferred Inflows of Resources Related to Pension	2,973,523
Deferred Inflows of Resources Related to OPEB	184,420,454
Total Deferred Inflows of Resources	189,988,568
Total Liabilities and Deferred Inflows of Resources	945,307,897
NET POSITION	
Net Investment in Capital Assets	430,263,104
Restricted for:	
Grants	11,031,136
Unrestricted	(557,468,537)
Total Net Position	\$ (116,174,297)

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Expenses	Program Revenues			Net Revenue (Expenses) and Changes in Net Position
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES					
INSTRUCTION					
Regular Education	\$ 266,053,472	\$ 453,700	\$ 88,712,438	\$ -	\$ (176,887,334)
Special Education	56,649,853	92,252	20,918,130	-	(35,639,471)
Total Instruction	322,703,324	545,952	109,630,568	-	(212,526,804)
SUPPORT SERVICES					
Pupil Services	9,882,781	-	411,662	-	(9,471,119)
Administration	17,031,158	-	1,438,761	-	(15,592,397)
Instructional Support	34,309,192	-	1,279,910	-	(33,029,282)
Operation and Maintenance	66,581,843	61,386	841,458	-	(65,678,999)
Transportation	34,262,128	-	12,821,948	-	(21,440,180)
Community Services	3,515,189	176,553	1,131,151	-	(2,207,485)
School Lunch Services	14,052,934	387,942	20,650,077	-	6,985,085
Planning and Construction	3,652,884	-	10,620,476	25,540,019	32,507,611
Student Activities	4,087,145	-	-	-	(4,087,145)
Unallocated Depreciation Expense	17,813,260	-	-	-	(17,813,260)
Total Support Services	205,188,513	625,881	49,195,443	25,540,019	(129,827,170)
Total Governmental Activities	\$ 527,891,837	\$ 1,171,833	\$ 158,826,011	\$ 25,540,019	\$ (342,353,974)
GENERAL REVENUES					
County Appropriations					200,796,657
State Aid Not Restricted to Specific Purposes					128,010,219
Earnings on Investment					79,048
Miscellaneous					4,422,828
Total General Revenues					333,308,752
CHANGE IN NET POSITION					
					(9,045,222)
Net Position - Beginning of Year					(107,129,075)
NET POSITION - END OF YEAR					
					\$ (116,174,297)

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Restricted Programs Fund	Food Service Fund	Capital Projects	Total Governmental Funds
ASSETS					
Cash and Short-Term Investments	\$ 98,663,444	\$ -	\$ 2,856,871	\$ 22,433	\$ 101,542,748
Accounts Receivable:					
Federal	86,705	16,011,605	7,002,782	-	23,101,092
State of Maryland	2,107,085	1,274,287	-	805,397	4,186,769
Other Sources	1,021,403	202,258	58,424	2,989,652	4,271,737
Leases Receivable	-	2,631,860	-	-	2,631,860
Due from Other Funds	3,506,829	951,848	-	-	4,458,677
Inventories	153,367	-	277,069	-	430,436
Total Assets	\$ 105,538,833	\$ 21,071,858	\$ 10,195,146	\$ 3,817,482	\$ 140,623,319
LIABILITIES					
Accounts Payable	\$ 13,032,041	\$ 1,949,290	\$ 267,244	\$ 1,324,922	\$ 16,573,497
Accrued Salaries and Fringe Benefits	28,041,682	1,107,967	653,536	-	29,803,185
Payroll Taxes and Withholding Payable	81,209	-	-	-	81,209
Due to Other Governments	-	169,215	-	-	169,215
Due to Other Funds	-	-	2,060,151	2,398,526	4,458,677
Due to Fiduciary Funds	23,669	-	-	-	23,669
Payable for Health Insurance	3,914,000	-	-	-	3,914,000
Unearned Revenue	-	4,219,659	269,800	-	4,489,459
Total Liabilities	45,092,601	7,446,131	3,250,731	3,723,448	59,512,911
DEFERRED INFLOWS OF RESOURCES					
Lease related	-	2,594,591	-	-	2,594,591
Total Deferred Inflows of Resources	-	2,594,591	-	-	2,594,591
FUND BALANCE (DEFICIT)					
Nonspendable - Inventory	153,367	-	277,069	-	430,436
Restricted	-	11,031,136	-	-	11,031,136
Committed	2,907,174	-	-	-	2,907,174
Assigned	30,566,555	-	6,667,346	276,863	37,510,764
Unassigned	26,819,136	-	-	(182,829)	26,636,307
Total Fund Balance (Deficit)	60,446,232	11,031,136	6,944,415	94,034	78,515,817
Total Liabilities, Deferred Inflows and Fund Balance	\$ 105,538,833	\$ 21,071,858	\$ 10,195,146	\$ 3,817,482	\$ 140,623,319

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Fund Balances - Governmental Funds \$ 78,515,817

**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 assets in governmental funds:

The Cost of Capital Assets	831,759,039
Accumulated Depreciation	(399,284,086)
Total	432,474,953

Deferred outflows and inflows at year end consisted of:

Deferred outflows of resources related to pensions	14,585,381
Deferred inflows related to pensions	(2,973,523)
Deferred outflows of resources related to OPEB	245,908,624
Deferred inflows of resources related to OPEB	(184,420,454)
Total	73,100,028

Long-term liabilities, including notes payable, net other postemployment obligations and compensated absences, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consisted of:

Net Pension Liability	(18,999,854)
Net OPEB Liability	(669,160,703)
Lease Liability	(886,927)
Compensated Absences	(11,217,611)
Total	(700,265,095)

Total Net Position - Governmental Activities \$ (116,174,297)

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	Restricted Programs Fund	Food Service Fund	Capital Projects	Total Governmental Funds
REVENUES					
State of Maryland	\$ 223,936,895	\$ 3,651,500	\$ 452,149	\$ 14,964,307	\$ 243,004,851
Federal Government	829,902	36,453,398	19,551,625	-	56,834,925
Other Sources	5,252,823	1,356,304	711,711	45	7,320,883
Local Sources	200,796,657	314,528	-	10,575,667	211,686,852
Total Revenues	<u>430,816,277</u>	<u>41,775,730</u>	<u>20,715,485</u>	<u>25,540,019</u>	<u>518,847,511</u>
EXPENDITURES					
Current:					
Administration	12,358,742	587,002	-	-	12,945,744
Mid-Level Administration	25,306,137	1,023,242	-	-	26,329,379
Instruction:					
Instructional Salaries	143,885,258	8,857,604	-	-	152,742,862
Materials of Instruction	6,513,389	2,061,808	-	-	8,575,197
Other Costs of Instruction	1,597,898	4,192,416	-	-	5,790,314
Special Education	38,395,360	6,727,229	-	-	45,122,589
Student Personnel Services	4,176,819	189,985	-	-	4,366,804
Health Service	4,053,730	145,889	-	-	4,199,619
Transportation	32,985,355	501,941	-	-	33,487,296
Operations	44,258,370	876,338	-	-	45,134,708
Maintenance	9,476,402	63,500	-	-	9,539,902
Food Service	-	306,077	13,488,684	-	13,794,761
Community Service	559,906	946,796	-	-	1,506,702
Fixed Charges	103,650,706	3,119,837	1,786,891	-	108,557,434
Student Activities	4,087,145	-	-	-	4,087,145
Capital Outlay	7,463,491	2,024,432	-	25,291,096	34,779,019
Debt Service -					
Principal	574,553	-	-	-	574,553
Interest	2,667	-	-	-	2,667
Total Expenditures	<u>439,345,928</u>	<u>31,624,096</u>	<u>15,275,575</u>	<u>25,291,096</u>	<u>511,536,695</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,529,651)	10,151,634	5,439,910	248,923	7,310,816
OTHER FINANCING SOURCES (USES)					
Transfer in	297,625	-	-	-	297,625
Transfer out	-	(297,625)	-	-	(297,625)
Lease Proceeds	45,365	-	-	-	45,365
Total Other Financing Sources (Uses)	<u>342,990</u>	<u>(297,625)</u>	<u>-</u>	<u>-</u>	<u>45,365</u>
NET CHANGE IN FUND BALANCE	(8,186,661)	9,854,009	5,439,910	248,923	7,356,181
Fund Balances - Beginning of Year	68,632,893	1,177,127	1,504,505	(154,889)	71,159,636
FUND BALANCES - END OF YEAR	<u>\$ 60,446,232</u>	<u>\$ 11,031,136</u>	<u>\$ 6,944,415</u>	<u>\$ 94,034</u>	<u>\$ 78,515,817</u>

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Total Net Change in Fund Balances - Governmental Funds

\$ 7,356,181

**Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Assets Capitalized During the Year	35,479,854
Depreciation/ Amortization Expense for the Year	(21,687,602)
Net Book Value of Assets Disposed of During the Year	(5,641)
Total	13,786,611

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

(2,201,327)

OPEB costs reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

(26,810,132)

In the Statement of Activities, certain operating expenses, such as compensated absences and lease liability, are measured by the amounts accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources expended.

(1,131,190)

Lease proceeds provide current financial resources to governmental funds but issuing leases increases long-term liabilities in the Statement of Net Position. Repayment of lease principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.

(45,365)

Change in Net Position of Governmental Activities

\$ (9,045,222)

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	Pension and Retiree Health Trust Funds
ASSETS	
Cash and Cash Equivalents	\$ 2,282,294
Investments	202,721,899
Contribution Receivable	2,200,000
Due from General Fund	23,669
Total Assets	207,227,862
NET POSITION	
Held in Trust for Retiree Health/Pension Benefits	\$ 207,227,862

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2022

	<u>Pension and Retiree Health Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 20,708,828
Plan Members	4,464,988
Total Contributions	<u>25,173,816</u>
Investment Earnings:	
Interest and Dividends	3,993,538
Net Decrease in Fair Value of Investments	<u>(34,118,956)</u>
Total Investment Earnings	<u>(30,125,418)</u>
Less: Investment Expense	<u>353,806</u>
Net Investment Gain (Loss)	<u>(30,479,224)</u>
Total Additions	(5,305,408)
DEDUCTIONS	
Benefits Paid to Members	22,629,456
Administrative Expenses	<u>269,240</u>
Total Deductions	<u>22,898,696</u>
CHANGE IN NET POSITION	(28,204,104)
Net Position - Beginning of Year	<u>235,431,966</u>
NET POSITION - END OF YEAR	<u><u>\$ 207,227,862</u></u>

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education of Charles County, Maryland (the Board) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Board of Education of Charles County, Maryland is a component unit of the County Commissioners of Charles County, Maryland (the County). The Board's financial statements are an integral part of the financial statements of The County Commissioners of Charles County, Maryland. This conclusion has been reached based on the following criteria: (1) The County Commissioners are responsible for approving the Board's budget and establishing spending limitations; (2) The County Commissioners are responsible for levying taxes and collecting and distributing the funds to the Board; (3) The Board cannot issue bonded debt, but the County can and does issue bonds to finance Board capital projects.

All amounts appearing in the basic financial statements and the tabular presentations within the notes to the financial statements are stated in U.S. dollars.

The following is a summary of the more significant accounting policies of the Board.

Reporting Entity

The main criterion used in determining the entity for financial reporting purposes is whether the Board 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 and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Board.

