

BOARD OF EDUCATION OF ALLEGANY COUNTY
FINANCIAL REPORT
AS OF JUNE 30, 2020 AND FOR THE YEAR THEN ENDED

BOARD OF EDUCATION OF ALLEGANY COUNTY

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INDEPENDENT AUDITORS' REPORT

Board of Education of Allegany County
Cumberland, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Board of Education of Allegany County, Maryland, a component unit of Allegany County, Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Board of Education of Allegany County, Maryland, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, Reconciliation of Budgetary Basis to GAAP, the schedule of net other post employment benefit liability and related ratios, retiree post-employment benefits – schedule of changes in the Board's net OPEB and related ratios, schedule of the Board's proportionate share of the net pension liability – Maryland State Retirement and Pension System, schedule of the Board's contributions - Maryland State Retirement and Pension System and on pages four (4) through eighteen (18) and sixty-five (65) through seventy-four (74) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of Allegany County, Maryland's basic financial statements. The accompanying School Activities - Increases, Decreases and Balances by School and the Statement Concerning Debt Service Fund for Public School Construction are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The School Activities - Increases, Decreases and Balances by School is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the School Activities - Increases, Decreases and Balances by school 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 November 30, 2020, on our consideration of the Board of Education of Allegany County, Maryland'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 of Education of Allegany County, Maryland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Education of Allegany County, Maryland's internal control over financial reporting and compliance.

Hulen, Michaels + Company

Cumberland, Maryland
November 30, 2020

THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2020

Our discussion and analysis of The Board of Education of Allegany County's financial performance provides an overview of the School System's financial activities for the fiscal years ended June 30, 2020 and 2019, respectively. Please read this in conjunction with the basic financial statements, notes to the basic financial statements, and the required supplemental information for a complete and detailed understanding.

At the end of fiscal year 2008, the Board implemented GASB Statement Number 39; *Determining Whether Certain Organizations are Component Units*. This statement addresses the conditions under which institutions should include associated fundraising or research foundations as component units in their financial statements. Under the previous accounting standards, the Board had no component units. Under the new standards, one entity meets the criteria of qualifying as a component unit. The component unit is the Allegany County Building Trades Education Foundation Inc. This component unit is included in the accompanying financial statements in a separate column. However, the following discussion and analysis does not include their financial condition and activities. Separately issued financial statements for the component unit are available as discussed in Note 1 of the financial statements.

The goal of Management's Discussion and Analysis (MD&A) is for the School System's financial managers to provide the reader an easy-to-understand overview and analysis of the school district's financial position and results of operations for the year based on currently known facts, decisions, and conditions.

FINANCIAL HIGHLIGHTS

On a system-wide basis the net position of the School System increased by \$292,387 (0.22%) during the fiscal year ended June 30, 2020 when compared to fiscal 2019's net position. Cash increased by \$8,594,226 (29.85%) to \$37,387,787 from the prior year of \$28,793,561 while Accounts Payable dropped from \$2,989,757 to \$2,396,437 which represents a reduction of \$593,320 (-19.85%).

Total Governmental Funds revenues for the fiscal year ended June 30, 2020, were \$140,742,879. This represents an increase of \$1,898,513 (1.37%) over the prior fiscal year. The system received a decrease of \$2,815,615 in School Construction revenues based upon the timing of the completion of construction of the new high school compared to the prior year's funding for construction still in process. The school system received more state aid due to per pupil amounts increasing even though overall enrollment continued to decline. State direct revenues within the General fund increased by \$2,450,647 (3.00%). State direct revenues within the Restricted fund increased by \$1,783,533 which relates to the Blueprint for Maryland's Future funding for 2020.

THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2020

Total Governmental Funds expenses for the fiscal year ended June 30, 2020 were \$134,552,200. This represents an increase of \$3,956,459 (3.03%) from the prior fiscal year. This increase was mainly attributable to the Blueprint for Maryland's Future grants. Spending increased within the restricted fund by 20.87% or \$2,139,300. General fund spending increased by \$3,180,055 or 2.83% compared to the prior year.

The Current Expense Fund total fund balance as of June 30, 2020, was \$26,412,064. This represents an increase of \$5,967,870 (29.19%) to the fund balance from June 30, 2019. The school system is self-funded with regard to healthcare costs. The stabilization of healthcare claims, decreases in instructional costs, decreases in special education and student transportation had a dramatic impact on the school system's financial status during fiscal 2020. Moreover, many expenses were not incurred toward the end of the fiscal year as a result of changes in instruction due to COVID and finishing the school year virtually.

The Current Expense Fund unassigned fund balance as of June 30, 2020, was \$26,362,064. This represents an increase of \$5,967,870 (29.26%) from the unassigned fund balance as of June 30, 2019.

Current Expense Fund revenues were slightly better than the final budget by \$48,792 (.04%). The system did not originally budget to use fund balance in fiscal 2020, but did add a staffing amendment of \$564,000 to impact the original budget's revenues and expenses. The system met its revenue goals primarily as a result of the Blueprint for Maryland's Future funding relating to the Teacher Salary Incentive Grant of \$992,058.

Current Expense Fund expenses and transfers were under budget by \$5,919,078 (5.11%). The system controls labor costs by evaluating positions that come open during the school year. Controlling labor costs and reducing salary expenses also resulted in lower fixed charges. Fixed charges were also positive based upon healthcare expense allocations being less than budgeted. Maintenance and operations were under budget due to controlling labor costs and not having major building incidents or major equipment failures. Transportation fuel costs also trended positive compared to plan as a result of fuel costs remaining relatively stable and below the budgeted amount.

The unrestricted final General Fund budget increased by \$2,403,211 (2.12%) to \$115,757,533 compared to the \$113,354,322 budget for the period ended June 30, 2019. The school system received funding from county government of \$30,734,335. This funding represents the legal maintenance of effort. Additional state revenue was received due to the state increase in the per pupil amounts in the state funding formulas compared to prior year. The state's funding also represents an increase related to the first year of the Blueprint for Maryland's Future funding. This funding was prioritized by the state for fiscal 2020 and 2021 and is based upon the recommendations of the Commission on Innovation and Excellence in Education (commonly known as the Kirwan Commission).

Management's Discussion and Analysis (MD&A)
June 30, 2020

The diagram illustrates the relationship between the Management Discussion & Analysis and the financial statements. At the top, a box labeled "Management Discussion & Analysis" is connected by a vertical line to a horizontal line. Below this horizontal line, the text "School System-wide Financial Statements" and "Fund Financial Statements" are positioned on the left and right respectively, with a double-headed arrow between them. Below these, the text "Notes to the Financial Statements" is centered.

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graph TD; MD&A[Management Discussion & Analysis] --- H[ ]; H --- S[School System-wide Financial Statements]; H --- F[Fund Financial Statements]; S <--> F; N[Notes to the Financial Statements];
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Management Discussion & Analysis

School System-wide Financial Statements ↔ Fund Financial Statements

Notes to the Financial Statements

These statements measure the change in total economic resources during the period utilizing the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is actually received or paid. This means that any change in net position is 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 only result in cash flows in future fiscal periods (like earned, but unused employee leave), or for which cash has already been expended (depreciation of buildings and equipment already purchased).

THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2020

Fund Financial Statements

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Board of Education of Allegany County uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The School System's funds are comprised of three categories: government funds, proprietary funds and fiduciary funds. Government funds include the unrestricted General Fund, restricted General Fund, Food Service and School Construction Funds. Proprietary funds include the Information Technology Fund. Fiduciary funds include School Activities, Retiree Insurance Benefit Trust, Retiree Insurance Benefit Plan and Retiree Health Plan Trust Funds.

The measurement focus of these statements is current financial resources; therefore, the emphasis is placed on the cash flows of the organization within the reporting period or in the near future. Accordingly, the modified accrual basis of accounting that measures these cash flows is used. In the case of The Board of Education of Allegany County, open encumbrances are excluded from expenditures in all funds, except for the restricted General Fund.

Budgetary presentation of individual fund financial information, utilizing the current financial resources, measurement focus and the budgetary basis of accounting, is presented as part of the Fund Financial Statements as well. In these statements, available cash flows of the School System are measured, as well as the commitment to acquire goods or services with such cash flows.

This is the legal basis upon which the budget is adopted so budget comparisons are provided.

The table below presents the differences in the presentation of the basic financial statements.

	School System-wide Statements	Fund Statements	Budgetary Fund Statements
Measurement Focus	Economic Resources	Current Financial Resources	Current Financial Resources
Basis of Accounting	Accrual	Modified Accrual	Cash and Commitments
Budget	No	No	Yes

**Fiduciary Responsibility - School Activity Fund, Retiree Insurance Benefit Plan Fund,
Retiree Insurance Benefit Trust, And Retiree Health Plan Trust Funds**

THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2020

The School System is the trustee for four fiduciary funds: the School Activity Fund, the Retiree Insurance Benefit Plan Fund, the Retiree Insurance Benefit Trust, and Retiree Health Plan Trust Fund. These funds are reported as separate Agency Funds. The trust funds are included in the Government Wide Statement of Net Position as a result of GASB 75. We are responsible for ensuring that the assets reported in the School Activity Fund, Retiree Insurance Benefit Plan Fund, Retiree Insurance Benefit Trust, and Retiree Health Plan Trust Fund are used for their intended purpose.

The unrestricted portion of net position at June 30, 2020, of \$7,097,273 is the result of combining the unreserved fund balances of the Governmental Funds with the unreserved fund balances of the Business-type Activities. This represents an increase of \$4,803,981 from the prior year where the unrestricted net position showed \$2,293,292.

We are committed by employee agreements to pay most employees at retirement their earned, unused sick leave up to 140 days at \$30 per day. The long-term portion of compensated absences is \$2,144,634 and is the amount we expect to pay beyond June 30, 2020. This liability is funded on a "pay as you go" basis from current financial resources.

	Total Cost of Services			Net (Expense) Revenue		
	June 30, 2020	June 30, 2019	% Change	June 30, 2020	June 30, 2019	% Change
Administration	\$ 2,961,080	\$ 2,858,130	3.60%	\$ (2,898,179)	\$ (2,794,769)	3.70%
Mid-level Administration	6,927,659	6,960,854	-0.48%	(6,626,850)	(6,750,918)	-1.84%
Instruction (Regular and Special Education)	68,119,379	63,395,320	7.45%	(59,371,575)	(56,292,581)	5.47%
Student Personnel and Health Services	1,577,160	1,593,403	-1.02%	(1,299,407)	(1,367,720)	-4.99%
Student Transportation	5,810,094	6,061,494	-4.15%	(5,772,298)	(5,984,671)	-3.55%
Operation, Maintenance and Capital Outlay	9,653,652	9,409,371	2.60%	(8,926,383)	(5,856,421)	52.42%
Fixed Charges	33,839,592	32,196,618	5.10%	(23,688,862)	(22,563,124)	4.99%
Community Services	508,292	440,652	15.35%	(6,341)	-	0.00%
Food Services	4,853,071	4,581,792	5.92%	(658,374)	(186,072)	253.83%
Depreciation & Other	5,690,088	5,696,008	-0.10%	(5,690,088)	(5,696,008)	-0.10%
Total	\$ 139,940,067	\$ 133,193,642	5.07%	\$ (114,938,357)	\$ (107,492,284)	6.93%

Results of operations for the School System as a whole are presented in the Statement of Activities. The cost of all governmental activities is \$139,940,067 of which \$642,757 was financed by users of the School System's programs. Grants and contributions from Federal and State governments for certain programs were \$24,358,953. Net services costs were \$114,938,357. Interest on capital leases is included within Administration and Instruction.

The School System is fiscally dependent on local and state aid to fund its daily operations. Approximately, 82% of the School System's Governmental Activities comes from these sources. State aid is largely formula-driven based on student population and wealth. Local revenue, provided by the Allegany County Government, is dependent upon the economic condition of the County. Most of the operating and capital grant funding is from the State and County governments and Federal grants passing through the State. These operating and capital grants represent approximately 17% of the School System's funding.

THE BOARD OF EDUCATION OF ALLEGANY COUNTY Maryland

Management's Discussion and Analysis (MD&A) June 30, 2020

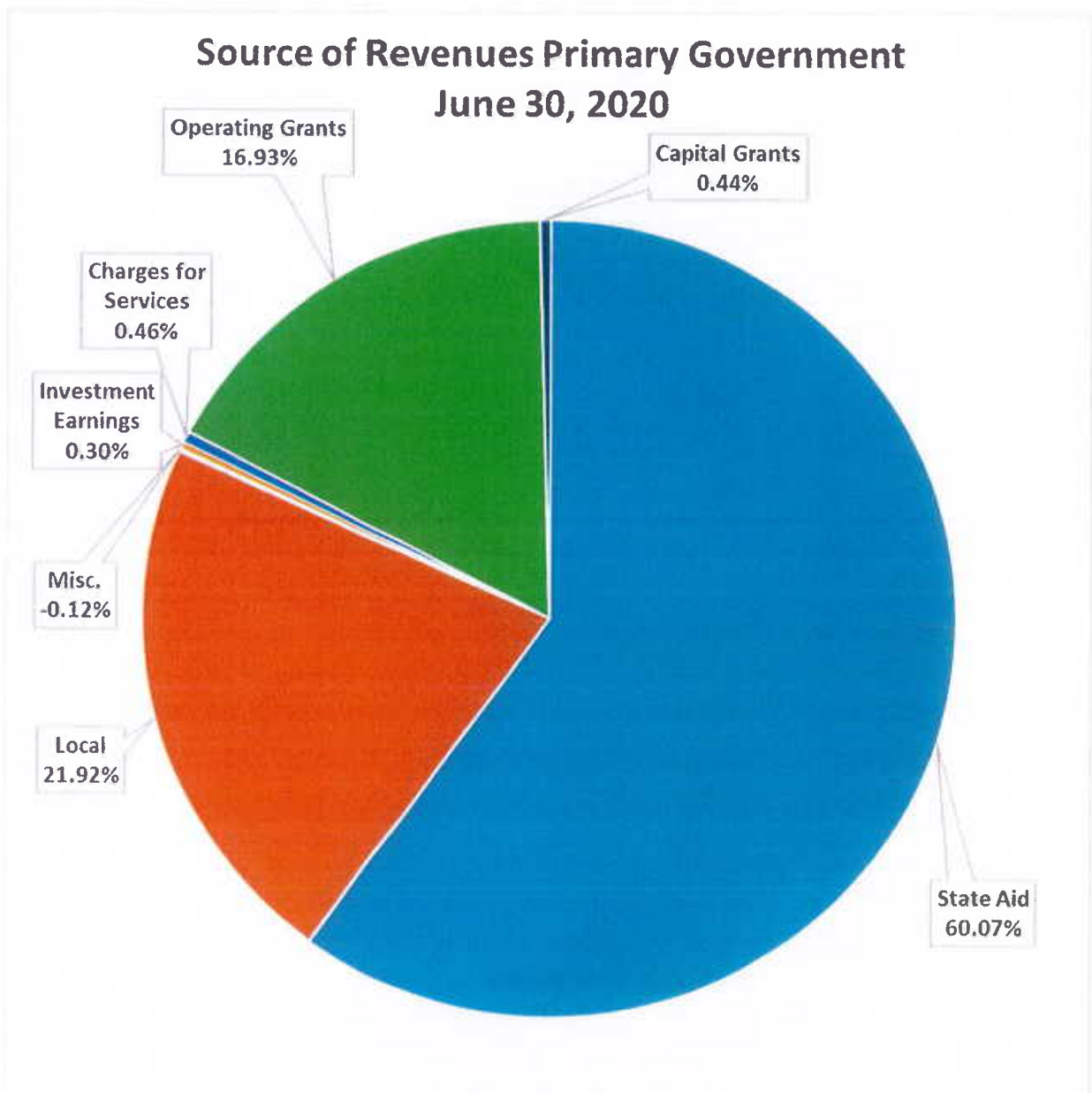
	Condensed Statement of Net Position				Total School System			
	Business-type Activities							
	June 30, 2020	June 30, 2019	\$ Change	% Change	June 30, 2020	June 30, 2019	\$ Change	% Change
Governmental Activities								
Client and Other Assets	\$ 48,284,758	\$ 40,323,860	\$ 7,971,138	19.77%	\$ 48,284,758	\$ 40,323,860	\$ 7,971,138	19.76%
Capital Assets	\$ 121,252,506	\$ 125,977,459	\$ (4,724,953)	-3.76%	\$ 121,252,506	\$ 125,977,459	\$ (4,724,953)	-3.76%
Total Assets	\$ 169,537,264	\$ 166,301,319	\$ 3,235,945	1.95%	\$ 169,537,264	\$ 166,301,319	\$ 3,235,945	1.95%
Deferred Outflow of Resources	\$ 3,767,336	\$ 1,029,035	\$ 2,738,301	266.10%	\$ 3,767,336	\$ 1,029,035	\$ 2,738,301	266.10%
Current and Other Liabilities	\$ 18,058,421	\$ 14,602,664	\$ 3,455,757	23.66%	\$ 18,058,421	\$ 14,602,664	\$ 3,455,757	23.66%
Long-term Net Other Liability	\$ 15,387,804	\$ 12,805,059	\$ 2,582,745	20.16%	\$ 15,387,804	\$ 12,805,059	\$ 2,582,745	20.16%
Long-term Liabilities	\$ 8,141,522	\$ 8,154,537	\$ (13,015)	-0.16%	\$ 8,141,522	\$ 8,154,537	\$ (13,015)	-0.16%
Total Liabilities	\$ 41,587,547	\$ 35,562,260	\$ 6,025,287	16.91%	\$ 41,587,547	\$ 35,562,260	\$ 6,025,287	16.91%
Deferred Inflow of Resources	\$ 1,149,466	\$ 504,228	\$ 645,238	127.97%	\$ 1,149,466	\$ 504,228	\$ 645,238	127.97%
Net Assets:								
Invested in Capital Assets, Net	\$ 120,844,140	\$ 124,800,009	\$ (3,955,869)	-3.17%	\$ 120,844,140	\$ 124,800,009	\$ (3,955,869)	-3.17%
Restricted	\$ 2,612,075	\$ 3,382,040	\$ (769,965)	-22.76%	\$ 2,612,075	\$ 3,382,040	\$ (769,965)	-22.76%
Unrestricted	\$ 7,051,392	\$ 2,281,510	\$ 4,769,882	209.45%	\$ 7,051,392	\$ 2,281,510	\$ 4,769,882	209.45%
Total Net Position	\$ 130,507,607	\$ 130,463,559	\$ 44,048	0.03%	\$ 130,507,607	\$ 130,463,559	\$ 44,048	0.03%
Changes in Net Position from Operating Results								
	Business-type Activities				Total School System			
	June 30, 2020	June 30, 2019	\$ Change	% Change	June 30, 2020	June 30, 2019	\$ Change	% Change
Governmental Activities								
Program Revenues	\$ 842,757	\$ 599,022	\$ 243,735	40.69%	\$ 842,757	\$ 599,022	\$ 243,735	40.69%
Charges for Services	\$ 23,743,516	\$ 21,187,828	\$ 2,555,688	12.06%	\$ 23,743,516	\$ 21,187,828	\$ 2,555,688	12.06%
Operating Grants and Contributions	\$ 815,437	\$ 3,574,408	\$ (2,758,971)	-77.20%	\$ 815,437	\$ 3,574,408	\$ (2,758,971)	-77.20%
Capital Grants and Contributions	\$ 30,434,308	\$ 30,434,308	\$ 0	0.00%	\$ 30,434,308	\$ 30,434,308	\$ 0	0.00%
County Government	\$ 84,245,420	\$ 81,784,773	\$ 2,460,647	3.00%	\$ 84,245,420	\$ 81,784,773	\$ 2,460,647	3.00%
Grants and Contributions (unrestricted)	\$ 252,550	\$ 221,255	\$ 31,295	14.14%	\$ 252,550	\$ 221,255	\$ 31,295	14.14%
Other	\$ 140,234,015	\$ 136,141,594	\$ 4,092,421	3.00%	\$ 140,234,015	\$ 136,141,594	\$ 4,092,421	3.00%
Total Revenues	\$ 2,981,080	\$ 2,635,130	\$ 345,950	13.13%	\$ 2,981,080	\$ 2,635,130	\$ 345,950	13.13%
Administration	\$ 6,827,638	\$ 6,960,854	\$ (133,216)	-1.91%	\$ 6,827,638	\$ 6,960,854	\$ (133,216)	-1.91%
Mid-level Administration	\$ 58,119,379	\$ 63,385,320	\$ (5,265,941)	-8.31%	\$ 58,119,379	\$ 63,385,320	\$ (5,265,941)	-8.31%
Instruction (regular and special education)	\$ 1,577,160	\$ 1,583,403	\$ (6,243)	-0.40%	\$ 1,577,160	\$ 1,583,403	\$ (6,243)	-0.40%
Student Personnel and Health Services	\$ 8,810,094	\$ 9,081,144	\$ (271,050)	-3.00%	\$ 8,810,094	\$ 9,081,144	\$ (271,050)	-3.00%
Student Transportation	\$ 33,838,582	\$ 32,198,518	\$ 1,640,064	5.10%	\$ 33,838,582	\$ 32,198,518	\$ 1,640,064	5.10%
Operation, Maintenance and Capital Outlay	\$ 408,292	\$ 440,652	\$ (32,360)	-7.34%	\$ 408,292	\$ 440,652	\$ (32,360)	-7.34%
Fixed Charges	\$ 4,853,071	\$ 4,981,792	\$ (128,721)	-2.58%	\$ 4,853,071	\$ 4,981,792	\$ (128,721)	-2.58%
Community Services	\$ 5,630,085	\$ 5,898,008	\$ (267,923)	-4.54%	\$ 5,630,085	\$ 5,898,008	\$ (267,923)	-4.54%
Food Service	\$ 139,540,067	\$ 133,193,642	\$ 6,346,425	4.76%	\$ 139,540,067	\$ 133,193,642	\$ 6,346,425	4.76%
Depreciation & Other	\$ 283,848	\$ 4,548,052	\$ (4,264,204)	-94.06%	\$ 283,848	\$ 4,548,052	\$ (4,264,204)	-94.06%
Total Expenses	\$ 139,540,067	\$ 133,193,642	\$ 6,346,425	4.76%	\$ 139,540,067	\$ 133,193,642	\$ 6,346,425	4.76%
Increase (Decrease) in Net Position	\$ 283,848	\$ 4,548,052	\$ (4,264,204)	-94.06%	\$ 283,848	\$ 4,548,052	\$ (4,264,204)	-94.06%