The Statement of Activities demonstrates the degree to which the direct expense of a given program is offset by program revenues. Direct *expenses* are those that are clearly identifiable with a specific program. *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 operation or capital requirements of a particular function.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Revenues and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues are recognized in the year for which they are earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus but use accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are both “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Federal and state reimbursement-type grant revenues are considered to be measurable and available as revenue when reimbursements for related eligible expenditures are collected within a year of the date the expenditure was incurred. The Board considers all non-reimbursement type revenues available if they are collectible within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and workers’ compensation. Liabilities for compensated absences and workers’ compensation are recognized as fund liabilities and expenditures when amounts are due and payable. State aid is recorded at the time of receipt or earlier, if the “susceptible to accrual” criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Special revenue (food services) fund revenue includes the value of commodities donated by the United States Department of Agriculture which were received during the fiscal year. Expenditures include the value of commodities consumed during the fiscal year.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Board reports the following funds:

General Fund – The General Fund is the Board’s primary operating fund. It accounts for all financial resources of the Board, except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted for specific purposes. The Board has the following Special Revenue Fund: the Restricted Programs Fund which consists of individual funds for state, local, and federal grants restricted for specific purposes and the Food Service Fund.

Capital Projects Funds – The Capital Improvement Program Fund and the School Construction Fund are used to account for the acquisition or construction of major capital facilities, significant repairs, and maintenance, and the acquisition of equipment. These funds are considered to be sub-funds established for capital projects and are considered as one major fund for purposes of presentation in the fund financial statements.

Fiduciary Fund – This represents trust funds which are used to account for assets held by the Board in a trust or agency capacity. These include:

- a. Pension Trust Fund – The Pension Trust Fund is used to account for activities of the Board’s administered retirement system.
- b. Retiree Health Trust Fund – This fund was established to record other postemployment benefits (OPEB) that the Board provides to retirees and their dependents of Charles County Public Schools.

Budgets and Budgetary Accounting

The following procedures are used by the Board in establishing the budgetary data reflected in the financial statements:

1. Subsequent to March, the Board submits to Charles County Commissioners a proposed operating budget for the fiscal year starting the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The approved budget is returned to the Board by the County Commissioners prior to June 30.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

3. Legal budgetary control is employed for the General Fund only. The Capital Projects budget and the Special Revenue — Restricted Program are prepared on a project length basis and program basis, respectively, and, accordingly, annual budgetary comparisons are not presented in the financial statements. The Special Revenue — Food Service Fund budget is adopted by the Board for management purposes only, and is not subject to and under the control of the Charles County Commissioners. Accordingly, budgetary comparisons are not presented as required supplementary information, but are shown as other supplementary information.
4. Budgets are prepared and adopted on a budgetary basis which differs from GAAP due to the inclusion of encumbrances as expenditures and the usage of budget surplus as a revenue source to balance the budget.
5. The Board may transfer funds between major categories with approval by the County Commissioners. The Board has the authority to transfer funds between objects (i.e., salaries and wages, contracted services, supplies and materials) within the major categories, but must notify the County of such action. In accordance with Education Article 5-105 of the Annotated Code of Maryland, the Board may not exceed the appropriation by category without transfer and approval by the County.
6. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds.

The budgeted amounts reflected in the accompanying financial statements reflects budget transfers made within budget categories during the year, all of which were properly reported and/or approved, as applicable.

Inventories

Inventories are valued at the lower of cost or market. Cost for supplies inventory is determined using the weighted average method, while cost for food service inventory is determined using the first-in, first-out method. Inventory in the General and Special Revenue Funds consist of expendable supplies held for consumption and certain school equipment not placed in service as of year-end. The cost is recorded as an expenditure item at the time the individual inventory items are used rather than when purchased (consumption method). In the fund financial statements, these inventories are classified as non-spendable which indicates that they do not constitute available expendable resources.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due to/from Other Funds

Interfund balances result from transactions that constitute reimbursements to a fund, typically the General Fund, for expenditures initially made from it that are applicable to another fund. These amounts are eliminated in the Government Wide Statement of Net Position.

Compensated Absence

Employees earn annual leave at the rate of 16 to 25 days per year, depending upon the length of service and the position held by the employee. There is no requirement that annual leave be taken, but the maximum permissible accumulation is 76 days. Upon retirement, classified employees are paid for any accumulated annual leave not to exceed 60 days at the employee's current wage rate. Upon termination for any reason other than retirement, classified employees are paid for any accumulated annual leave not to exceed 30 days at the employee's current wage rate. Upon termination, professional employees, other than 10 and 11 month employees such as teachers, librarians, counselors, and speech therapists, are paid for all accrued, but unused annual leave.

Employees earn sick leave at the rate of one day per month of employment, for ten and eleven month professional employees. There is no limit on the accumulation of sick leave. At termination, employees are not paid for accumulated sick leave unless they retire with 10 years of service in Charles County. The rate of sick leave reimbursement is a maximum of \$100 per day, for no more than 100 days of sick leave for certificated and \$100 per day, for no more than 100 days of sick leave for noncertificated employees.

The entire compensated absence liability is reported on the government-wide financial statements. For the governmental fund financial statements, the amount of accumulated vacation and sick leave is only recorded if the amounts are payable due to resignations or retirements.

Unearned Revenue

Revenues received before being earned are recorded as unearned revenue. The unearned revenue in the General Fund consists of tuition payments received in advance of summer school. The unearned revenues recorded in the Special Revenue Funds represent funds and commodities received in excess of expenditures incurred in connection with the federal financial assistance programs.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Equity

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

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

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

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

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

Nonspendable – Includes fund balance amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact such as a permanent fund. Not in spendable form includes items that are not expected to be converted to cash, such as inventories and prepaid expenses.

Restricted – Includes amounts that are restricted to specific purposes when constraints are placed on the use of resources by constitution, external resource providers, or through enabling legislation.

Committed – Includes fund balance amounts that can be used only for the specific purposes determined by formal action (Board resolution) of the Board of Education Directors (the Board's highest level of decision-making authority). Similar action of the Board is required to modify or rescind such commitments.

Assigned – Includes fund balance amounts that are intended to be used by the Board for specific purposes as determined by the Assistant Superintendent of Fiscal Services. The authority to assign funds has been granted to the Assistant Superintendent of Fiscal Services by the Board of Education Directors. Constraints imposed on the use of assigned amounts do not rise to the level required to be classified as either restricted or committed.

Unassigned – Represents the residual classification for the Board's general fund and includes all spendable amounts not contained in the four classifications described above.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Order of Net position/Fund Balance Spending Policy

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

Deposits and Investments

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition, including investments in the Maryland Local Government Investment Pool (MLGIP).

Investments are reported at fair value with the exception of MLGIP. Changes in the fair value of investments are recorded in investment income. The MLGIP's value is reported at amortized cost.

Capital Assets

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

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

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

Buildings and improvements, land improvements, and furniture and equipment of the Board are depreciated using the straight-line method over the following estimated lives:

Buildings and Improvements	30 Years
Land Improvements	10 Years
Furniture and Equipment	5 to 10 Years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position reports 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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. The Board's long-term obligations include compensated absences, lease liabilities and other postemployment benefits obligations.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Charles County Board of Education's Defined Benefit Plan and additions to/ deductions from the Plan's fiduciary net pension have been determined on the same basis as they are reported in the Board's financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Benefit Trust of the Board of Education of Charles County and additions to/deductions from Trust's fiduciary net position have been determined on the same basis as they are reported by the Board. For this purpose, the Board recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Board adopted the requirements of the guidance effective July 1, 2021, and has applied the provisions of this standard to the beginning of the period of adoption.

NOTE 2 CASH AND INVESTMENTS

Various cash accounts and short-term investments are held by the Board. The Board has engaged an independent third party as custodian for securities collateralizing repurchase agreements.

Deposits

At year-end, the carrying amount of the Board's combined deposits was \$67,963,607 and the bank balance was \$71,344,833. The bank balance was covered by either Federal depository insurance or by collateral held in either the pledging bank's trust department or by the pledging bank's agent in the Board's name.

Statutes authorize secured time deposits in Maryland banks and require uninsured deposits to be fully collateralized.

Investments

The Board of Education is required to comply with the investment policy of Charles County Government. This policy authorizes the Board to invest in short-term United States Government securities, repurchase agreements, the Maryland Local Government Investment Pool, and certificate of deposits.

The Pension and Retiree Health Trust Funds are authorized to invest in repurchase agreements, domestic and foreign equities, obligations of the United States and its agencies, securities issued or guaranteed by a foreign government or corporation, marketable corporate bonds, collateralized obligations, commercial paper, bankers' acceptances, certificates of deposit, commercial paper, money market funds, mutual funds, guaranteed insurance contracts, limited partnerships, venture-capital investments, and real estate investments.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

The Retiree Health Trust investments are invested in the Maryland Association of Board of Education 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 (including Fiduciary Fund), Caroline, Cecil, Charles, Harford, Kent, Prince George's, St. Mary's, and Washington.

The assets of the MABE Trust are managed by GYL Financial Synergies, LLC and consist of money market funds, U.S. government securities, fixed income securities, mortgage-backed securities, equity securities, mutual funds, and certificates of deposits. At June 30, 2022, the pooled assets of the MABE Trust were valued at \$537,118,808 in total, of which the Board's share was \$83,412,063.

Investments (Continued)

The Board is a participant in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the state a safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP as part of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, is managed by PNC Institutional Investments. The pool is a 2a7 like pool, which is not registered with the Securities & Exchange Commission (SEC), but generally operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 (Rule 2a7). The pool has an AAAM rating from Standards and Poors and maintains a \$1.00 per share value. The pool is designed to give local government units of the state an investment vehicle for short-term investments of funds. An MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the pool. The amortized cost of the pool is the same as the value of the pool shares.

A summary of cash and investments at June 30, 2022 is as follows:

	Total Governmental Funds	Total Fiduciary Funds	Total	Weighted Average Maturity in Years
Cash on Hand	\$ 20,164	\$ 770,533	\$ 790,697	N/A
Deposits	67,963,607	-	67,963,607	N/A
Money Market Mutual Funds	8,620,740	1,511,761	10,132,501	N/A
MLGIP	24,938,237	-	24,938,237	N/A
MABE Trust	-	83,412,063	83,412,063	5.27 %
U.S. Government and Agencies	-	9,203,282	9,203,282	8.59 %
Corporate Bonds	-	12,207,136	12,207,136	8.42 %
Equity Mutual Funds	-	44,250,318	44,250,318	N/A
Fixed Income Mutual Funds	-	14,599,805	14,599,805	N/A
Common Stocks	-	22,957,752	22,957,752	N/A
Fixed Income Nonprofit	-	179,264	179,264	4.18 %
Partnerships	-	3,533,822	3,533,822	N/A
Foreign Bonds	-	2,000,408	2,000,408	6.21 %
Mortgage-Backed Securities	-	10,175,853	10,175,853	24.83 %
Municipal Obligations	-	202,196	202,196	7.01 %
Total	<u>\$ 101,542,748</u>	<u>\$ 205,004,193</u>	<u>\$ 306,546,941</u>	

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

The following tables summarize the ratings and maturity for fixed income investments held at June 30, 2022:

	S&P Ratings										
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Unrated
U.S. Government and Agencies	\$ -	\$ 9,203,282	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	-	-	218,398	64,173	50,150	698,349	1,635,669	3,287,435	3,969,750	2,188,149	95,063
Fixed Income - Nonprofit	-	-	-	-	-	96,737	82,527	-	-	-	-
Foreign Bonds	-	-	-	-	126,686	69,334	20,735	324,568	764,940	506,658	187,487
Mortgage Backed Securities	438,637	-	-	-	-	-	19,465	-	-	-	9,717,751
Grand Total	\$ 438,637	\$ 9,203,282	\$ 218,398	\$ 64,173	\$ 176,836	\$ 864,420	\$ 1,758,396	\$ 3,612,003	\$ 4,734,690	\$ 2,694,807	\$ 10,000,301

	FMV	Less than 1	1-5 Years	6-10 Years	11-15 Years	16-20 Years	20+ Years
	U.S. Government and Agencies	\$ 9,203,282	\$ -	\$ 4,351,192	\$ 3,155,105	\$ -	\$ 655,454
Corporate Bonds	\$ 12,207,136	83,968	3,213,669	5,152,817	604,832	508,303	2,643,547
Fixed Income - Nonprofit	\$ 179,264	-	82,527	96,737	-	-	-
Foreign Bonds	\$ 2,000,408	-	654,322	794,584	-	126,687	424,815
Mortgage Backed Securities	\$ 10,175,853	417,872	888,556	-	301,045	852,739	7,715,641
Grand Total	\$ 33,765,943	\$ 501,840	\$ 9,190,266	\$ 9,199,243	\$ 905,877	\$ 2,143,183	\$ 11,825,534

Interest Rate Risk

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

Interest income is reported as general revenue in the Statement of Activities.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the Board will not be able to recover all or a portion of its investments or collateral securities that are in the possession of an outside party. In this regard, the Board limits its investments, other than Fiduciary Funds' investments, to overnight deposits that are insured or collateralized with securities held by a custodial in the Board's name and investments in the MLGIP. Statutes require that deposits be in Maryland banks and that uninsured deposits be fully collateralized and authorize the Board to invest in obligations of the United States government, federal agency obligations, and repurchase agreements secured by direct government or agency obligations. For fiduciary funds, investment policy requires that all assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Concentrations of Credit Risk

The investment policy of the Pension Plan limits the exposure of debt securities of any one private corporation to no more than 5% of the cost value of assets within the portfolio. There were no debt security investments in any one private corporation over this limit as of June 30, 2022.