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland**

**Management's Discussion and Analysis (MD&A)
June 30, 2020**

GENERAL FUND (CURRENT EXPENSE) BUDGETARY HIGHLIGHTS

The Current Expense Fund operates under a legally adopted annual budget. The budget is subdivided into State mandated categories of expenditures. These categories are Administration, Mid-level Administration, Instructional Salaries, Textbooks and Instructional Supplies, Other Instructional Costs, Special Education, Student Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, Community Services, Food Services, and Capital Outlay. The legal level of budgetary control is at the category level. The following two pie charts are reflective of actual revenues and expenses.

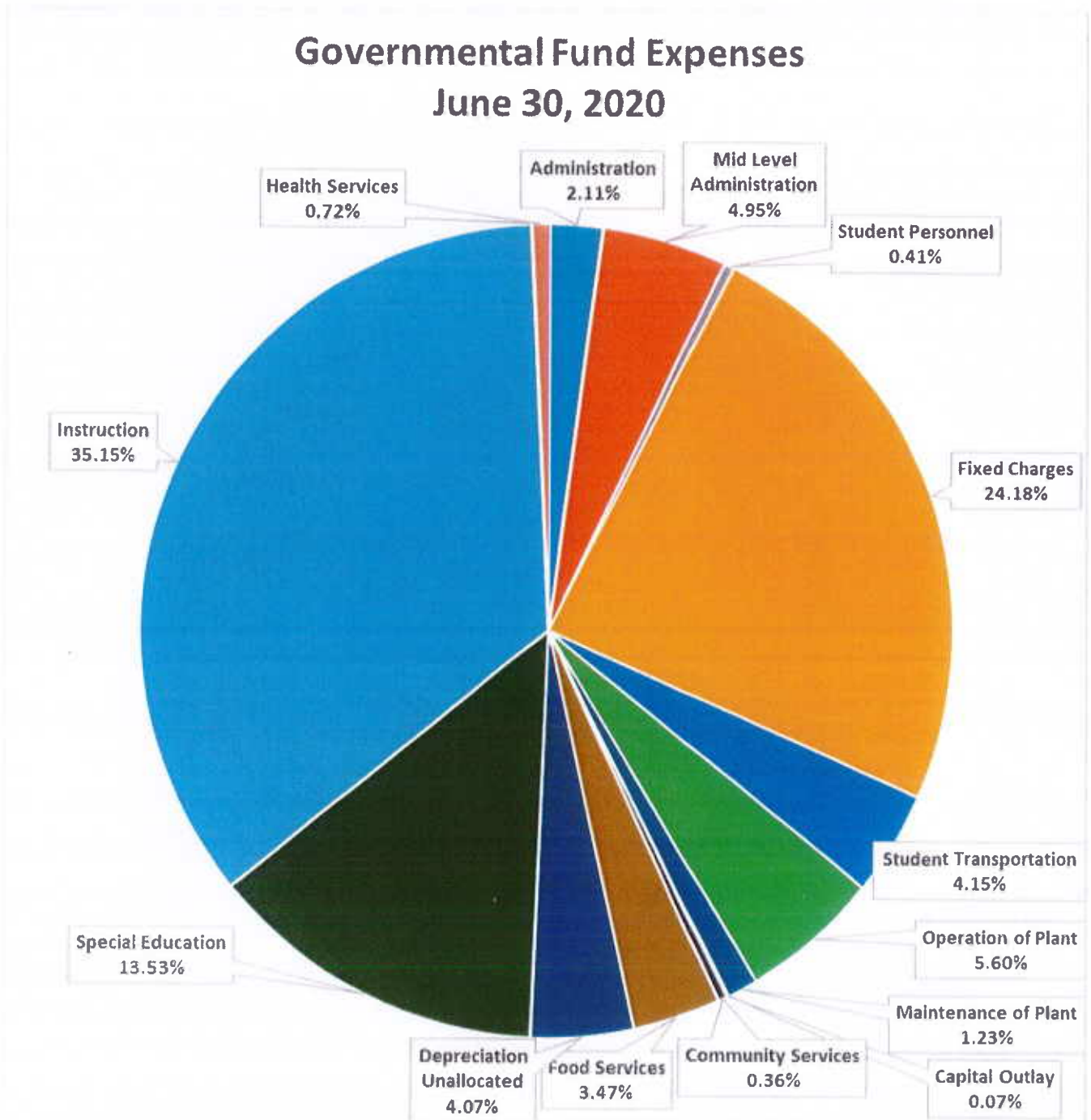


**THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland**

**Management's Discussion and Analysis (MD&A)
June 30, 2020**

Fund Performance

Funds are self-balancing sets of accounts used by the School System to control and manage money for particular purposes.



THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2020

General Fund – Unrestricted

A schedule of changes between the original and final budgets for the year ended June 30, 2020, is presented below. There was a \$564,000 change between the original and final budget.

	Original Budget	Final Budget	Additions	Reductions	Total Change
County Appropriation	\$ 30,734,338	\$ 30,734,338			\$ -
State	83,565,195	83,565,195			-
Federal	350,000	350,000			-
Local	244,000	244,000			-
Earnings on investments	300,000	300,000			-
Other Sources	-	564,000	564,000		564,000
Total Revenues	\$ 115,193,533	\$ 115,757,533	\$ 564,000	\$ -	\$ 564,000
Administration	\$ 2,497,903	\$ 2,497,903			\$ -
Mid-Level Administration	6,852,578	6,852,578			-
Instructional Salaries	40,405,514	40,745,514	340,000		340,000
Textbooks	2,586,076	2,586,076			-
Other Instructional Costs	2,447,573	2,447,573			-
Special Education	15,928,372	15,928,372			-
Student Personnel Services	755,869	755,869			-
Student Health Services	843,250	843,250			-
Student Transportation	6,321,072	6,321,072			-
Operation of Plant	7,803,897	8,027,897	224,000		224,000
Maintenance of Plant	1,859,272	1,859,272			-
Fixed Charges	26,099,190	26,099,190			-
Food Services	502,967	502,967			-
Capital Outlay	290,000	290,000			-
Total Expenditures	\$ 115,193,533	\$ 115,757,533	\$ 564,000	\$ -	\$ 564,000

Local and state revenues account for over 98% of the total General Fund unrestricted revenue. Both are stable and highly predictable.

THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2020

Budget Variances

Below is a table listing positive and negative budget variances for the year ended June 30, 2020 as a supplement to the narrative discussion below the chart.

Unrestricted General Fund Budget to Actual Variances

Budget Variance Descriptions:

	Positive (Negative)	
Revenues:		
Blueprint for Maryland's Future - Teacher salary incentive grant	992,058	
Medicare D Revenues	(83,092)	
Special Education Private Placements	(311,869)	
Tuition Revenue	92,772	
Unused Prior Year Fund Balance	(564,000)	
Interest Earned	(17,581)	
Other Revenue Variances	<u>(59,496)</u>	
Total Revenue Variances		\$ 48,792
Expenditures and Interfund Transfers:		
Labor Savings & Efficiencies	1,562,513	
Non Labor Transportation Savings	465,979	
Nonpublic Special Education Placements	861,947	
Other Instructional Expenditures	706,784	
Non Labor Maintenance and Operations Costs	339,514	
Other expenditure variances	<u>1,982,341</u>	
Total Expenditures and Interfund Transfers Variances		5,919,078
Total Positive Variance - Unrestricted General Fund		<u>\$ 5,967,870</u>

Revenues:

For the year ended June 30, 2020, total unrestricted General Fund revenues resulted in a positive variance of \$48,792.

Fiscal 2020 was the first year of revenues related to the Blueprint For Maryland's Future initiatives. The \$992,058 represents the Teacher Salary Incentive Grant amount from fiscal 2020. Implementation of the recommendations of the Commission on Innovation and Excellence in Education (commonly known as the Kirwan Commission) began in fiscal 2020 and these funds are available in fiscal 2020 and fiscal 2021.

Medicare Part D revenues show an unfavorable variance of \$83,092. The system is self insured for health insurance purposes. As a result, the system qualifies for the Medicare Part D program that reimburses the system for a portion of prescription drug benefits provided to Medicare eligible retirees. The Government Accounting Standards Board (GASB) has issued a technical bulletin requiring recipients of Medicare Part D funds to show these proceeds as revenue. The system budget is based upon past experience.

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Special Education private placement revenue had a negative budget variance of \$311,869. The budget for Special Education private placement is an estimate based on the anticipated state formula and number of students served. While the total number of students requiring these intensive services increased, the impact of the pandemic shutting down "in person" learning for this group of students resulted in a formulaic change in reimbursements from the state which contributed to this variance.

Tuition relating to dually enrolled students has continued to increase annually over the past several fiscal years.

At its October 2019 meeting, the Board authorized the use of fund balance of \$564,000 to increase the number of school security officers by four and licensed mental health professionals by four. Not all were able to be hired prior to COVID and the district was able to absorb these costs without utilizing fund balance.

Interest revenues were lower than anticipated as a result of the impact of the COVID pandemic on interest rates on the Board's cash accounts from March forward. The decrease was below plan by \$17,581. Interest rates, which had been showing growth after historic lows for years, have fallen significantly as a result of the impact of COVID.