Foreign Credit Risk

The Board, the Board of Education of Charles County Defined Benefit Pension Plan, and the Retiree Health Trust (The Plans)'s investment policies do not allow for investments denominated in foreign currencies. The Board and the Plans do not hold such investments.

Investments and Valuation

The Board, the Board of Education of Charles County Defined Benefit Pension Plan, and the Retiree Health Trust (The Plans) 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 and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses, and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis. Following is a description of the valuation methodologies used for assets measured at fair value.

Interest in MABE Trust- the MABE Trust is a Common trust fund which is comprised of shares or units in a commingled fund that is not publicly traded. Underlying assets in these funds include money market funds, U.S. government securities, fixed income securities, asset backed securities, equity securities, mutual funds and exchange traded funds and are valued at fair value based on quoted prices for similar assets in active markets. The Board may terminate its membership in the Trust and withdraw its allocated investment balance by providing written notification to the Trust six months prior to the intended withdrawal date.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments and Valuation (Continued)

The Board and the Plan had the following recurring fair value measurements as of June 30, 2022:

	Level 1	Level 2	Level 3	Balance June 30, 2022
Investments by Fair Value Level:				
Debt Securities:				
Corporate Bonds	\$ -	\$ 12,207,136	\$ -	\$ 12,207,136
Mortgage-Backed Obligations	-	10,175,853	-	10,175,853
Municipal Bonds		202,196		202,196
Foreign Bonds	-	2,000,408	-	2,000,408
U.S. Government and Agencies	-	9,203,282	-	9,203,282
Total Debt Securities	-	33,788,875	-	33,788,875
Equity Securities:				
Common Stocks	22,957,752	-	-	22,957,752
Fixed Mutual Funds	14,599,805	-	-	14,599,805
Fixed Income - Nonprofit	179,264	-	-	179,264
Partnerships	3,533,822	-	-	3,533,822
Equity Mutual Funds	44,250,318	-	-	44,250,318
Total Equity Securities	85,520,961	-	-	85,520,961
MABE OPEB Trust	-	83,412,063	-	83,412,063
Total	\$ 85,520,961	\$ 117,200,938	\$ -	\$ 202,721,899
Cash and Investments carried at NAV or Amortized Cost:				
Cash on Hand				790,697
Deposits				67,963,607
Money Market Mutual Funds				10,132,501
MLGIP				24,938,237
Total Cash and Investments at Amortized Cost				103,825,042
Total Cash and Investments				\$ 306,546,941

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 is as follows:

Governmental Activities	Balance at June 30, 2021	Increases	Decreases	Balance at June 30, 2022
Capital Assets Not Being Depreciated				
Land	\$ 19,414,134	\$ -	\$ -	\$ 19,414,134
Construction-in-Progress	63,208,469	22,856,002	(33,302,781)	52,761,690
Total Capital Assets, Not Being Depreciated	82,622,603	22,856,002	(33,302,781)	72,175,824
Capital Assets Being Depreciated				
Buildings and Improvements	657,443,071	40,566,302	(3,844)	698,005,529
Land Improvements	25,987,258	2,518,470	(9,800)	28,495,928
Furniture and Equipment	32,188,194	1,377,589	(1,948,297)	31,617,486
Total Capital Assets Being Depreciated	715,618,523	44,462,361	(1,961,941)	758,118,943
Less: Accumulated Depreciation				
Buildings and Improvements	(336,023,698)	(18,048,450)	3,244	(354,068,904)
Land Improvements	(15,848,268)	(1,853,925)	9,800	(17,692,393)
Furniture and Equipment	(27,680,818)	(1,207,109)	1,943,256	(26,944,671)
Total Accumulated Depreciation	(379,552,784)	(21,109,484)	1,956,300	(398,705,968)
Total Capital Assets, Being Depreciated, Net	336,065,739	23,352,877	(5,641)	359,412,975
Right-To-Use Assets				
Equipment	-	1,464,272	-	1,464,272
Total Amortized Lease Right-To-Use Assets	-	1,464,272	-	1,464,272
Less: Lease Asset Accumulated Amortization				
Equipment	-	(578,118)	-	(578,118)
Total Lease Asset Accumulated Amortization	-	(578,118)	-	(578,118)
Total Lease Assets, Being Amortized, Net	-	886,154	-	886,154
Capital Assets, Net	<u>\$ 418,688,342</u>	<u>\$ 47,095,033</u>	<u>\$ (33,308,422)</u>	<u>\$ 432,474,953</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 CAPITAL ASSETS (CONTINUED)

Depreciation/ Amortization expense was charged to functions of the Board as follows:

Governmental Activities	
Regular Education	\$137,836
Special Education	4,339
Supporting Services:	
Pupil Services	13,368
Administration	115,800
Instructional Support	4,414
Operation and Maintenance of Facilities	1,974,464
Transportation	170,233
Community Services	1,941
School Lunch Services	31,708
Planning and Construction	1,420,239
Unallocated	17,813,260
Total Depreciation Expense - Governmental Activities	<u>\$ 21,687,602</u>

The Board has active school construction projects at June 30, 2022, as follows:

	Spent to Date	Remaining Commitment
Benjamin Stoddert Middle Renovation/Feasibility Study	<u>\$45,843,832</u>	<u>\$7,030,637</u>
Other Projects	<u>6,917,858</u>	<u>35,768,688</u>
Total	<u>\$ 52,761,690</u>	<u>\$ 42,799,325</u>

NOTE 4 RETIREMENT SYSTEM — STATE OF MARYLAND DESCRIPTION

Plan Description

Certain Board employees are covered by the Teachers Retirement System of the State of Maryland, the Teachers' Pension System of the State of Maryland. These systems are part of the Maryland State Retirement and Pension System (the State System) and is a cost-sharing multiple-employer public employee retirement system. The State System provides pension, death, and disability benefits to Plan members and beneficiaries. The state of Maryland pays a substantial portion of employer contributions on behalf of the Board. The Plan is administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the State System is vested in a 15-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issued a publicly available financial report that includes basic financial statements and required supplementary information for the State System. The report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202, or by calling 410-625-5555. The System also issues a publicly available financial report that can be obtained at <http://www.sra.state.md.us>.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 RETIREMENT SYSTEM — STATE OF MARYLAND DESCRIPTION (CONTINUED)

Benefits Provided

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

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

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

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 RETIREMENT SYSTEM — STATE OF MARYLAND DESCRIPTION (CONTINUED)

Contributions

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

Beginning in FY2017, the Board pays 100% of the normal cost for their teachers in the Teachers' Retirement and Pension System while the State contributes on behalf of the Board, the unfunded liability portion of the Board's annual required contribution to the Teachers' Retirement and Pension System. For the year ended June 30, 2022, the Board's contribution was \$8,537,627. The state's contributions on behalf of the Board for the year ended June 30, 2022, was \$22,440,623. The fiscal 2022 contribution made by the state on behalf of the Board have been included as both revenues and expenditures in the general fund in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances and are also included as revenues and expenses in the Statement of Activities.

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

At June 30, 2022, the Board did not report a liability related to the Teachers' Retirement and Pension Systems due to a special funding situation. The state of Maryland pays the unfunded liability for the Board, therefore, the Board is not required to record its share of the unfunded pension liability, but instead, that liability is recorded by the state of Maryland. The amount recognized by the Board as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Board were as follows:

State's Proportionate Share of the Net Pension Liability	\$ 144,818,154
Board's Proportionate Share of the Net Pension Liability	-
Total	\$ 144,818,154

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2022, the Board recognized pension expense of \$30,987,250 and revenue of \$22,440,623 in the General Fund for support provided by the state and Board. In the Statement of Activities, the Board recognized pension expense of \$3,688,123 and revenue of \$3,688,123 for support provided by the State and Board. Due to the special funding situation noted above related to the Teachers' Retirement and Pension Systems, the Board did not report deferred outflows of resources and deferred inflows of resources related to the Teachers' Retirement and Pension Systems.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 RETIREMENT SYSTEM — STATE OF MARYLAND DESCRIPTION (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2021, 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 9.25%
Investment Rate of Return	6.80%

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

The economic and demographic actuarial assumptions used in the June 30, 2021 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2014-2018, after completion of the June 30, 2018 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2019. As a result, an investment return assumption of 6.80% and an inflation assumption of 2.25% were used in the June 30, 2021 valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37 %	4.70 %
Private Equity	13	6.50 %
Rate Sensitive	19	(0.40)%
Credit Opportunity	9	2.60 %
Real Assets	14	4.20 %
Absolute Return	8	2.00 %
Total	100 %	

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2021.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 RETIREMENT SYSTEM — STATE OF MARYLAND DESCRIPTION (CONTINUED)

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 26.69%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The single discount rate used to measure the total pension liability was 6.80%. This single discount rate was based on the expected rate of return on pension plan investments of 6.80%. 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 plans 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.

Pension Plan Fiduciary Net Position

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

NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

The Board of Education of Charles County Defined Benefit Pension Plan (the Plan) is a single employer public employee retirement system which was established for the benefit of employees not covered by the Teachers' Retirement System or the Teachers' Pension System of the State of Maryland (the Systems). The Plan was created under authorization of the Board effective July 1, 1969. The Plan provides pension income based on average pay and years of service.

The Statement of Plan Assets and Statement of Changes in Plan Net Position are prepared on the accrual basis of accounting, with contributions recognized when due. Benefits and expenses are recognized when due and payable. Investments are reported at fair value.

Securities traded on a national or international exchange are valued at the latest reported sales price at current exchange rates.

The Plan is administered by Reliance Trust. Investments are managed by various market fund managers and an internal investment committee which includes an outside investment consultant.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Administration

Management of the Plan is overseen by a Pension Committee under Section XI of the Plan Document. Per the Plan Document, The Pension Committee is composed of not less than three individuals appointed by the Superintendent of Schools to serve for such time as determined by the Superintendent. The Pension Committee has the discretion and authority to interpret the Plan and to determine the eligibility and benefits of Participants and beneficiaries pursuant to the provisions of the Plan. On all such matters, the decision of a majority of the then members of the Pension Committee shall govern and be binding upon the Employer, Participants, and beneficiaries. The Pension Committee need not call or hold any meeting for the purpose of rendering decisions, but such decisions may be evidenced by a written document signed by the members.