Other revenues were under budget, creating a net unfavorable variance in the amount of \$59,496.

Expenditures and Inter-fund transfers:

For the year ended June 30, 2020, total unrestricted General Fund expenditures resulted in a positive variance of \$5,919,078.

Management evaluated positions that came open through attrition to determine if replacement was necessary. Through the replacement process, when an open position was replaced, it was filled at a lower cost than was budgeted. Staff retiring or leaving the system during the year typically were replaced with part-time substitutes for the remainder of the year. Those open positions were then evaluated prior to the next school year. All labor savings resulted in lower payroll tax expenditures for the school system. Also, as a result of schools going virtual during the pandemic, there were no field trips and very little staff development, so the cost of substitutes dropped dramatically from March through the end of the school year.

The school system, as part of the normal budgeting process, budgets transportation costs up to 18 months before incurring them. Fuel costs can be very volatile given the nature of the industry as well as influences outside of the control of the system, so the district typically takes a conservative approach with regard to budgeting fuel costs. Lower fuel costs overall were recognized as compared to the budgeted amount, resulting in a savings. Also, as a result of the district's learning going virtual during the pandemic, the system recognized additional savings related to fuel since it did not reimburse contractors for fuel from March to the end of the year.

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Administration made up \$81,405 of the variance which was driven by using an Interim Superintendent which left a vacancy in the category. Instructional salaries had a positive variance of \$657,698. While mid-year retirements and turnover accounted for some variances, there was also a large decline in the use of substitutes from March to June as the district was forced to finish the year virtually, so there were no field trips and limited staff development opportunities. Special education also had a decline in the use of substitutes over the remainder of the year. Special education was also able to use grants to pay for some positions previously paid from local funds. The labor savings from Special education was \$227,233.

Other instructional expenditures came under budget by \$706,784. Equipment made up the majority of the positive variance of \$466,834 as computers were purchased based upon need and to the extent possible purchased with grant funds. Other charges of \$113,915 and supplies of \$121,511 make up the majority of remainder of the other instructional expenditures variance. As a result of COVID some items such as supplies were not necessary to purchase and travel for staff development did not occur as a result of COVID

During the year, no major equipment breakdowns or building incidents occurred. Also, as a result of the COVID outbreak, limited projects were completed by contractors as school buildings were basically shut down from March through June, which caused contracted services to come in significantly under budget. Equipment also came in under budget as the facilities department did not entirely spend funds appropriated in the budget for equipment.

The majority of the remaining other expenditure variance is attributable to the reduction in fixed charges compared to budget. As a result of staffing management and labor efficiencies, payroll related fixed charges declined compared to plan. Also, the district had lower claims than anticipated for healthcare claims and healthcare expenditures were less than planned.

The organization participates in a cooperative arrangement with Allegany County Government. The Information Technology fund has three individual employees that perform various information technology functions for both the school system and county government. Operating revenues for the fund were \$166,515 while non-operating revenues totaled \$209,236 for fiscal year 2020. Total operating expenses were \$377,312 in fiscal year 2020 while last year's operating expenses were \$421,383. The fund had a negative change in net position of \$1,561 as a result of the county funding its participation in the agreement at 35% this fiscal year. Both parties agreed to take the shortfall from fund balance. The financial results of this proprietary fund can be found on pages 25 and 26 of this report.

Restricted Fund

Restricted revenues and expenses for the year were \$12,391,978 which is up about 20.9% or \$2,139,300 from the prior year's revenues and expenses of \$10,252,678. Restricted revenues are tied to the availability of grants and funding. The state funding attributable to the Blueprint for Maryland's future represents \$1,739,093 or 81% of the increase. The remainder of the increase

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was made up of CARES grant spending of \$1,025,481 and a corresponding decrease attributable to Erate spending this year of \$530,779.

Food Services Fund

As a result of the pandemic and the steps taken to continue to provide our students with school meals daily from mid-March through the end of the school year, the Food Services fund was unable to remain profitable this fiscal year with a loss of \$295,334 compared to the prior year's income of \$174,202. Overall, revenue decreased by \$241,269 to \$4,581,817 as the district served fewer meals compared to the prior year and received no Children's Payments from mid-March through the end of the school year. Expenses within the fund increased to \$4,877,151 compared to fiscal year 2019's expenses of \$4,648,884. The increase within expenses relates primarily to salaries and wages as the district paid a COVID premium to essential employees. There were savings related to equipment purchases while spending more in fiscal 2020 on supplies, primarily for containers for transporting breakfasts and lunches for pickup.

School Construction Fund

The majority of the activity within the School Construction fund focused on the completion of roof projects at Mount Savage and Frost. Current year expenses paid by the County were \$225,000 compared to \$2,249,379 in fiscal year 2019. The amount in fiscal 2019 represented the remaining obligation for the new Allegany which opened for the start of the 2018-2019 school year. The other major project completed this fiscal year was the turf project at Greenway Avenue stadium of which the County used Project Open Space funds to contribute \$150,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the School System had \$244,225,807 invested in a broad range of capital assets including land, buildings and improvements, furniture, vehicles, and other equipment. Capital assets increased \$98,884 from the same time last year, net of disposals and transfers. The increase relates primarily to the two new roofs at Mount Savage and Frost. The total net cost of assets after depreciation was \$121,225,188. Total depreciation expense for the year ended June 30, 2020 was \$6,203,120.

The main capital focus this year was the completion of the replacement roof projects at Mount Savage and Frost that began in fiscal 2019. The turf replacement project at Greenway Avenue was also completed during this fiscal year. Boiler projects at both Washington and Braddock were also started during fiscal 2020.

Debt

School systems in Maryland are in the uncommon position of owning assets, but not the debt associated with those assets, as we have no borrowing power. We are fully fiscally dependent on

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the state and county governments to incur debt to fund capital projects. Accordingly, the School System carries no bond rating but the system does have a debt policy to cover leasing and alternative financing arrangements permitted under state law.

FACTORS IMPACTING THE SCHOOL SYSTEM

The single biggest issue within the district is the ongoing impact of the Novel Coronavirus Disease (COVID-19). The COVID pandemic altered operations within the district on March 16, 2020 as the district was mandated to close schools through the end of the school year. However, during this time, the system's essential food services employees continued to provide breakfast and lunches for the district's students on a "pick up" basis. The Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law by President Donald Trump on March 27, 2020. At this time, several additional pieces of CARES Act funding have been made available to the district to aid in covering expenses and needs of the district as a result of the pandemic. The district prioritized using this funding for technology such as laptops and chromebooks for students and teachers as well as a robust distance learning platform to allow virtual online learning. Another priority is tutoring and the closure of achievement gaps as a result of the pandemic as well as the cleaning and sanitizing of all school facilities. The 2020-21 school year began virtually with certain groups of students attending classes onsite with additional students returning to school in cohorts based upon health matrixes and input from the Allegany County Health Department.

Legislation from federal and state governments has impacted public education in Maryland. The State's Bridge to Excellence in Public Schools and the Federal No Child Left Behind legislation require school systems to ensure that all students in core academic areas are taught by "highly qualified" teachers and economically disadvantaged children must have access to a pre-kindergarten program. In addition, there are new certification and assessment requirements for paraprofessionals and extensive tracking and reporting requirements.

The Every Student Succeeds Act of 2015 (ESSA) was signed into law by President Barack Obama. This reauthorization of the ESSA, formerly known as the No Child Left Behind Act, provides a long term, stable federal policy that gives states additional flexibility and encourages states, local school systems, and schools to innovate while at the same time holding all accountable for results. ESSA moves to establish State standards, sets academic goals, and assesses progress towards those goals for all students and schools. It also measures and reports performance of all students, schools, and local school systems and identifies schools in need of improvement and provides support to those schools. It also serves to provide and support staff development and growth for educators and supports students to ensure a well-rounded education. All of these requirements have cost impacts.

A majority of the funding for the school system comes from the Maryland General Assembly. State aid education formulas are based largely on student population and wealth. Wealth in the state aid education formulas is measured by income taxes, real estate assessments, and personal

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property assessments. Less funding can result when a school system's student population declines or wealth increases more than state averages or decreases less than state averages. Student population is also a factor in the required minimum of funding from county government called maintenance of effort. LEA's across the state are all facing loss of enrollment as a result of the pandemic.

The Blueprint for Maryland's Future was passed by the Maryland General Assembly and allowed to go into law on May 15, 2019 by Governor Hogan. The goal of The Blueprint for Maryland's Future is to transform the state's early childhood, primary, and secondary education systems to the levels of high performing systems around the world. Implementation of the recommendations of the Commission on Innovation and Excellence in Education (commonly known as the Kirwan Commission) began in fiscal 2020. This funding has continued in fiscal 2021. This funding included such items as pre-kindergarten expansion, concentration of poverty funding, teacher salary incentives, additional special education funding and targeted intervention services. As the State of Maryland revenues have been affected by the pandemic, future funding for the Blueprint for Maryland's Future is uncertain.

For state participating construction projects, Allegany County now qualifies to have state government pay for 89% of the eligible construction costs. Costs not eligible for state funding must be funded locally.

The school system is self insured for health, dental, and prescription drug costs. Provisions of the federal Affordable Care Act have caused additional costs in order to comply with the regulations. Additional medical costs to the school system's health plan for employees and retirees may increase the budget for health costs even though a reserve now exists relative to the costs of health care for the district.

School systems are being encouraged to adopt the community eligibility provision (CEP), which provides free meals to all students regardless of household income. In fiscal 2019, the district began participation in the CEP program for the district's four elementary schools with the highest percentage of Free and Reduced Meal students. The participating schools are George's Creek, John Humbird, South Penn and Westernport. Costs not covered by the food service fund will be covered by the unrestricted fund.

CONTACT THE BOARD OF EDUCATION OF ALLEGANY COUNTY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, and students with a general overview of the school system's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Lawrence S. McKenzie, CPA, Chief Financial Officer, (301) 759-2024, boardfinance@acpsmd.org, at The Board of Education of Allegany County, 108 Washington Street, Cumberland, Maryland 21502.

BOARD OF EDUCATION OF ALLEGANY COUNTY

STATEMENT OF NET POSITION
June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Allegany County Building Trades Education Foundation, Inc.
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 37,387,787	\$ -	\$ 37,387,787	\$ 134,588
Accounts receivable	10,606,038	833	10,606,871	
Prepaid Insurance			-	500
Inventory	319,917		319,917	
Internal balances	(18,944)	18,944	-	
Total Current Assets	48,294,798	19,777	48,314,575	135,088
Noncurrent Assets:				
Non-depreciable capital assets	7,932,941	-	7,932,941	189,356
Depreciable capital assets, net of depreciation	113,289,865	2,382	113,292,247	
Total Noncurrent Assets	121,222,806	2,382	121,225,188	189,356
TOTAL ASSETS	\$ 169,517,604	\$ 22,159	\$ 169,539,763	\$ 324,444
Deferred Outflow Of Resources:				
Deferred outflows of resources related to OPEB	2,673,296	-	2,673,296	
Deferred outflows of resources related to pension	1,094,040	-	1,094,040	
	3,767,336	-	3,767,336	
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 2,390,124	\$ 6,313	\$ 2,396,437	\$ -
Salaries and benefits payable	697,419	7,583	705,002	
Grant Advances	3,760,275		3,760,275	
Accrued hospital insurance	9,032,221		9,032,221	
Current portion of long-term capital leases	111,884		111,884	
Current portion of long-term debt	238,215		238,215	
Other current liabilities	1,828,283		1,828,283	
Total Current Liabilities	18,058,421	13,896	18,072,317	-
Noncurrent Liabilities:				
Long-term portion of capital leases	266,782		266,782	
Long-term portion of compensated absences	2,144,634		2,144,634	
Net OPEB Liability	15,387,904		15,387,904	
Net Pension Liability	5,730,106		5,730,106	
Total Noncurrent Liabilities	23,529,426	-	23,529,426	-
TOTAL LIABILITIES	41,587,847	13,896	41,601,743	-
Deferred Inflow Of Resources:				
Deferred inflows of resources related to OPEB	22,323		22,323	
Deferred inflows of resources related to pension	1,127,163		1,127,163	
	1,149,486		1,149,486	
NET POSITION				
Invested in capital assets, net of related debt	120,844,140	2,382	120,846,522	
Restricted for:				
Capital projects	2,292,158		2,292,158	
Food inventories	319,917		319,917	
Unrestricted	7,091,392	5,881	7,097,273	324,444
TOTAL NET POSITION	\$ 130,547,607	\$ 8,263	\$ 130,555,870	\$ 324,444

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Net (Expense) Revenue and Changes in Net Position				Component Unit Allegany County Building Trades Education Foundation, Inc.
	Primary Government			Total	
	Governmental Activities	Business-type Activities			
Primary government					
Governmental activities:					
Administration	\$ 2,961,080	\$ 62,901	\$ (2,898,179)	\$ (2,898,179)	\$ -
Mid-level administration	6,927,659	300,809	(6,626,850)	(6,626,850)	
Instruction - salaries	42,900,723	2,665,639	(40,235,084)	(40,235,084)	
Instruction - textbooks & instructional supplies	4,220,810	1,787,028	(2,433,782)	(2,433,782)	
Instruction - other	2,029,697	495,875	(1,395,048)	(1,395,048)	
Student personnel services	575,133	26,809	(548,324)	(548,324)	
Health services	1,002,027	250,944	(751,083)	(751,083)	
Student transportation	5,810,094	37,796	(5,772,298)	(5,772,298)	
Operation of plant and equipment	7,837,298	245,817	(7,581,403)	(7,581,403)	
Maintenance of plant	1,721,668	4,789	(1,716,879)	(1,716,879)	
Fixed charges	26,138,738	2,449,876	(23,688,862)	(23,688,862)	
- on behalf, retirement	6,858,416	6,858,416	-	-	
- on behalf, nurses, security & mental health	842,438	842,438	-	-	
Community Services	508,292	501,951	(6,341)	(6,341)	
Capital outlay	94,686	-	371,899	371,899	
Special education	18,936,143	3,660,488	(15,275,655)	(15,275,655)	
Food Service	4,853,071	3,551,940	(658,374)	(658,374)	
Interest on Capital Leases	32,006	-	(32,006)	(32,006)	
Unallocated depreciation expense (excludes direct depreciation)	5,690,088	-	(5,690,088)	(5,690,088)	
Total Governmental Activities	139,940,067	23,743,516	(114,938,357)	(114,938,357)	
Business-type activities:					
Information Technology	377,312	-	(210,797)	(210,797)	
Total Business-type Activities	377,312	-	(210,797)	(210,797)	
Total Primary Government	\$ 140,317,379	\$ 23,743,516	\$ (114,938,357)	\$ (115,149,154)	\$ -
Component unit					
Allegany County Building Trades Education Foundation, Inc	63,481	82,675	-	-	19,194
Total Component Unit	\$ 63,481	\$ 82,675	\$ -	\$ -	\$ 19,194
General Revenues:					
County appropriation					
Regular					
Grants, subsidies, and contributions not restricted			30,734,335		30,734,335
Investment earnings/loss			84,245,420		84,245,420
Miscellaneous income			420,286		420,286
Gain/loss on disposal of fixed assets			324,092		324,092
Transfers			(282,592)		(282,592)
			(209,236)	209,236	-
Total General Revenues, Special Items, Extraordinary Items and Transfers			115,232,305	209,236	115,441,541
Change in Net Position			293,948	(1,561)	292,387
Net Position - July 1, 2019			130,253,659	9,824	130,263,483
Net Position - June 30, 2020			\$ 130,547,607	\$ 8,263	\$ 130,555,870
					\$ 324,444

The accompanying notes are an integral part of these financial statements

BOARD OF EDUCATION OF ALLEGANY COUNTY

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020**

	General Fund (Current Expense) Unrestricted	(Current Expense) Restricted	Food Service	School Construction	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 25,711,256	\$ -	\$ 2,727	\$ 11,673,804	\$ 37,387,787
Accounts receivable	650,931	8,772,953	199,962	982,192	10,606,038
Inventory - food			319,917		319,917
Internal receivables	13,119,512		21,837		13,141,349
TOTAL ASSETS	39,481,699	8,772,953	544,443	12,655,996	61,455,091
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	1,456,251	516,486	44,143	356,773	2,373,653
Salaries and benefits payable	577,817	69,099	50,503		697,419
Internal payables		4,427,093		8,749,671	13,176,764
Grant advances		3,760,275			3,760,275
Accrued hospital insurance	9,032,221				9,032,221
Current portion of long-term debt	238,215				238,215
Other current liabilities	1,765,131		63,152		1,828,283
TOTAL LIABILITIES	13,069,635	8,772,953	157,798	9,106,444	31,106,830
FUND BALANCES					
Nonspendable - Food Inventories			319,917		319,917
Restricted - Capital Projects				2,292,158	2,292,158
Assigned to:					
Unemployment Benefits	50,000				50,000
Capital Projects				1,257,394	1,257,394
Food Service			66,728		66,728
Unassigned	26,362,064				26,362,064
TOTAL FUND BALANCES	26,412,064	-	386,645	3,549,552	30,348,261
TOTAL LIABILITIES AND FUND BALANCES	\$ 39,481,699	\$ 8,772,953	\$ 544,443	\$ 12,655,996	\$ 61,455,091

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020

Total Fund Balances - Governmental Funds		\$ 30,348,261
Amounts reported for governmental activities in the statement of net position are different because:		
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$243,741,861 and the accumulated depreciation is \$122,519,055		121,222,806
The net pension liability associated with the school system's proportionate share of the Maryland State Retirement and Pension System is not payable with current financial resources and is not reported in the governmental funds. The activity associated with the school system's share of the net pension liability consist of:		
Net pension liability	(5,730,106)	
Deferred outflows of resources - pension	1,094,040	
Deferred inflows of resources - pension	<u>(1,127,163)</u>	(5,763,229)
The net other post-employment benefits liability for the school system is not payable with current financial resources and is not reported in the governmental funds. The activity associated with the school system's net other post-employment benefits liability consist of:		
Net other post-employment benefits liability	(15,387,904)	
Deferred outflows of resources - other post-employment benefits	2,673,296	
Deferred inflows of resources - other post-employment benefits	<u>(22,323)</u>	(12,736,931)
Long-term liabilities for compensated absences are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.		(2,144,634)
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Similarly, the short and long-term liabilities related to copiers under lease are not reported in the governmental funds.		<u>(378,666)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>\$ 130,547,607</u></u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund (Current Expense) Unrestricted	(Current Expense) Restricted	Food Service	School Construction	Total Governmental Funds
REVENUES					
County - regular appropriation	\$ 30,734,335	\$ -	\$ -	\$ 225,000	\$ 30,959,335
- on behalf, nurses, security & mental health	842,438				842,438
State - direct	84,245,420	2,727,776	139,027	241,585	87,353,808
- on behalf, retirement	6,858,416				6,858,416
Federal - direct			321,267		321,267
- received through State		8,350,082	3,072,334		11,422,416
- received through Pass-Thru Agency	266,908	1,107,769			1,374,677
Other revenue	559,662	206,351	642,776	201,733	1,610,522
TOTAL REVENUES	123,507,179	12,391,978	4,175,404	668,318	140,742,879
EXPENDITURES					
Administration	2,260,972	62,901			2,323,873
Mid-level administration	6,626,850	300,809			6,927,659
Instruction - salaries	40,087,816	2,665,639			42,753,455
Instruction - textbooks & instructional supplies	2,433,782	1,787,028			4,220,810
Instruction - other	1,862,299	634,649			2,496,948
Student personnel services	548,324	26,809			575,133
Health services	751,083	250,944			1,002,027
Student transportation	5,746,058	37,796			5,783,854
Operation of plant and equipment	7,656,089	255,895			7,911,984
Maintenance of plant	1,690,984	4,789			1,695,773
Fixed charges	22,526,913	2,182,968			24,709,881
- on behalf, retirement	6,858,416				6,858,416
- on behalf, nurses, security & mental health	842,438				842,438
Community Services	6,341	501,951			508,292
Capital outlay	207,424			1,725,367	1,932,791
Special education	15,275,655	3,660,488			18,936,143
Food Service		19,312	4,877,151		4,896,463
Capital lease payments					
Principal	144,254				144,254
Interest	32,006				32,006
TOTAL EXPENDITURES	115,557,704	12,391,978	4,877,151	1,725,367	134,552,200
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,949,475	-	(701,747)	(1,057,049)	6,190,679
OTHER FINANCING SOURCES (USES)					
Interfund transfers	(2,127,082)		406,413	82,576	(1,638,093)
Capital lease financing	145,477				145,477
TOTAL OTHER FINANCING SOURCES (USES)	(1,981,605)	-	406,413	82,576	(1,492,616)
NET CHANGE IN FUND BALANCES	5,967,870	-	(295,334)	(974,473)	4,698,063
FUND BALANCE - JULY 1, 2019	20,444,194	-	681,979	4,524,025	25,650,198
FUND BALANCE - JUNE 30, 2020	\$ 26,412,064	\$ -	\$ 386,645	\$ 3,549,552	\$ 30,348,261