Investment Policy

The Pension Committee is responsible for administering the investment policies of the Plan and providing oversight for the management of the Plan's assets. The investment strategy of the Plan is to emphasize total return (defined as the aggregate return from capital appreciation and dividend and interest income). The investment policy requires that all Plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Plan, with minimal impact on market price. The following was the Plan's adopted asset allocation policy as of June 30, 2022:

Asset Class	Minimum	Maximum	Target
Equities	30%	70%	56%
Fixed Income	30%	80%	41%
Cash and Equivalents	0%	15%	3%

Concentrations

The Pension plan held the following investments as of June 30, 2022 that exceeded 5% of the pension plan's fiduciary net position:

Investment	Percentage of Pension Fiduciary Net Position	Fair Market Value
Vanguard Russell 1000	5.73%	6,968,258
Invesco Developing Markets R6	8.20%	9,968,267
PIMCO Income Fund Institutional Fund	5.01%	6,089,123

Rate of Return on Investments

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for fiscal year 2022 was (12.96) %. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided

All employees not covered by the State System who work at least four hours per day and at least 10 months per year must join the Plan as a condition of employment. Participants are required to contribute 5% of their gross earnings to the Plan. Participants are eligible for full benefits upon retirement at age 60, the normal retirement date or age 55, the early retirement date. Full benefits in the Plan are defined as 1.5% of the Average Monthly Earnings multiplied by the years of continuous service through July 1, 1998, plus 2.0% of the Average Monthly Earnings multiplied by the years of continuous service after July 1, 1998 prior to the normal retirement date.

Employees Covered by Benefit Terms

At July 1, 2021, the date of the latest actuarial valuation, the following employees were covered by the benefit terms:

Retirees and Beneficiaries Receiving Benefits	351
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	411
Active Plan Members	546
Total	1,308

Contributions

Per Section VII of the Plan agreement, the Board establishes contribution amounts based on an actuarially determined amount recommended by an independent actuary. The actuarially determined amount is the estimated amount necessary to pay all of the Plan cost (in excess of Participant contributions) that the actuary determines to be necessary to maintain the Plan as a qualified plan under the Internal Revenue Code and Regulations. For the year ended June 30, 2022, the average active employee contribution rate was 5.0% of annual pay. For fiscal year 2022, the Board contributed \$3,404,305 to the Plan while participants contributed \$1,405,601. These contributions amounted to approximately 19.70% of covered payroll.

Net Pension Liability

The net pension asset of the Plan was measured as of June 30, 2022, and the net pension asset was determined by an actuarial valuation as of that date.

Total Pension Liability	\$ 140,591,984
Plan Fiduciary net Position	(121,592,130)
Net Pension Liability	\$ 18,999,854

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.49 %
---	---------

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

Method and assumptions used to determine Net Pension Liability were as follows:

Valuation Date	July 1, 2021, rolled forward to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Period	20 Years
Asset Valuation Method	Market value of Assets
Investment Rate of Return	6.50% per year compounded annually, net of Investment expenses
Projected salary increases	Years of service based 0.50-7.00%
Cost of living adjustments	2.50% limited to 150% of original benefit
General inflation	2.40% per year
Retirement	Experience-based table of rates
Mortality rate	Pub-2010(B) Public Retirement Plans Below Median Income Amount-Weighted Mortality Tables (for General Employees) projected to valuation date with Scale MP-2021
Experience Studies	The actuarial assumptions used in the valuation were based on standard tables modified for certain plan features such as full eligibility for full and early retirement where applicable and input from the plan sponsor. A full actuarial experience study was done in 2016 using data from 2004-2016.

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 arithmetic real rate of return for each major asset class included in the pension plan's target asset allocation of June 30, 2022.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap	18.00 %	4.89 %
U.S. Mid Cap	6.00 %	5.58 %
U.S. Small Cap	6.00 %	6.27 %
Non-US Developed Large Cap Equity	14.50 %	6.12 %
Emerging Markets Equity	8.00 %	8.23 %
Real Estate -REITS	3.50 %	5.35 %
MLPs	3.50 %	6.05 %
Diversified Hedge Funds	3.00 %	3.04 %
U.S. Aggregate Fixed Income	28.50 %	0.45 %
Multi-Asset Credit	5.00 %	2.58 %
U.S. High Yield Fixed Income	4.00 %	2.34 %
U.S Cash	- %	(0.14)%

Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flow to determine the discount rate assumed the contributions from Plan members will be made at the current contribution rate and that contributions from the Board will be made at contractually required rates, actuarially determined. Based on those 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 the pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of June 30, 2021	\$ 132,041,631	\$ 141,445,539	\$ (9,403,908)
Changes for the Year:			
Service Cost	3,936,504	-	3,936,504
Interest	8,963,875	-	8,963,875
Differences Between Expected and Actual Experience	(1,372,479)	-	(1,372,479)
Changes of Assumptions	3,487,997	-	3,487,997
Contributions - Employer	-	3,404,305	(3,404,305)
Contributions - Member	-	1,405,601	(1,405,601)
Net Investment Income (Loss)	-	(18,197,771)	18,197,771
Benefit Payments, Including Refunds of Members Contributions	(6,465,544)	(6,465,544)	-
Net Changes	<u>8,550,353</u>	<u>(19,853,409)</u>	<u>28,403,762</u>
Balances as of June 30, 2022	<u>\$ 140,591,984</u>	<u>\$ 121,592,130</u>	<u>\$ 18,999,854</u>

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Board calculated using the discount rate of 6.50%, as well as what the Board's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%), or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability	\$ 35,940,355	\$ 18,999,854	\$ 4,812,777

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

For the year ended June 30, 2022, the Board recognized pension expense of \$(1,197,874). As of June 30, 2022, the Board 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
Differences Between Expected and Actual Experience	\$ 29,336	\$ 2,774,000
Changes in Assumptions	1,652,209	199,523
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	12,903,836	-
Total	\$ 14,585,381	\$ 2,973,523

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

Year Ending June 30,	Amount
2023	\$ 3,351,175
2024	2,554,116
2025	1,355,808
2026	5,238,993
2027	(306,287)
Thereafter	(581,947)

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Board provides medical, dental and life insurance benefits to eligible employees who retire from employment with the Charles County Public Board. The employer’s contributions are financed on a pay-as-you-go basis, and the future payment of these benefits is contingent upon the annual approval of the operating budget. Details of the postemployment benefits provided are as follows:

Plan Administration

Charles County Public Schools administers the Charles County Public Schools Post-Employment Medical and Life Insurance Benefits Plan a single- employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for retirees with at least 10 years of service with Charles County Public Schools.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Plan Administration (Continued)

The School System administers the Charles County Public Schools Post-Employment Medical and Life Insurance Benefits Plan (the Plan), a single-employer defined benefit health care plan. In May 2008, the School System created the Retiree Benefit Trust of the Board of Education of Charles County (the "Trust Fund") in order to arrange for the establishment of a reserve to pay health and welfare benefits for future retirees. Management of the Trust is vested in the School System Board. The "Trust Fund" was amended in July 2016.

Plan Membership

At June 30, 2021, the Plan membership consisted of the following:

Enrolled In Medical/Drug Coverage	
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefit Payments	928
Inactive Plan Members Entitled to But Not Yet Receiving Benefit Payments	242
Active Plan Member	2,620
Total	3,790
Enrolled In Life Coverage	
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefit Payments	975
Inactive Plan Members Entitled to But Not Yet Receiving Benefit Payments	215
Active Plan Member	1,981
Total	3,171

Benefits Provided

The Plan provides health and welfare coverage for retirees who have satisfied certain age, service and other requirements set forth in the Plan. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The Plan grants the Board the authority to establish and amend the benefit terms.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Funding Policy and Contribution

The contribution requirements of Plan members and the School System are established and may be amended by the School System. The required contribution is based on projected pay-as-you-go (PAYGO) financing requirements, with an additional amount to prefund benefits as determined annually by the School System. For fiscal year 2021, the School System contributed \$3.5 million to the OPEB Trust Fund. In addition, it paid \$10.9 million towards retiree health care costs, including administrative costs. Retirees contributed an additional \$2.9 million.

Medical and Dental Benefits – Retirees are eligible for continued membership in one of the Board’s group medical and dental plans provided that they have at least 10 years of service with the Charles County Public Schools. The Board pays 75% of the premiums for these Plans.

Life Insurance Benefits – The Board pays 75% of the life insurance premiums for retirees with at least 10 years of service. The amount of insurance coverage is based on the employees’ annual salary upon retirement.

Investment Policy

The Trust does not have a formal investment policy.

Concentration

The entire portfolio of investments of the Trust is invested in the MABE Pooled OPEB Trust.

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 23.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The Board’s net OPEB Liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

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

Total OPEB Liability	\$763,147,130
Plan Fiduciary Net Position	(93,986,427)
Board’s Net OPEB Liability	<u>\$ 669,160,703</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.32 %
--	---------

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability is based on June 30, 2021 valuation. The methods, assumptions, and participant data used are detailed below:

Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Market value of Assets
Inflation	2.5%
Salary Increases	Years of service based 5.00%-10.00%
Investment Rate of Return	7.5% per year compounded annually
Healthcare Cost Trend Rates:	
Medical	4.7% initial / 4.5% ultimate (not applicable to life insurance)
Dental	5.0% per year

Mortality rates were based on the Pub-2010 Teacher Headcount- Weighted Mortality, Projected with Fully Generational MP2019 Mortality Improvement Scale.

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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap	20.00%	6.97%
U.S. Mid Cap	7.00%	7.64%
U.S. Small Cap	6.00%	8.30%
International Developed Equities	13.00%	8.11%
International Emerging Market Equities	9.00%	10.59%
U.S. Real Estate	5.00%	7.55%
U.S. Investment Grade Bonds	28.50%	2.68%
U.S. High Yield Bonds	5.00%	4.60%
Emerging Market Bonds	3.50%	4.90%
Cash	3.00%	2.08%

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.64%. This calculation assumes that the members and the Schools will contribute pay-go rather than the required actuarially determined contributions. Based on that assumption, the Plan's fiduciary net position is expected to run out of assets in the year 2048, therefore having insufficient assets available to make all future benefit payments of current Plan members. A blended discount rate is determined based on the fully funded rate of 7.50% when assets are available prior to 2048, and the unfunded rate of 1.92% for 2048 and beyond. The long-term nominal expected rate of return on OPEB Plan investments was determined using a building-block method where return expectations are established for each asset class.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of June 30, 2020	\$ 654,445,141	\$ 73,120,198	\$ 581,324,943
Changes for the Year:			
Service Cost	29,684,153	-	29,684,153
Interest	20,473,698	-	20,473,698
Experience Losses (Gains)	(1,915,090)	-	(1,915,090)
Trust Contributions - Employer	-	14,432,282	(14,432,282)
Net Investment Income	-	17,605,490	(17,605,490)
Changes in Assumptions	71,630,771	-	71,630,771
Benefit Payments	(11,171,543)	(11,171,543)	-
Net Changes	<u>108,701,989</u>	<u>20,866,229</u>	<u>87,835,760</u>
Balances as of June 30, 2021	<u>\$ 763,147,130</u>	<u>\$ 93,986,427</u>	<u>\$ 669,160,703</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage- point lower (1.64%) or 1-percentage-point higher (3.64%) than the current discount rate:

	1% Decrease (1.64%)	Discount Rate (2.64%)	1% Increase (3.64%)
Net OPEB Liability	<u>\$837,159,320</u>	<u>\$669,160,703</u>	<u>\$539,227,223</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.00%) or 1-percentage-point higher (5.00%) than the current healthcare cost trend rates:

	1% Decrease 3.00%	Healthcare Cost Trend Rates 4.00%	1% Increase 5.00%
Net OPEB Liability	\$529,247,790	\$669,160,703	\$861,338,656

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

For the year ended June 30, 2022, the Board recognized OPEB expense of \$44,114,655. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 38,362,039	\$ 85,955,542
Changes in Assumptions	190,242,062	90,985,481
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	7,479,431
Employer Contributions Subsequent to Measurement Date	17,304,523	-
Total	\$ 245,908,624	\$ 184,420,454

Employee contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2021.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ (231,692)
2024	(298,093)
2025	(354,305)
2026	(1,001,341)
2027	1,398,500
Thereafter	44,670,578

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

GASB 74 INFORMATION

Plan Membership

At June 30, 2022, the Plan membership consisted of the following:

Enrolled in Medical/Drug Coverage	
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefit Payments	967
Inactive Plan Members Entitled to But Not Yet Receiving Benefit Payments	220
Active Plan Member	2,581
Total	3,768
Enrolled in Life Coverage	
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefit Payments	1,010
Inactive Plan Members Entitled to But Not Yet Receiving Benefit Payments	196
Active Plan Member	1,964
Total	3,170

Funding Policy and Contribution

The contribution requirements of Plan members and the School System are established and may be amended by the School System. The required contribution is based on projected pay-as-you-go (PAYGO) financing requirements, with an additional amount to prefund benefits as determined annually by the School System. For fiscal year 2022, the School System contributed \$4.2 million to the OPEB Trust Fund. In addition, it paid \$10.8 million towards retiree health care costs, including administrative costs. Retirees contributed an additional \$3 million.