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Total Net Change in Fund Balance - Governmental Funds **\$ 4,698,063**

Amounts reported for governmental activities in the statement of activities are different because:

Long-term accrued compensated absences are not reported in governmental funds as a liability. However, in the statement of activities, the long-term absences are reported as current expense. The net amount of long term accrued compensated absences is an increase of \$75,091. (75,091)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	(6,197,360)	
Capital Outlays	<u>2,742,342</u>	(3,455,018)

Capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. (145,477)

A portion of pension expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. (474,296)

The net expense related to other post-employment benefits is not reflected as a source of current financial uses and therefore, is not reported in the governmental funds. (98,859)

Repayment of capital lease principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net position. 144,254

Governmental funds report the proceeds from the sale of capital assets as income. However, in the statement of activities the sale of capital assets are reported net of the remaining book value of the assets as either a gain or loss. The remaining book value of assets disposed of during the year was \$299,628. (299,628)

TOTAL CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 293,948**

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	<u>Information Technology Fund</u>
ASSETS	
Current Assets:	
Accounts receivable	\$ 833
Internal receivables	18,944
Total Current Assets	<u>19,777</u>
Noncurrent Assets:	
Machinery and equipment, net of depreciation	<u>2,382</u>
Total Noncurrent Assets	<u>2,382</u>
TOTAL ASSETS	<u><u>22,159</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	6,313
Salaries and benefits payable	7,583
Total Current Liabilities	<u>13,896</u>
TOTAL LIABILITIES	<u>13,896</u>
NET POSITION	
Invested in capital assets, net of related debt	2,382
Unrestricted	<u>5,881</u>
TOTAL NET POSITION	<u>8,263</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 22,159</u></u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Information Technology Fund</u>
OPERATING REVENUES	
County - regular appropriation	\$ 146,465
Other sources	<u>20,050</u>
Total Operating Revenues	<u>166,515</u>
OPERATING EXPENSES	
Salaries and wages	252,347
Contracted services	44,473
Other charges	74,732
Depreciation	<u>5,760</u>
Total Operating Expenses	<u>377,312</u>
Operating Income (Loss)	(210,797)
NON-OPERATING REVENUE	
Interfund Transfers	<u>209,236</u>
Total Non-operating Revenues	<u>209,236</u>
Change in Net Position	(1,561)
TOTAL NET POSITION - JULY 1, 2019	<u>9,824</u>
TOTAL NET POSITION - JUNE 30, 2020	<u><u>\$ 8,263</u></u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Information Technology Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 311,106
Cash paid to suppliers	(118,962)
Cash payments to employees	<u>(255,324)</u>
Net Cash (Used) by Operating Activities	<u>(63,180)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Change in due to/from other funds	(146,056)
Interfund transfer	<u>209,236</u>
Net Cash Provided by Noncapital Financing Activities	<u>63,180</u>
Net change in Cash	-
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ (210,797)
Adjustments to reconcile operating income (loss) to net cash provided by operations:	
Depreciation	5,760
Change in assets and liabilities	
Decrease (increase) in account receivable	144,591
Increase (decrease) in accounts payable	243
Increase (decrease) salaries & benefits payable	<u>(2,977)</u>
Total Adjustments	<u>147,617</u>
Net Cash (Used) by Operating Activities	<u><u>\$ (63,180)</u></u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	School Activities	Retiree Insurance Benefit Plan	Retiree Insurance Benefit Trust	Retiree Health Plan Trust	Total Fiduciary Funds
ASSETS					
Cash and cash equivalents	\$ 1,808,780	\$ -	\$ -	\$ -	\$ 1,808,780
Investments	519,491		11,529,451	2,034,413	14,083,355
Accounts receivable	6,460	865			7,325
Internal receivables		16,472			16,472
TOTAL ASSETS	2,334,731	17,337	11,529,451	2,034,413	15,915,932
LIABILITIES					
Accounts payable	11,854	6,600			18,454
Internal payables					-
School Activity Advances	2,322,877				2,322,877
TOTAL LIABILITIES	2,334,731	6,600	-	-	2,341,331
NET POSITION					
Future obligation of retiree benefits to be funded (deficit)		10,737			10,737
Held in trust for retiree health plan benefits			11,529,451	2,034,413	13,563,864
TOTAL NET POSITION	-	10,737	11,529,451	2,034,413	13,574,601
TOTAL LIABILITIES AND NET POSITION	\$ 2,334,731	\$ 17,337	\$ 11,529,451	\$ 2,034,413	\$ 15,915,932

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>School Activities</u>	<u>Retiree Insurance Benefit Plan</u>	<u>Retiree Insurance Benefit Trust</u>	<u>Retiree Health Plan Trust</u>	<u>Total Fiduciary Funds</u>
ADDITIONS					
Student activity revenues	\$ 2,178,652	\$ -	\$ -	\$ -	\$ 2,178,652
Transfers		1,428,857			1,428,857
Earnings/loss on investment		(123)	320,749	51,424	372,050
DEDUCTIONS					
Student activity expenses	2,178,652				2,178,652
Retiree benefits		1,355,858			1,355,858
CHANGE IN NET POSITION	-	72,876	320,749	51,424	445,049
NET POSITION - JULY 1, 2019	-	(62,139)	11,208,702	1,982,989	13,129,552
NET POSITION - JUNE 30, 2020	<u>\$ -</u>	<u>\$ 10,737</u>	<u>\$ 11,529,451</u>	<u>\$ 2,034,413</u>	<u>\$ 13,574,601</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - REPORTING ENTITY

The Board of Education of Allegany County, Maryland ("Board") is an elected group constituting an on-going entity which has governance responsibilities over all activities related to public elementary and secondary school education within its jurisdiction, Allegany County, Maryland ("County"). The Board receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. The Board is included as a component unit of Allegany County, Maryland as defined in Generally Accepted Accounting Principles (GAAP) since the Board is fiscally dependent on Allegany County, Maryland. In evaluating how to define the Board, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, and the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Board is able to exercise oversight responsibilities. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organizations. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The Allegany County Building Trades Education Foundation Inc. is a legally, separate tax-exempt entity that has students, with the assistance of local contractors and trade unions, build houses as part of their curriculum. The proceeds from the sale of these houses will be used to purchase materials for construction of additional houses and materials and equipment for other instructional programs at the Career Center. Because of the Foundation's relationship with the Board of Education, the Board is not financially accountable for the Foundation as defined in GASB 14, the Foundation raises and holds economic resources for the direct benefit of the Board and all three of the criteria reflected above have been met, the organization meets the criteria of a component unit of the Board as set forth in Governmental Accounting Standards Board (GASB) Statement 39. Therefore, the organization is discretely presented in the Board's financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - REPORTING ENTITY (Continued)

The Allegany County Building Trades Education Foundation Inc. is a public nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Limited modifications have been made to the organization's financial statement format for inclusion in the Board's financial statements.

Complete financial statements of the component unit can be obtained from the administrative office:

The Allegany County Building Trades Education Foundation, Inc.
108 Washington Street P.O. Box 1724
Cumberland, MD 21502

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board have been prepared in conformity with GAAP as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Basis of Presentation

The Board's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Board that are governmental (primarily supported by County appropriations and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

The statement of net position presents the financial condition of the governmental and business-type activities of the Board at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program, or function of the Board's governmental activities and for the single business-type activity of the Board.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

Fund Financial Statements During the year, the Board segregates transactions related to certain Board functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each enterprise and governmental fund was a major fund and is presented in a separate column. Fiduciary funds are reported by type.

B. Fund Accounting

The accounts of the Board are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues, and expenses or expenditures. The following funds and account groups are used by the Board:

Governmental Fund Types

Current Expense Fund - Unrestricted

The Current Expense Fund - Unrestricted is the general operating fund of the Board. All financial resources, except those required to be accounted for in another fund, are accounted for in this fund.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Governmental Fund Types (Continued)

Current Expense Fund - Restricted and Food Service Fund

The Current Expense Fund - Restricted and Food Service Fund are special revenue funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. In the event an expenditure is incurred for purposes for which both assigned and unassigned net position is available, assigned resources are used first.

School Construction Fund

The School Construction Fund is a capital projects fund used to account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary funds.

Proprietary Fund Types

Information Technology Fund

The Information Technology Fund is an enterprise fund used to account for financing of services provided by the Information Technology Fund to other departments of the Board and to other governments within Allegany County.

Fiduciary Fund Type

School Activities Fund

The School Activities Fund is an expendable trust fund used to account for assets held by the Board in a trustee capacity for various student groups.

Retiree Insurance Benefit Plan Fund

The Retiree Insurance Benefit Plan Fund is an expendable trust fund used to account for assets held by the Board in a trustee capacity for future retirees' medical expenses.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Fiduciary Fund Types (Continued)

Retiree Insurance Benefit Plan Trust

The Retiree Insurance Benefit Plan Trust is an expendable trust fund used to account for assets held in trust for future retirees' medical expenses.

Retiree Health Plan Trust

The Retiree Health Plan Trust is used to account for assets held in trust for future retirees' medical expenses.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Board are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its enterprise fund.

The private purpose trust fund is reported using the economic resources measurement focus.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The modified accrual basis of accounting is used by all governmental fund types and the fiduciary fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become 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 be used to pay liabilities of the current period. A six month availability period is used for revenue recognition for all governmental and fiduciary fund revenues. Expenditures are recorded when the related fund liability is incurred.

The proprietary fund is accounted for on a flow of economic resources measurement focus. The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All GASB pronouncements are followed in the proprietary fund. FASB, APB Opinions and ARB's issued before November 30, 1989 are followed to the extent they do not contradict GASB. FASB pronouncements issued after November 30, 1989 that are developed for business entities are followed to the extent that they do not contradict GASB.

The Board reports deferred inflows of resources on its statement of net position. Deferred inflows represent an acquisition of net position that applies to a future period and will not be recognized as an inflow or resources, or a revenue, until that time. The Board reports deferred outflows of resources on its statement of net position. Deferred outflows represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources, or an expense, until that time. The Board reports deferred outflows of resources and deferred inflows of resources related to its pension plan. See Note 6. The Board also reports deferred inflows of resources related to its Other Post-Employment Benefits or OPEB. See Note 11. Deferred inflows of resources consist of the net difference between projected and actual earnings on the Board's proportionate share of the State of Maryland Retirement and Pension system pension plan investments. Deferred outflows of resources represent employer contributions made for the Board's share of the pension after the actuarial measurement date of the plan. Deferred outflows also include amounts deferred due to changes in the Plan's actuarial assumptions, and net difference between projected and actual earnings on investments, that will be amortized in future periods.