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -22.40%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Net OPEB Liability of the Plan

The components of the net OPEB liability of the Plan at June 30, 2022, were as follows:

Total OPEB Liability	\$ 609,900,459
Plan Fiduciary Net Position	(85,635,732)
Board's Net OPEB Liability	<u>\$ 524,264,727</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.04%
--	--------

Actuarial Methods and Assumptions

The total OPEB liability is based on June 30, 2022 valuation data. The methods, assumptions, and participant data used are detailed below:

Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Market value of Assets
Inflation	2.5%
Salary Increases	Years of service based 5.00%-10.00%
Investment Rate of Return	7.5% per year compounded annually
Healthcare Cost Trend Rates:	
Medical	4.7% initial / 4.5% ultimate (not applicable to life insurance)
Dental	5.0% per year

Mortality rates were based on the Pub-2010 Teacher Headcount-Weighted Mortality, Projected with Fully Generational MP2019 Mortality Improvement Scale.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap	19.00 %	7.44 %
U.S. Mid Cap	6.50 %	8.10 %
U.S. Small Cap	6.50 %	8.76 %
International Developed Equities	15.00 %	8.62 %
International Emerging Market Equities	8.00 %	10.71 %
U.S. Real Estate	5.00 %	7.90 %
U.S. Investment Grade Bonds	28.50 %	3.17 %
U.S. High Yield Bonds	5.00 %	5.19 %
Emerging Market Bonds	3.50 %	5.54 %
Cash	3.00 %	2.49 %

Discount Rate

The discount rate used to measure the total OPEB liability was 4.01%. This calculation assumes that the members and the Schools will contribute pay-go rather than the required actuarially determined contributions. Based on that assumption, the Plan's fiduciary net position is expected to run out of assets in the year 2049, therefore having insufficient assets available to make all future benefit payments of current Plan members. A blended discount rate is determined based on the fully funded rate of 6.00% when assets are available prior to 2049, and the unfunded rate of 3.96% for 2049 and beyond. The long-term nominal expected rate of return on OPEB Plan investments was determined using a building-block method where return expectations are established for each asset class.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Discount Rate (Continued)

	Increase (Decrease)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of June 30, 2021	<u>\$ 763,147,130</u>	<u>\$ 93,986,427</u>	<u>\$ 669,160,703</u>
Changes for the Year:			
Service Cost	36,015,892	-	36,015,892
Interest	19,964,531	-	19,964,531
Experience Losses (Gains)	6,238,539	-	6,238,539
Trust Contributions - Employer	-	17,304,523	(17,304,523)
Net Investment Income (Loss)	-	(12,281,455)	12,281,455
Changes in Assumptions	(202,091,870)	-	(202,091,870)
Benefit Payments	(13,373,763)	(13,373,763)	-
Administrative Expense	-	-	-
Net Changes	<u>(153,246,671)</u>	<u>(8,350,695)</u>	<u>(144,895,976)</u>
Balances as of June 30, 2022	<u><u>\$ 609,900,459</u></u>	<u><u>\$ 85,635,732</u></u>	<u><u>\$ 524,264,727</u></u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.01%) or 1-percentage-point higher (5.01%) than the current discount rate:

	1% Decrease (3.01%)	Discount Rate (4.01%)	1% Increase (5.01%)
Net OPEB Liability	<u>\$ 641,107,483</u>	<u>\$ 524,264,727</u>	<u>\$ 432,034,324</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease (2.94%)	Healthcare Cost Trend Rates (3.94%)	1% Increase (4.94%)
Net OPEB Liability	<u>\$ 429,058,251</u>	<u>\$ 524,264,727</u>	<u>\$ 649,840,303</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 TRUST FUNDS

The condensed financial statements of the Board's trust funds are as follows:

Condensed Statement of Net Position			
	Retiree Health Trust Fund	Pension Trust Fund	Total
Assets			
Investments, Including Cash and Cash Equivalents	\$ 83,412,063	\$ 121,592,130	\$ 205,004,193
Other Assets	2,223,669	-	2,223,669
Total Assets	85,635,732	121,592,130	207,227,862
Net Position - Held in Trust for Retiree Health/Pension Benefits	\$ 85,635,732	\$ 121,592,130	\$ 207,227,862

Condensed Statement of Net Position			
	Retiree Health Trust Fund	Pension Trust Fund	Total
Additions			
Contributions	\$ 20,363,910	\$ 4,809,906	\$ 25,173,816
Net Investment Gain (Loss)	(12,281,454)	(18,197,770)	(30,479,224)
Total Additions	8,082,456	(13,387,864)	(5,305,408)
Deductions			
Benefits Paid	16,163,911	6,465,545	22,629,456
Administrative Expenses	269,240	-	269,240
Total Deductions	16,433,151	6,465,545	22,898,696
Change in Net Position	(8,350,695)	(19,853,409)	(28,204,104)
Net Position - Beginning of Year	93,986,427	141,445,539	235,431,966
Net Position - End Of Year	\$ 85,635,732	\$ 121,592,130	\$ 207,227,862

NOTE 8 DEBT SERVICE

School Construction Debt

The Board is not obligated to repay principal or interest on any debt incurred for school construction. Such bonds and loans are obligations of the county and state governments. Accordingly, the Board does not record school construction debt service revenues, expenditures, or outstanding school construction debt in statements prepared in accordance with GAAP.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 INTERFUND ACCOUNTS

At June 30, 2022, the amounts due to and from other funds were as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 3,506,829	\$ 23,669
Special Revenue - Food Service	-	2,060,151
Special Revenue - Restricted Program	951,848	-
Fiduciary Fund - Other Post Employment Benefits	23,669	-
Capital Projects	-	2,398,526
Total	<u>\$ 4,482,346</u>	<u>\$ 4,482,346</u>

NOTE 10 LONG-TERM LIABILITIES

The following is an analysis of the changes in long-term liabilities for the year ended June 30, 2022:

	Beginning Balance	Net Increase (Decrease)	Ending Balance	Amount Due Within One Year
Compensated Absences	\$ 10,927,983	\$ 289,628	\$ 11,217,611	\$ 885,426
Leases Liability	-	886,927	886,927	561,381
Net OPEB Liability	581,324,942	87,835,761	669,160,703	-
Net Pension (Asset) Liability	(9,403,908)	44,054,614	18,999,854	-
Total Long-Term Liabilities	<u>\$ 582,849,017</u>	<u>\$ 133,066,930</u>	<u>\$ 700,265,095</u>	<u>\$ 1,446,807</u>

For the governmental activities, compensated absences, lease liabilities, net pension liability, and net other postemployment benefits (OPEB) liability are generally liquidated by the General Fund.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 LEASES

Lessee:

The Board is a lessee for noncancellable leases of equipment. The Board recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Board leases equipment for various terms under long-term, non-cancelable lease agreements, with interest rates ranging from 0.165% through 1.977%. The leases expire at various dates through 2027 and provide for renewal options.

Total future minimum lease payments under lease agreements are as follows:

	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 559,187	\$ 2,194	\$ 561,381
2024	305,299	882	306,181
2025	8,119	364	8,483
2026	7,748	213	7,961
2027	6,574	60	6,634
Total minimum lease payments	<u>\$ 886,927</u>	<u>\$ 3,713</u>	<u>\$ 890,640</u>

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

	<u>Governmental Activities</u>
Equipment	\$ 1,464,272
Less: accumulated amortization	<u>(578,118)</u>
	<u>\$ 886,154</u>

Lessor:

The Board, acting as lessor, leases land under long-term, non-cancelable lease agreements, with interest rates ranging from 0.165% through 1.555%. The Board recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. The leases expire at various dates through 2054 and provide for renewal options. During the year ended June 30, 2022, the Board recognized \$268,752 and \$23,932 in lease revenue and interest revenue, respectively, pursuant to these contracts.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 LEASES (CONTINUED)

Total future minimum lease payments to be received under lease agreements are as follows:

	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 225,683	\$ 28,548	\$ 254,231
2024	232,840	26,463	259,303
2025	242,500	24,294	266,794
2026	247,160	22,028	269,188
2027	172,992	19,779	192,771
2028-2032	934,406	67,296	1,001,702
2033 - 2037	370,174	22,657	392,831
2038 - 2042	52,334	14,110	66,444
2043 - 2047	60,607	9,669	70,276
2048 - 2052	65,504	4,772	70,276
2053 and thereafter	27,660	450	28,110
Total minimum lease payments	<u>\$ 2,631,860</u>	<u>\$ 240,066</u>	<u>\$ 2,871,926</u>

NOTE 12 COMMITMENTS AND CONTINGENCIES

Litigation

Various claims and lawsuits are pending against the Board. The Board's attorneys estimate that potential claims against the Board not covered by insurance resulting from such litigation would not materially affect the financial statements of the Board.

Health Insurance

The Board entered into an agreement with BlueCross BlueShield of Maryland for health insurance under a claims made policy. The Board underwrites 75% of the cost of health insurance based on an estimate and the employees contribute 25%. Actual contribution rates by the Board may vary based on actual claims. The policy arrangement includes a stop-loss provision for claims in excess of \$250,000. A liability in the amount of \$3,914,000 has been recorded for the estimated claims incurred but not reported at the end of the year.

The liability for claims and judgments is reported in the General Fund and entity-wide Governmental Activities. Changes in the balances of claims liabilities are as follows:

	<u>2022</u>	<u>2021</u>
Accrued Health Claims:		
Unpaid Claims - Beginning of Year	\$ 3,551,061	\$ 3,064,656
Incurred Claims (Including IBNR)	45,180,171	37,849,088
Claim Payments	(44,817,232)	(37,362,683)
Unpaid Claims - End of Year	<u>\$ 3,914,000</u>	<u>\$ 3,551,061</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board is a member of the Maryland Association of Boards of Education Group Liability Insurance Pool and the Workmen’s Compensation Self-Insurance Fund.

These pools are self-insurance funds for the various member Maryland Boards of Education. The pools were organized for the purpose of minimizing the cost of insurance and related administrative expenses. Coverage is provided up to specified limits and the Charles County Board of Education pays an annual premium for the coverage provided by those pools. In addition to general liability insurance, the Group Liability Insurance Pool also provides coverage for property liability and automobile liability. Coverage above these limits is provided by third-party insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 14 ENCUMBRANCES

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

Encumbrances at June 30, 2022 are for the following uses:

	General Fund	Restricted Programs Fund
Encumbrances:		
Administration	\$ 2,072,462	\$ 354,982
Mid-Level Administrative	424,815	6,561
Instruction	1,675,916	1,356,063
Special Education	890,590	227,775
Student Personnel Services	85,154	-
Student Health Services	1,229,065	32,686
Student Transportation	799,840	-
Operation and Maintenance of Plant	6,882,653	47,875
Food Service	-	2,500
Community Service	-	-
Capital Outlay	13,161,625	9,002,694
Total Encumbrances	\$ 27,222,120	\$ 11,031,136

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 FUND BALANCE

Fund balance at June 30, 2022 consists of the following:

	General Fund	Restricted Programs Fund	Food Service Fund	Capital Projects
Nonspendable - Inventory	\$ 153,367	\$ -	\$ 277,069	\$ -
Restricted for:				
Administration	-	354,982	-	-
Mid-Level Administration	-	6,561	-	-
Instruction	-	1,356,063	-	-
Special Education	-	227,775	-	-
Student Personnel Services	-	-	-	-
Student Health Services	-	32,686	-	-
Operation and Maintenance of Plant	-	47,875	-	-
Food Service	-	2,500	-	-
Community Service	-	-	-	-
Capital Outlay	-	9,002,694	-	-
Total Restricted for	-	11,031,136	-	-
Committed for:				
Student Activities	2,907,174			
Assigned for:				
Administration	2,072,462	-	-	-
Mid-Level Administration	424,815	-	-	-
Instruction	1,675,916	-	-	-
Special Education	890,590	-	-	-
Student Personnel Services	85,154	-	-	-
Student Health Services	1,229,065	-	-	-
Student Transportation	799,840	-	-	-
Operation and Maintenance of Plant	6,882,653	-	-	-
Food Service	-	-	6,667,346	-
Community Service	-	-	-	-
Capital Outlay	13,161,625	-	-	276,863
Subsequent Year Expenditures	3,344,435	-	-	-
Total Assigned for	30,566,555	-	6,667,346	276,863
Unassigned	26,819,136	-	-	(182,829)
Total Fund Balance	<u>\$ 60,446,232</u>	<u>\$ 11,031,136</u>	<u>\$ 6,944,415</u>	<u>\$ 94,034</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

	2022	2021	2020	2019	2018	2017	2016
<u>Teachers' Retirement and Pension Systems:</u>							
Board's Proportionate of the Net Pension Liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Board's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability of The Board	144,818,154	227,428,157	211,753,292	222,873,465	237,943,494	346,805,829	277,781,307
Total	<u>\$ 144,818,154</u>	<u>\$ 227,428,157</u>	<u>\$ 211,753,292</u>	<u>\$ 222,873,465</u>	<u>\$ 237,943,494</u>	<u>\$ 346,805,829</u>	<u>\$ 277,781,307</u>
Board's Covered Payroll	\$ 195,708,208	\$ 193,190,625	\$ 181,942,944	\$ 176,205,034	\$ 174,077,168	\$ 171,333,118	\$ 166,561,146
Board's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.40%	73.84%	75.43%	73.35%	71.41%	67.95%	68.78%

The amounts presented for fiscal year 2015 were determined as of July 1 of two years prior, using membership data as of that day, projected forward to June 30 of the previous year. Additionally, the Board implemented GASB 68 during fiscal year 2015. As such, only five years of information are available.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

MARYLAND STATE RETIREMENT AND PENSION SYSTEM (CONTINUED)

Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<u>Teachers Retirement and Pension System</u>										
Contractually Required Contribution	\$ 8,537,627	\$ 8,325,730	\$ 8,104,510	\$ 8,105,946	\$ 8,106,644	\$ 7,410,150	\$ 7,339,061	\$ 6,383,304	\$ 4,989,645	\$ 3,936,516
Contributions in Relation to the Contractually Required Contribution	\$ (8,537,627)	\$ (8,325,730)	\$ (8,104,510)	(8,105,946)	(8,106,644)	(7,410,150)	(7,339,061)	(6,383,304)	(4,989,645)	(3,936,516)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's Employee Payroll	\$ 197,787,964	\$ 195,708,208	\$ 193,190,625	\$ 181,942,944	\$ 176,205,034	\$ 174,077,168	\$ 171,333,118	\$ 166,442,075	\$ 166,442,075	\$ 166,561,146
Contributions as a Percentage of Covered Payroll	4.32%	4.25%	4.20%	4.46%	4.60%	4.26%	4.28%	3.84%	3.00%	2.36%

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

MARYLAND STATE RETIREMENT AND PENSION SYSTEM (CONTINUED)

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the years 2015 through 2021.

NOTE 2 CHANGES IN ASSUMPTIONS

- Inflation assumptions changed as follows:
 - 6/30/2021 2.25%
 - 6/30/2020 2.60%
 - 6/30/2019 2.60%
 - 6/30/2018 2.60%
 - 6/30/2017 2.65%
 - 6/30/2016 2.70%
 - 6/30/2015 2.70%

- Investment return assumption changed as follows:
 - 6/30/2021 6.80%
 - 6/30/2020 7.40%
 - 6/30/2019 7.40%
 - 6/30/2018 7.50%
 - 6/30/2017 7.50%
 - 6/30/2016 7.55%
 - 6/30/2015 7.65%

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:									
Service Cost	\$ 3,936,504	\$ 3,703,417	\$ 3,584,475	\$ 3,420,344	\$ 3,243,842	\$ 3,146,977	\$ 3,005,742	\$ 2,890,137	\$ 2,140,866
Interest	8,963,875	8,552,054	8,237,391	7,985,447	7,530,473	7,673,388	7,478,300	6,954,089	6,585,023
Benefit Changes			-	-	-	-	-	-	-
Difference Between Actual and Expected if Any	(1,372,479)	322,700	1,003,408	(1,552,063)	1,798,691	(3,768,285)	(1,244,586)	(1,733,314)	-
Assumption Changes	3,487,997	(5,15,036)	(2,487,145)	(787,090)	(758,406)	(1,828,19)	(1,809,348)	3,773,150	-
Benefit Payments	(6,465,544)	(5,933,474)	(5,661,781)	(5,340,011)	(5,164,335)	(4,884,174)	(4,687,877)	(4,413,285)	(3,925,897)
Net Change in Total Pension Liability	8,550,353	6,129,661	4,676,348	3,726,627	6,650,265	1,985,087	2,742,231	7,470,777	4,799,992
Total Pension Liability - Beginning	132,041,631	125,911,970	121,235,622	117,508,995	110,858,730	108,873,643	106,131,412	98,660,635	93,860,643
Total Pension Liability - Ending (a)	\$ 140,591,984	\$ 132,041,631	\$ 125,911,970	\$ 121,235,622	\$ 117,508,995	\$ 110,858,730	\$ 108,873,643	\$ 106,131,412	\$ 98,660,635
Plan Fiduciary Net Position:									
Contribution - Employer	\$ 3,404,305	\$ 2,910,297	\$ 2,889,301	\$ 3,513,177	\$ 3,498,343	\$ 3,833,580	\$ 4,090,857	\$ 5,085,000	\$ 5,251,554
Contribution - Member	1405,601	1,315,440	1,287,681	1,263,195	1,159,268	1,087,858	1,031,619	984,727	966,598
Net Investment Income (Loss)	(18,197,771)	27,155,353	1,769,778	7,449,004	4,071,166	10,317,975	1,197,164	797,427	9,567,475
Benefit Payments	(6,465,544)	(5,933,474)	(5,661,781)	(5,340,011)	(5,164,335)	(4,884,174)	(4,687,877)	(4,413,285)	(3,925,897)
Administrative Expense	-	-	-	(3,593)	(39,744)	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	(18,853,409)	25,447,616	284,979	6,881,772	3,524,688	10,355,239	1,631,763	2,453,869	11,859,730
Plan Fiduciary Net Position - Beginning	14,144,539	115,997,923	115,712,944	108,831,172	105,306,484	94,951,245	93,319,482	90,865,613	79,005,883
Plan Fiduciary Net Position - Ending (b)	\$ 12,159,230	\$ 141,445,539	\$ 115,997,923	\$ 115,712,944	\$ 108,831,172	\$ 105,306,484	\$ 94,951,245	\$ 93,319,482	\$ 90,865,613
Net Pension on Liability (a-b)	\$ 18,999,854	\$ (9,403,908)	\$ 9,914,047	\$ 5,522,678	\$ 8,677,823	\$ 5,552,246	\$ 13,922,398	\$ 12,811,930	\$ 7,795,022
Plan Fiduciary Net Position as a Percentage of Total Liability	86.49 %	107.15 %	92.13 %	95.44 %	92.65 %	94.99 %	87.21 %	87.93 %	92.10 %
Covered Payroll	\$ 24,321,689	\$ 25,451,831	\$ 23,860,730	\$ 22,511,363	\$ 21,208,683	\$ 20,273,361	\$ 20,393,483	\$ 19,095,035	\$ 20,059,710
Net Pension Liability as a Percentage of Covered Payroll	78.12 %	(37.08)%	41.55 %	24.53 %	40.92 %	27.39 %	68.27 %	67.10 %	38.86 %

Notes to Schedule:

Changes of assumptions: Mortality table: Pub-2010(B) Public Retirement Plans Below Median Income Amount-Weighted Mortality Tables (for General Employees), projected to the valuation date with Scale MP-2021.

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

**BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT
PENSION PLAN (CONTINUED)**

Schedule of Employer Contributions					
Year Ending June 30	Actuarially Determined Contribution	Actual Contribution	Contribution (Deficiency) Excess	Covered Payroll	Actual Contribution as a Percent of Covered Payroll
2013	3,572,997	4,395,188	822,191	19,791,615	22.21 %
2014	3,493,190	5,251,554	1,758,364	20,059,710	26.18 %
2015	3,517,634	5,085,000	1,567,366	19,095,035	26.63 %
2016	3,179,849	4,090,857	911,008	20,393,483	20.06 %
2017	2,833,580	3,833,580	1,000,000	20,273,361	18.91 %
2018	2,597,854	3,498,343	900,489	21,208,683	16.49 %
2019	2,785,369	3,513,177	727,808	22,511,363	15.61 %
2020	2,718,684	2,889,301	170,617	23,860,730	12.11 %
2021	2,747,660	2,910,297	162,637	25,451,831	11.43 %
2022	3,040,163	3,404,305	364,142	24,321,689	14.00 %

Schedule of Investment Returns*

<u>Year Ended June 30,</u>	<u>Actual Money Weighted Rate of Return, Net of Investment Expense</u>
2014	12.12 %
2015	0.88 %
2016	1.28 %
2017	10.93 %
2018	3.89 %
2019	6.87 %
2020	1.54 %
2021	23.59 %
2022	(12.96)%

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

Schedule of the Employer's Net Pension Liability*

Year Ending June 30	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Plan Net Position as a Percent of Total Pension Liability	Covered Payroll	Net Pension Liability as a Percent of Covered Payroll
2014	\$ 98,660,635	\$ 90,865,613	\$ 7,795,022	92.10 %	\$ 20,059,710	38.86 %
2015	106,131,412	93,319,482	12,811,930	87.93 %	19,095,035	67.10 %
2016	108,873,643	94,951,245	13,922,398	87.21 %	20,393,483	68.27 %
2017	110,858,730	105,306,484	5,552,246	94.99 %	20,273,361	27.39 %
2018	117,508,995	108,831,172	8,677,823	92.62 %	21,208,683	40.92 %
2019	121,235,622	115,712,944	5,522,678	95.44 %	22,511,363	24.53 %
2020	125,911,970	115,997,923	9,914,047	92.13 %	23,860,730	41.55 %
2021	132,041,631	141,445,539	(9,403,908)	107.15 %	25,451,831	(37.08)%
2022	140,591,984	121,592,130	18,999,854	86.49 %	24,321,689	78.12 %

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

**BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT
PENSION PLAN (CONTINUED)**

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

There was a change to use mortality table: Pub-2010(B) Public Retirement Plans Below Median Income Amount-Weighted Mortality Tables (for General Employees), projected to the valuation date with Scale MP-2021.