BOARD OF EDUCATIONS OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for all funds except the School Activities Fund. Annual operating budgets are adopted by the Board each fiscal year through passage of an annual budget and amended as required for all funds. Budget amendments requiring a change between categories requires approval by the Board and by the County. The budget is prepared using the same basis of accounting as is used to record actual revenues and expenditures/expenses with a few exceptions.

At the request of the Maryland State Department of Education, on-behalf retirement payments made by the State of Maryland are not included in the final budgeted amounts of revenue and expenditures. The other exceptions are in the Proprietary Fund Type – Information Technology Fund and the Governmental Fund Type - School Construction Fund. The Proprietary Fund Type – Information Technology Fund prepares its budget on the modified accrual basis but prepares its statements on the accrual basis. The Governmental Fund Type - School Construction Fund prepares its budget on the modified accrual basis but does not account for revenues from state committed funds for projects that have not begun. Budgetary control is exercised at the department level. Budgets presented in the financial statements reflect all amendments.

F. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the restricted governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

At June 30, 2020, \$2,292,158 of School Construction fund balance has been reserved to cover expected appropriations for specific construction projects. Expenditures in excess of total appropriations for a project are closed out against the unreserved portion of fund balance at the end of the project.

G. Post Retirement Health Care Benefits

Prior to 1992, the Board was reimbursed 100% by all retired employees that elected to continue coverage under their health care plan. In accordance with the Board of Education Policy Manual and the Health Care Insurance Contract, all employees covered at the time they retired could elect to continue their coverage at their own expense. The reimbursements the Board received were netted with the premiums for the retirees. In 1992 and 2000, new policies were implemented to subsidize a portion of the retirees' health care costs. These policies are further described in Note 11.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventories

Materials, supplies, and textbooks purchased from Unrestricted and Restricted Current Expense Funds are not inventoried. Food Service Fund inventories consist of food and supplies located in the individual schools and in the central warehouse. Purchased food and supplies are valued at current cost, which is different from lower of cost or market. The difference is immaterial. The value of donated food is determined from U.S. Department of Agriculture price lists. Inventory on hand at the end of the period is recorded as an asset and a corresponding reservation of the fund balance is made. The amount on hand as of June 30, 2020 is \$319,917.

I. Compensated Absences

Accumulated earned vacation time is accrued when incurred. At June 30, 2020, \$1,728,081 has been accrued and included in other current liabilities on the Fund Balance Sheet.

During the year ended June 30, 1994, the Board implemented the provisions of the Governmental Accounting Standards Board's Statement No. 16, *Accounting for Compensated Absences*. This statement requires the recording of accumulated unused sick leave if such amounts will be paid as termination benefits. At June 30, 2020, \$238,215 has been accrued as the current portion of this liability on the Fund Balance Sheet. The long-term portion of \$2,144,634 has been recorded in the government-wide statement of net position. Long-term compensated absences increased in the current year by \$75,091 over the prior year total of \$2,069,543.

The Board only pays benefits to employees who terminate employment upon reaching the required retirement age or death. Benefits are not paid to employees who terminate prior to reaching their defined retirement age.

J. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. Interfund balances have no set repayment schedule and are generally not expected to be repaid within one year.

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

Payable Fund	Receivable Fund	Amount
Restricted	General Fund	\$ 4,427,093
School Construction	General Fund	8,749,671
Retiree Ins.	General Fund	(16,472)
General Fund	Food Service	(21,837)
Information Technology	General Fund	(18,944)
		<u>\$ 13,119,511</u>

L. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net position and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Board maintains a capitalization threshold of three thousand dollars (\$3,000) for equipment and five thousand dollars (\$5,000) for buildings. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets (Continued)

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Buildings and Improvements	7-50 years	N/A
Furniture, Equipment, and Vehicles	5-20 years	5-20 years
Equipment under capital lease	5-7 years	5-7 years

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Board, these revenues are for services provided by the Information Technology Fund to other entities within Allegany County. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

N. Statement of Cash Flows

For purposes of the statement of cash flows, the Information Technology Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

O. Credit Risk

As of June 30, 2020, the Board has recorded receivables from various governmental units. As these receivables are believed to be completely collectable, allowances for doubtful accounts are not recorded, nor are the receivables collateralized.

P. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Debt

The school system does not have the authority to issue bonds under Maryland state law or the ability to access revolving loan funds or pools. The school system cannot enter into revenue debt, conduit debt, or any other type of hybrid debt. The school system is permitted to enter into alternative financing types of debt as approved by the Board of Education and County Commissioners. The finance department reviews all lease agreements to ensure consistency with school system policy and Maryland law. Leases paid for by central office funds are approved as part of the annual budget process. No lease financing in excess of \$100,000 will be entered into without approval of the Board of Education. The Board's debt consists of compensated absences payable and obligations related to capital leases.

R. Fund Balance

The elected Board of Education is the highest level of decision making authority in the organization. The elected Board of Education can commit fund balance. To remove or change the constraints placed on resources requires action by the elected Board of Education. The elected Board of Education has delegated authority to assign fund balance to the Superintendent or designee. In the event an expenditure is made from multiple balance classifications, the order of spending will be committed, assigned, and unassigned.

S. Net Pension Liability

The net pension liability had a balance at June 30, 2019 of \$5,846,753, and a balance at June 30, 2020 of \$5,730,106. The liability balance decreased \$116,647 during the current year. No portion of the balance is considered due within one year.

T. Cash and Cash Equivalents

Cash includes currency on hand as well as demand deposits with banks or financial institutions. It also includes other kinds of accounts that have the general characteristics of demand deposits in that the Entity may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty. Cash equivalents, excluding items classified as marketable securities, include short-term, highly liquid investments that are both readily convertible to known amounts of cash, and so near their maturity that they present minimal risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under that definition.

U. Investments

Due to Board's investment practices being governed by the Annotated Code of the State of Maryland, investment activity includes certificates of deposit, money market funds, instruments of the U.S. Treasury, and repurchase agreements secured by the U.S. Treasury and other federal securities with maturities of three months or longer qualify as investments.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2020, was as follows:

	Balance 6/30/19	Additions	Disposals	Transfers	Balance 6/30/20
Governmental Activities					
Non-depreciable assets:					
Land	\$ 7,643,505	\$ -	\$ -	\$ -	\$ 7,643,505
Construction-in-progress	1,125,271	1,517,633	-	(2,353,468)	289,436
Total Non-depreciable assets	8,768,776	1,517,633	-	(2,353,468)	7,932,941
Depreciable assets:					
Land Improvements	11,083,331	233,740	(634,302)	286,267	10,969,036
Buildings and Improvements	201,149,790	86,733	(1,374,819)	2,063,691	201,925,395
Furniture, Equipment, and Vehicles	22,641,080	904,236	(634,337)	3,510	22,914,489
Total Depreciable assets	234,874,201	1,224,709	(2,643,458)	2,353,468	235,808,920
Less accumulated depreciation:					
Land Improvements	(4,868,926)	(557,254)	344,469	-	(5,081,711)
Buildings and Improvements	(97,942,614)	(4,359,286)	1,374,819	-	(100,927,081)
Furniture, Equipment, and Vehicles	(15,853,985)	(1,280,820)	624,542	-	(16,510,263)
Total accumulated depreciation	(118,665,525)	(6,197,360)	2,343,830	-	(122,519,055)
Total capital assets being depreciated	116,208,676	(4,972,651)	(299,628)	2,353,468	113,289,865
Governmental Activities Capital Assets, Net	\$ 124,977,452	\$ (3,455,018)	\$ (299,628)	\$ -	\$ 121,222,806
Business-Type Activities					
Non-depreciable assets:					
Construction-in-progress	\$ -	\$ -	\$ -	-	\$ -
Total Non-depreciable assets	-	-	-	-	-
Depreciable assets:					
Furniture, Equipment, and Vehicles	483,946	-	-	-	483,946
Less accumulated depreciation	(475,804)	(5,760)	-	-	(481,564)
Business-Type Activities Capital Assets, Net	\$ 8,142	\$ (5,760)	\$ -	\$ -	\$ 2,382

* Depreciation was charged to governmental functions as follows:

Administration	\$ 136,229
Student transportation	223,608
Operation of plant and equipment	24,774
Maintenance of plant	120,068
Food Service	2,593
Unallocated	5,690,088
Total Depreciation Expense	\$ 6,197,360

The insurance value of capital assets as of June 30, 2020 is \$421,065,200.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - POSSIBLE FUTURE AUDIT ADJUSTMENTS OF REVENUE

Revenue is subject to periodic state or federal audits and possible future adjustments. Any adjustments resulting from such audits will be recorded in the year assessed.

NOTE 5 - FOOD SERVICE EXPENDITURES

Included in revenue and expenditures of the Food Service Fund is the value of USDA donated commodities used during the year of \$386,859. This amount includes the value of the donated commodities plus costs to process the commodities into useable form.

NOTE 6 - PENSION PLAN

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System (MSRP) and addition to/deductions from the MSRP fiduciary net position have been determined on the same basis as they are reported by MSRP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

The Board of Education of Allegany County participates in the Maryland State Retirement and Pension System, a cost sharing multiple-employer public employee retirement system. Substantially all employees of the Board are eligible to participate in the System, which provides retirement, disability and death benefits in accordance with State statutes. The system is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and managed by a board of trustees. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the Teachers and Employees Retirement and Pension Systems. The annual report for the year ended June 30, 2019 (most recent available data) may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202, by calling 1-800-492-5909 or at www.sra.state.md.us.

The Maryland State Retirement and Pension System has various plans for school system employees. The Teachers' and Employees' Retirement System closed to new members hired on or after January 1, 1980. Members on December 31, 1979 continue to be members unless they elected to transfer into the pension system prior to January 1, 2005. The Teachers' and Employees' Pension System was established for members hired on or after January 1, 1980. The plan design and benefit levels are different for the retirement system as compared to the pension system. They will be disclosed separately.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

Teachers' and Employees' Retirement System (Continued)

Retirement system member contributions are based upon a specified percentage of annual earnable compensation. Generally, members who elected in 1984 to receive unlimited future cost-of-living adjustments (COLA) contribute 7%. Members who elected in 1984 to receive a limited future COLA contribute 5%.

Retirement system members are eligible for full service retirement allowance upon attaining age 60 or upon accumulating 30 years of service regardless of age. Full service retirement allowance equals $1/55$ (1.818%) of the highest three years' average final compensation (AFC) multiplied by the number of years and months of creditable service.