**NOTE 3 METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY
DETERMINED CONTRIBUTIONS**

Valuation Date	July 1, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Period	20 Years
Asset Valuation Method	Market value of assets
Investment Rate of Return	6.50% per year compounded annually, net of investment expenses
Projected Salary Increases	Years of service based 0.50 - 7.00%
Cost of Living Adjustments	2.50% limited to 150% of original benefit
General Inflation	2.40% per year
Retirement	Experience- based table of rates
Mortality Rate	Pub-2010(B) Public Retirement Plans Below Median Income Amount-Weighted Mortality Tables (for General Employees) projected to valuation date with Scale MP-2021
Experience Studies	The actuarial assumptions used in the valuation were based on standard tables modified for certain plan features such as full eligibility for full and early retirement where applicable and input from the plan sponsor. A full actuarial experience study was done in 2016 using data from 2004-2016.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

RETIREE HEALTH PLAN TRUST

Schedule of Changes in Employer's Net OPEB Liability and Related Ratios*

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service Cost	\$ 36,015,892	\$ 29,684,153	\$ 19,247,815	\$ 14,223,238	\$ 22,733,151	\$ 21,900,915
Interest Cost	19,964,531	20,473,698	20,347,672	19,813,133	22,516,259	21,179,314
Changes in Benefit Terms	-	-	-	-	-	-
Experience Losses (Gains)	6,238,539	(1,915,090)	47,945,774	7,450	(132,364,513)	-
Changes of Assumptions	(202,091,870)	71,630,771	91,425,614	72,371,581	(73,079,536)	(81,547,251)
Benefit Payments	(13,373,763)	(11,171,543)	(9,768,691)	(10,280,327)	(9,422,528)	(9,454,874)
Net Change in Total OPEB Liability	(153,246,671)	108,701,989	169,198,184	96,135,075	(169,617,167)	(47,921,896)
Total OPEB Liability - Beginning of Year	763,147,130	654,445,141	485,246,957	389,111,882	558,729,049	606,650,945
Total OPEB Liability - End of Year	<u>\$ 609,900,459</u>	<u>\$ 763,147,130</u>	<u>\$ 654,445,141</u>	<u>\$ 485,246,957</u>	<u>\$ 389,111,882</u>	<u>\$ 558,729,049</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 17,304,523	\$ 14,432,282	\$ 15,768,692	\$ 16,780,327	\$ 15,722,529	\$ 13,884,981
Net Investment Income (loss)	(12,281,455)	17,605,490	1,882,635	3,792,589	3,304,778	3,950,292
Benefit Payments	(13,373,763)	(11,171,543)	(9,768,691)	(10,280,327)	(9,422,528)	(9,084,981)
Net Change in Fiduciary Net Position	(8,350,695)	20,866,229	7,882,636	10,292,589	9,604,779	8,750,292
Fiduciary Net Position - Beginning of Year	93,986,427	73,120,198	65,237,562	54,944,973	45,340,194	36,589,902
Fiduciary Net Position - End of Year	<u>85,635,732</u>	<u>93,986,427</u>	<u>73,120,198</u>	<u>65,237,562</u>	<u>54,944,973</u>	<u>45,340,194</u>
Net OPEB Liability	<u>524,264,727</u>	<u>669,160,703</u>	<u>581,324,943</u>	<u>420,009,395</u>	<u>334,166,909</u>	<u>513,388,855</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	<u>14.04%</u>	<u>12.32%</u>	<u>11.17 %</u>	<u>13.44 %</u>	<u>14.12 %</u>	<u>8.11 %</u>
Covered Employee Payroll	<u>\$ 229,530,105</u>	<u>\$ 213,011,227</u>	<u>\$ 221,357,164</u>	<u>\$ 200,372,230</u>	<u>\$ 200,372,230</u>	<u>\$ 195,000,000</u>
Net OPEB Liability as a Percentage of Payroll	<u>2.28 %</u>	<u>3.14 %</u>	<u>2.63 %</u>	<u>2.10 %</u>	<u>1.67 %</u>	<u>2.63 %</u>

* Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

RETIREE HEALTH PLAN TRUST

Schedule of Investment Returns*

Year Ended June 30,	Actual Money Weighted Rate of Return, Net of Investment Expense
2017	10.10 %
2018	6.80 %
2019	6.52 %
2020	2.88 %
2021	23.81%
2022	-22.40%

NOTES TO THE REQUIRED SCHEDULES

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

Changes of assumptions:

<u>Discount rate:</u>	
6/30/2017	4.07 %
6/30/2018	5.16 %
6/30/2019	4.24 %
6/30/2020	3.16 %
6/30/2021	2.64 %
6/30/2022	4.01 %

NOTE 3 METHODS AND ASSUMPTIONS

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market value of assets
Inflation	2.5%
Healthcare Cost Trend Rates	6.0% initial/ 4.64% ultimate (not applicable to life insurance)
Salary Increases	Years of service based 5.00% - 10.00%
Investment Rate of Return	7.5% per year compounded annually
Retirement Age	In the 2021 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experiences
Mortality	In the 2021 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the Pub-2010 Teachers Headcount-Weighted Mortality table.

* Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
REVENUES				
State of Maryland	\$ 201,339,968	\$ 201,339,968	\$ 201,496,272	\$ 156,304
Federal Government	970,000	970,000	829,902	(140,098)
Other Sources	1,419,080	1,419,080	1,007,754	(411,326)
Local Sources	200,933,664	201,023,664	200,796,657	(227,007)
Total Revenues	<u>404,662,712</u>	<u>404,752,712</u>	<u>404,130,585</u>	<u>(622,127)</u>
EXPENDITURES				
Administration	13,575,117	12,710,904	12,650,604	60,300
Mid-Level Administration	26,385,093	25,985,092	25,674,630	310,462
Instructional Salaries	150,133,701	144,921,173	143,885,258	1,035,915
Materials of Instruction	5,440,485	6,092,377	5,924,017	168,360
Other Costs of Instruction	2,212,640	1,705,089	1,597,898	107,191
Special Education	41,157,727	38,851,127	38,358,272	492,855
Student Personnel Services	4,245,291	4,141,290	4,114,462	26,828
Health Service	4,191,900	3,925,901	3,921,533	4,368
Transportation	35,473,430	33,973,431	33,759,582	213,849
Operations	30,342,150	32,151,150	31,800,776	350,374
Maintenance	8,979,306	9,284,306	9,258,246	26,060
Community Service	535,098	565,098	559,906	5,192
Capital Outlay	2,329,525	12,484,525	12,455,457	29,068
Fixed Charges	83,245,390	81,545,390	81,210,083	335,307
Total Expenditures	<u>408,246,853</u>	<u>408,336,853</u>	<u>405,170,724</u>	<u>3,166,129</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,584,141)	(3,584,141)	(1,040,139)	2,544,002
OTHER FINANCING SOURCES (USES)				
Transfers in	239,706	239,706	297,625	57,919
Transfers out	-	-	-	-
Use of Prior Year Fund Balance (Uses)	3,344,435	3,344,435	-	(3,344,435)
Total Other Financing Sources	<u>3,584,141</u>	<u>3,584,141</u>	<u>297,625</u>	<u>(3,286,516)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (742,514)</u>	<u>\$ (742,514)</u>
Fund Balance - June 30, 2021			<u>31,060,844</u>	
FUND BALANCE - JUNE 30, 2022			<u>\$ 30,318,330</u>	

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
GENERAL FUND – RECONCILIATION OF REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2022**

General Fund - Reconciliation of Revenues and Expenditures

Actual Revenues (Non-GAAP Budgetary Basis)	\$ 404,130,585
Pension Contribution by the State of Maryland on Behalf of the Board	22,440,623
Student Activities Revenue	<u>4,245,069</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 430,816,277</u>
Actual Expenditures (Non-GAAP Budgetary Basis)	\$ 405,170,724
Encumbrance Adjustment, Net	7,602,071
Pension Contribution by the State of Maryland on Behalf of the Board	22,440,623
Student Activities Expense	4,087,145
Lease Adjustment	<u>45,365</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 439,345,928</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
State of Maryland				
State - Foundation	\$ 116,480,067	\$ 116,480,067	\$ 116,480,067	\$ -
Compensatory Aid	39,368,144	39,368,144	39,368,144	-
Transportation	11,439,946	11,439,946	11,439,946	-
Handicapped Children	8,463,409	8,463,409	8,516,583	53,174
Tuition - Handicapped	1,194,373	1,194,373	1,327,413	133,040
Other (LEP Grant)	4,050,806	4,050,806	4,050,806	-
Out of County Living	-	-	23,263	23,263
Guaranteed Tax Base	1,684,613	1,684,613	1,684,613	-
CGEI	3,847,123	3,847,123	3,847,123	-
Medicaid Revenues	890,000	890,000	836,827	(53,173)
Net Taxable Income	5,998,416	5,998,416	5,998,416	-
Kirwan Teacher Incentive Eligibility	2,819,158	2,819,158	2,819,158	-
Kirwan Special Education Formula	2,239,026	2,239,026	2,239,026	-
Kirwan Pre-Kindergarten	1,986,887	1,986,887	1,986,887	-
Kirwan Disabled Transportation	878,000	878,000	878,000	-
Total	<u>201,339,968</u>	<u>201,339,968</u>	<u>201,496,272</u>	<u>156,304</u>
Federal Government				
Federal Thru County	-	-	-	-
Impact Aid	476,000	476,000	180,553	(295,447)
Restricted-Federal Direct	-	-	-	-
ROTC	430,000	430,000	568,516	138,516
Impact Aid Special Education	64,000	64,000	80,833	16,833
Total	<u>970,000</u>	<u>970,000</u>	<u>829,902</u>	<u>(140,098)</u>
Other Sources				
Damaged Goods	-	-	61,386	61,386
Tuition - Summer School	92,296	92,296	50,803	(41,493)
Tuition - Nonresident	313,904	313,904	428,211	114,307
Tuition - Novel	15,269	15,269	-	(15,269)
Tuition - Parents Payments	89,100	89,100	24,680	(64,420)
Summer Youth Camp	25,000	25,000	-	(25,000)
Rent from School Facilities	191,200	191,200	176,553	(14,647)
Sale of Property	6,000	6,000	16,524	10,524
Interest Income	436,680	436,680	79,048	(357,632)
Restitution	10,000	10,000	-	(10,000)
Vending Commissions	100,000	100,000	42,258	(57,742)
Payroll Transfers	73,000	73,000	7,353	(65,647)
Other	12,200	12,200	58,116	45,916
Rebates	54,431	54,431	62,822	8,391
Unclaimed Estates	-	-	-	-
Total	<u>1,419,080</u>	<u>1,419,080</u>	<u>1,007,754</u>	<u>(411,326)</u>
Local Sources				
Operational Budget	<u>200,933,664</u>	<u>201,023,664</u>	<u>200,796,657</u>	<u>(227,007)</u>
Total Revenues	<u>\$ 404,662,712</u>	<u>\$ 404,752,712</u>	<u>\$ 404,130,585</u>	<u>\$ (622,127)</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
Administration				
Salaries and Wages	\$ 8,647,421	\$ 8,130,446	\$ 8,024,331	\$ 106,115
Contracted Services	3,944,464	3,672,413	3,971,015	(298,602)
Supplies and Materials	591,315	546,158	378,812	167,346
Other Charges	313,132	321,102	271,147	49,955
Equipment	78,785	40,785	5,299	35,486
Total	13,575,117	12,710,904	12,650,604	60,300
Mid-Level Administration				
Salaries and Wages	24,689,505	24,121,469	23,842,537	278,932
Contracted Services	351,930	551,965	812,661	(260,696)
Supplies and Materials	1,061,322	1,095,328	905,109	190,219
Other Charges	282,336	216,330	114,323	102,007
Total	26,385,093	25,985,092	25,674,630	310,462
Instruction Salaries				
Salaries and Wages	150,133,701	144,921,173	143,885,258	1,035,915
Materials of Instruction				
Supplies and Materials	5,440,485	6,092,377	5,924,017	168,360
Other Costs of Instruction				
Contracted Services	1,476,801	1,276,801	905,417	371,384
Other Charges	441,180	321,180	657,940	(336,760)
Equipment	194,659	7,108	8,057	(949)
Outgoing Transfers	100,000	100,000	26,484	73,516
Total	2,212,640	1,705,089	1,597,898	107,191
Special Education				
Salaries and Wages	33,602,421	31,570,821	31,208,121	362,700
Contracted Services	3,661,972	3,661,972	3,683,160	(21,188)
Supplies and Materials	124,704	124,704	115,810	8,894
Other Charges	68,330	68,330	53,243	15,087
Outgoing Transfers	3,700,300	3,425,300	3,297,938	127,362
Total	41,157,727	38,851,127	38,358,272	492,855
Student Personnel Services				
Salaries and Wages	3,993,240	4,115,456	4,087,393	28,063
Contracted Services	234,543	3,551	14,569	(11,018)
Supplies and Materials	10,908	10,908	6,772	4,136
Other Charges	6,600	11,375	5,728	5,647
Total	4,245,291	4,141,290	4,114,462	26,828

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
Health Service				
Contracted Services	\$ 4,164,200	\$ 3,898,201	\$ 3,897,730	\$ 471
Supplies and Materials	27,700	27,700	23,803	3,897
Total	4,191,900	3,925,901	3,921,533	4,368
Transportation				
Salaries and Wages	1,637,632	1,637,633	1,737,096	(99,463)
Contracted Services	32,916,103	31,273,103	31,185,788	87,315
Supplies and Materials	246,525	246,525	28,708	217,817
Other Charges	2,170	7,170	8,150	(980)
Equipment	671,000	809,000	799,840	9,160
Total	35,473,430	33,973,431	33,759,582	213,849
Operations				
Salaries and Wages	14,313,918	14,358,918	14,616,947	(258,029)
Contracted Services	3,228,570	3,094,906	2,720,423	374,483
Supplies and Materials	1,667,508	3,317,908	4,441,218	(1,123,310)
Other Charges	10,933,534	10,933,534	9,935,165	998,369
Equipment	198,620	445,884	87,023	358,861
Total	30,342,150	32,151,150	31,800,776	350,374
Maintenance				
Salaries and Wages	4,624,924	4,694,924	4,616,267	78,657
Contracted Services	2,415,282	1,571,082	1,598,210	(27,128)
Supplies and Materials	1,649,904	1,637,004	1,823,317	(186,313)
Other Charges	3,320	6,320	11,397	(5,077)
Equipment	285,876	1,374,976	1,209,055	165,921
Total	8,979,306	9,284,306	9,258,246	26,060
Community Service				
Salaries and Wages	237,388	267,388	255,855	11,533
Contracted Services	291,120	291,120	301,872	(10,752)
Supplies and Materials	6,590	6,590	2,179	4,411
Total	535,098	565,098	559,906	5,192
Capital Outlay				
Salaries and Wages	653,525	653,525	677,419	(23,894)
Contracted Services	1,548,692	974,228	1,562,332	(588,104)
Supplies and Materials	3,508	7,972	6,596	1,376
Other Charges	4,800	4,800	5,605	(805)
Equipment	119,000	10,844,000	10,203,505	640,495
Total	2,329,525	12,484,525	12,455,457	29,068
Fixed Charges				
Other Charges	83,245,390	81,545,390	81,210,083	335,307
Total Expenditures	<u>\$ 408,246,853</u>	<u>\$ 408,336,853</u>	<u>\$ 405,170,724</u>	<u>\$ 3,166,129</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
COMBINING BALANCE SHEET
CAPITAL PROJECTS SUB-FUNDS
JUNE 30, 2022**

	<u>Capital Improvement Programs</u>	<u>School Construction</u>	<u>Total</u>
ASSETS			
Cash and Short-Term Investments	\$ -	\$ 22,433	\$ 22,433
Accounts Receivable			
State	-	805,397	805,397
Other Sources	<u>2,989,634</u>	<u>18</u>	<u>2,989,652</u>
Total Assets	<u>\$ 2,989,634</u>	<u>\$ 827,848</u>	<u>\$ 3,817,482</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 1,178,907	\$ 146,015	\$ 1,324,922
Due to Other Funds	<u>1,993,556</u>	<u>404,970</u>	<u>2,398,526</u>
Total Liabilities	3,172,463	550,985	3,723,448
FUND BALANCES (DEFICIT)			
Assigned	-	276,863	276,863
Unassigned	<u>(182,829)</u>	<u>-</u>	<u>(182,829)</u>
Total Fund Balance (Deficit)	<u>(182,829)</u>	<u>276,863</u>	<u>94,034</u>
Total Liabilities and Fund Balances	<u>\$ 2,989,634</u>	<u>\$ 827,848</u>	<u>\$ 3,817,482</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS SUB-FUNDS
 YEAR ENDED JUNE 30, 2022**

	Capital Improvement Programs	School Construction	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
State of Maryland	\$ -	\$ 14,964,307	\$ 14,964,307
Local Sources	10,575,667	-	10,575,667
Other Sources	-	45	45
Total Revenues	<u>10,575,667</u>	<u>14,964,352</u>	<u>25,540,019</u>
EXPENDITURES			
Capital Outlay:			
Contracted Services	12,677,527	8,885,534	21,563,061
Materials	3,186,734	-	3,186,734
Computers and Equipment	541,301	-	541,301
Total Expenditures	<u>16,405,562</u>	<u>8,885,534</u>	<u>25,291,096</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,829,895)	6,078,818	248,923
OTHER FINANCING SOURCES			
Transfers In (Out)	<u>5,829,895</u>	<u>(5,829,895)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	248,923	248,923
Fund Balance (Deficit) - Beginning of Year	<u>(182,829)</u>	<u>27,940</u>	<u>(154,889)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (182,829)</u>	<u>\$ 276,863</u>	<u>\$ 94,034</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES —
NON-GAAP BASIS
SPECIAL REVENUE — RESTRICTED PROGRAMS FUND
YEAR ENDED JUNE 30, 2022**

	<u>Restricted Programs Fund</u>
REVENUES	
State of Maryland	\$ 3,651,500
Federal Government	36,453,398
Other Sources	1,356,304
Local Government	<u>314,528</u>
Total Revenues	41,775,730
 EXPENDITURES	
Administration	939,722
Mid-Level Administration	1,028,678
Instructional Salaries	8,857,604
Materials of Instruction	3,071,263
Other Costs of Instruction	4,192,416
Special Education	6,673,402
Student Personnel Service	189,985
Health Service	178,575
Transportation	501,941
Operations	752,044
Maintenance	60,071
Food Service	308,577
Community Service	946,699
Capital Outlay	10,620,022
Fixed Charges	<u>3,119,837</u>
Total Expenditures	41,440,836
 OTHER FINANCING SOURCES	
Transfer Out	<u>297,625</u>
 NET CHANGE IN FUND BALANCE	 <u><u>\$ 37,269</u></u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES
BUDGET AND ACTUAL NON-GAAP BUDGETARY BASIS
SPECIAL REVENUE FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2022**

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
REVENUES				
State of Maryland	\$ 410,000	\$ 410,000	\$ 452,149	\$ 42,149
Federal Government	7,677,904	9,677,904	19,551,625	9,873,721
Local Sources	3,957,311	3,957,311	711,711	(3,245,600)
Total Revenues	<u>12,045,215</u>	<u>14,045,215</u>	<u>20,715,485</u>	<u>6,670,270</u>
EXPENDITURES				
Food Service:				
Salaries and Wages	5,534,939	5,534,939	5,298,488	236,451
Contracted Services	194,000	194,000	17,416	176,584
Supplies and Materials	5,579,521	7,579,521	8,112,433	(532,912)
Other Charges	43,500	43,500	16,324	27,176
Equipment	70,000	70,000	5,085	64,915
Total Food Service	<u>11,421,960</u>	<u>13,421,960</u>	<u>13,449,746</u>	<u>(27,786)</u>
Fixed Charges	1,943,300	1,943,300	1,786,891	156,409
Total Expenditures	<u>13,365,260</u>	<u>15,365,260</u>	<u>15,236,637</u>	<u>128,623</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	(1,320,045)	(1,320,045)	5,478,848	6,798,893
OTHER FINANCING SOURCES				
Use of Prior Year Fund Balance	1,320,045	1,320,045	-	(1,320,045)
Total Other Financing Sources	<u>1,320,045</u>	<u>1,320,045</u>	<u>-</u>	<u>(1,320,045)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,478,848</u>	<u>\$ 5,478,848</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION —
 RETIREE HEALTH AND PENSION TRUST FUNDS
 YEAR ENDED JUNE 30, 2022**

	Retiree Health Trust Fund	Pension Trust Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 2,282,294	\$ 2,282,294
Investments	83,412,063	119,309,836	202,721,899
Contribution Receivable	2,200,000	-	2,200,000
Due from General Fund	23,669	-	23,669
	<u>85,635,732</u>	<u>121,592,130</u>	<u>207,227,862</u>
Total Assets			
NET POSITION			
Held in Trust for Retiree Health/Pension Benefits	<u>\$ 85,635,732</u>	<u>\$ 121,592,130</u>	<u>\$ 207,227,862</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION —
RETIREE HEALTH AND PENSION TRUST FUNDS
YEAR ENDED JUNE 30, 2022**

	Retiree Health Trust Fund	Pension Trust Fund	Total
ADDITIONS			
Contributions:			
Employer	\$ 17,304,523	\$ 3,404,305	\$ 20,708,828
Plan Members	3,059,387	1,405,601	4,464,988
Total Contributions	20,363,910	4,809,906	25,173,816
Investment Earnings:			
Interest and Dividends	-	3,993,538	3,993,538
Net Decrease in Fair Value of Investments	(12,281,454)	(21,837,502)	(34,118,956)
Total Investment Earnings	(12,281,454)	(17,843,964)	(30,125,418)
Less: Investment Expense	-	353,806	353,806
Net Investment Gain (Loss)	(12,281,454)	(18,197,770)	(30,479,224)
Total Additions	8,082,456	(13,387,864)	(5,305,408)
DEDUCTIONS			
Benefits Paid to Members	16,163,911	6,465,545	22,629,456
Administrative Expenses	269,240	-	269,240
Total Deductions	16,433,151	6,465,545	22,898,696
CHANGE IN NET POSITION	(8,350,695)	(19,853,409)	(28,204,104)
Net Position - Beginning of Year	93,986,427	141,445,539	235,431,966
NET POSITION - END OF YEAR	\$ 85,635,732	\$ 121,592,130	\$ 207,227,862