Retirement system members are eligible for early service retirement upon accumulating at least 25 years of eligibility service prior to attaining age 60. The benefit will be reduced by 0.5% per month by which the retirement date precedes the earlier of the date on which the member reaches age 60 or the date on which the member would have completed 30 years of service. The maximum reduction is 30% for the pension in the retirement system and 42% on the benefit of the pension system if applicable.

Ordinary disability retirement is possible for members upon completing five years of eligibility service and receiving certification from the Medical Board that the member is permanently incapable of performing their necessary job functions. The ordinary disability retirement allowance generally equals $1/55$ (1.818%) of the highest three years' AFC multiplied by the number of years of accumulated creditable service. However, the ordinary disability benefit can be no greater than 1.818% of the AFC for each year of creditable service the member would have received had they continued to work until age 60.

There is also an accidental disability retirement benefit if the Medical Board certifies that, in the course of job performance, and as the direct result of an accidental injury, the member became totally and permanently disabled. The accidental disability allowance equals the sum of an annuity determined as the actuarial value of the members' accumulated contributions plus $2/3$ (66.7%) of AFC. Allowance may not exceed the members' AFC.

To be eligible for death benefits, retirement system members must have accumulated at least one year of eligibility service prior to the date of death or died in the line of duty. Death benefits are equal to a members' annual earnable compensation at the time of death plus accumulated contributions.

Retirement system members are vested provided they have at least five years of eligibility prior to separation. Vested allowances are equal to the normal service retirement allowances computed on the basis of the members' accumulated creditable service and AFC at the point of separation. If members do not withdraw their contributions and die before attaining age 60, their accumulated contributions are returned to the designated beneficiary.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

Teachers' and Employees' Pension System

The Teachers' and Employees' Pension System was established on January 1, 1980. All members of the pension system on or before June 30, 2011, generally participate in the Alternative Contributory Pension Selection (ACPS). All members who enroll in the pension system on or after July 1, 2011, participate in the Reformed Contributory Pension Benefit (RCPB).

Members of the ACPS and RCPB contribute 7% of earnable compensation. Members of the ACPS are eligible for retirement upon accumulating 30 years of service. Absent 30 years of eligibility, options exist for retirement based upon age and years of eligibility if a member's age is 62 or older. Generally, the full service pension allowance equals 1.2% of the AFC for the three highest consecutive years for the ACPS. RCPB members are eligible for full service pension when their combined age and eligibility service equals 90 years or they attain age 65 after 10 years of eligibility. The RCPB full service pension allowance is equal to 1.5% of the AFC for the five highest years as an employee. Members of the ACPS and RCPB are eligible for cost-of-living adjustments. ACPS members have the adjustment capped at 3% and is applied to all benefits attributable to service earned before June 30, 2011 which would have been in payment for one year. ACPS and RCPB members have the cost-of-living allowance capped at 2.5% for service earned on and after July 1, 2011 or the increase in the consumer price index if the most recent calendar quarter was greater than or equal to the assumed rate. In years in which cost-of-living adjustments would be less than zero due to a decline in the consumer price index, retirement allowances will not be adjusted. Cost-of-living adjustments in succeeding years are adjusted until the difference between the negative cost-of-living adjustment that would have been applied and the zero cost-of-living adjustment is fully recovered.

Pension system members are eligible for early service retirement benefits. The ACPS allows an early service payment upon attaining age 55 with at least 15 years of eligibility service. The benefit payable will be the ACPS full service pension which will be reduced by 0.5% for each month by which the retirement precedes age 62.

The maximum reduction is 42%. The RCPB members are eligible for early service pension payments attaining age 60 and 15 years of eligible service. The benefit payable will be the RCPB full service pension which will be reduced by 0.5% for each month by which the retirement precedes age 65. The maximum reduction is 30%.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

Teachers' and Employees' Pension System (Continued)

Ordinary disability retirement is possible for ACPS and RCPB members upon completing five years of eligibility service and receiving certification from the Medical Board that the member is permanently incapable of performing their necessary job functions. The ordinary disability pension allowances generally equal the full service pension allowance if the members are at least age 62 on the date of retirement.

There is also an accidental disability pension benefit if the Medical Board certifies that, in the course of job performance, and as the direct result of an accidental injury, the member became totally and permanently disabled. The accidental disability allowance equals the sum of an annuity determined as the actuarial value of the members' accumulated contributions plus 2/3 (66.7%) of AFC. Allowance may not exceed the members' AFC.

To be eligible for death benefits, pension system members must have accumulated at least one year of eligibility service prior to the date of death or died in the line of duty. Generally, the benefit is equal to the members' annual earnable compensation on the date of death plus accumulated contributions.

Pension system members are vested depending upon their plan. ACPS members are vested with five years of service. RCPB members are vested with 10 years of service.

For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive 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 benefit 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 either the Teachers' or Employees' Retirement System (ERS) 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 AFC multiplied by the number of years of accumulated creditable service.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

Teachers' and Employees' Pension System (Continued)

An individual who is a member of either the Teachers' or Employees' 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 either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's 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.

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance.

The State of Maryland, which is a non-employer contributor to the Teachers' Retirement System (TRS) and Teachers' Pension System (TPS), makes non-employee contributions in amounts required by State statutes at a set cost-sharing amount through 2017. The Board pays all employer contributions for employees who participate in the Employees' Pension System (EPS). Employees participating in the EPS include employees classified as custodial and cafeteria personnel. Employer contribution rates for custodial and cafeteria personnel are established by annual actuarial valuations, subject to the approval of the systems' Board of Trustees in accordance with the Annotated Code of Maryland.

Employees covered under the TRS, TPS and the EPS are required by State statute to contribute 7.0% of earned compensation.

For the year ended June 30, 2019, the Board is responsible for paying 100% of the normal cost for the TPS and TRS plans. The State of Maryland is responsible for paying 100% of the School System's past costs related to TPS and TRS plans. This meets the criteria of a special funding situation in accordance with Governmental Accounting Standards. The State's contributions on behalf of the Board for the year ended June 30, 2020 were \$6,858,416, which were equal to the State's required contributions for that year. The contributions are recognized as revenues and expenditures in the Unrestricted Current Expense Fund. The Board's contributions for the year ended June 30, 2020 were \$2,586,615 to the TRS and TPS, and \$582,676 for the EPS, which were equal to the Board's required contributions for that year.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

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

Before discussion of the process used to calculate and allocate the net pension liability, it is important to understand Maryland's particular situation concerning the payment of employer pension costs for Maryland's teacher population under the 24 Boards of Education (BOE).

At the time that the GASB's pension changes were under consideration, an initiative for pension cost sharing was before the 2012 session of the General Assembly. This legislation, which became law, required each BOE to begin paying the "normal cost" for their teachers starting in FY 2013 and full normal cost to be paid in FY 2017 and each year thereafter.

Because the State of Maryland pays the unfunded liability and the local BOEs pay the normal cost for the teachers' pension, the local Boards of Education are not required under GASB 68 to record their share of the unfunded pension liability for the TRS but instead, that liability is recorded by the State of Maryland. The portion of the net pension liability recorded by the State of Maryland related to the Board's teachers' pensions was \$88,259,797 as of June 30, 2019. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's portion of the net pension liability recorded by the State was calculated based on pension contributions made for Board teacher pensions relative to total employer contributions for the Teachers' Retirement System and Teachers' Pension System for the year ended June 30, 2019, actuarially determined. As June 30, 2019, the Board's proportion was 0.01 percent.

Certain non-teacher Board personnel including custodial and cafeteria personnel participate in the ERS. The Board has responsibility for the funding of these employee contributions and therefore, is required under GASB 68 to record their proportional share of the net pension liability of the Employee' Retirement and Pension System. The proportional share is based on the employer contributions for only those employees participating in the ERS and does not include contributions made for employees participating in the TRS.

At June 30, 2020, the Board reported a liability of \$5,730,106 for its proportionate share of the ERS and EPS net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on the Board's contributions to the ERS relative to total contributions made by all participants to the Maryland State Retirement and Pension System for the year ended June 30, 2019, actuarially determined. At June 30, 2019, the Board's proportion was 0.02778 percent compared to 0.02787 percent at June 30, 2018, a decrease of 0.00009 percent.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

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

Pension expense for the ERS plan for the year ended June 30, 2020 was \$1,056,972.

At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 106,419	\$ 155,947
Change in proportionate share	272,430	576,138
Net difference between projected and actual earnings	132,515	
Difference between actual and expected experience		395,078
Board contributions to the Employees' Pension System subsequent to the measurement date	<u>582,676</u>	<u></u>
Total	<u>\$ 1,094,040</u>	<u>\$ 1,127,163</u>

\$582,676 reported as deferred outflows of resources related to pensions resulting from Board contributions to the ERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ (115,842)
2022	(344,541)
2023	(129,028)
2024	8,007
2025	<u>(34,395)</u>
Total	<u>\$ (615,799)</u>

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

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

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Inflation	2.65% general, 3.15% wage
Salary increases	3.10% to 11.60%, including wage inflation
Discount rate	7.40%
Investment rate of return	7.40%
Retirement Age	Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

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 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 reduce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the System 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37.00%	6.30%
Private Equity	13.00%	7.50%
Rate Sensitive	19.00%	1.30%
Credit Opportunity	9.00%	3.90%
Real Assets	14.00%	4.50%
Absolute Return	8.00%	3.00%
Total	<u>100.00%</u>	

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

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

The discount rate used to measure the total pension liability was 7.40 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the State will be made at current statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to determine the total pension liability.

The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.40 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.40 percent) or 1-percentage-point higher (8.40 percent) than the current rate:

	1% Decrease 6.40%	Current Discount Rate 7.40%	1% Increase 8.40%
Board's proportionate share of the net pension liability	\$ 8,293,754	\$ 5,730,106	\$ 3,594,909

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

NOTE 7 - RELATED PARTIES

The Board is closely related to Allegany County and the State of Maryland, and is dependent on these two sources for the major portion of its current expense funding. The amounts received and receivable during the year are disclosed within the financial statements.

The Board is closely related to the Allegany County Public Schools Foundation, Inc. in that the Board provides labor and certain administrative costs for the Foundation in exchange for the funds the Foundation provides to the Board's students. The Foundation provided \$50 to the Board to supplement educational programs. The Board provided \$381 of donated services to the Foundation and it is included in Donated Services on the Foundation's statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - RELATED PARTIES (Continued)

The Board is closely related to the Allegany County Building Trades Educational Foundation in that the Board provides labor, certain administrative costs, and donates the use of equipment to the Foundation in exchange for the curriculum the Foundation provides to the Board's students. The Board provided \$17,710 of donated services to the Foundation and it is included in Donated Services on the Foundation's statements.

NOTE 8 - CASH AND INVESTMENTS

Deposits

At June 30, 2020, the carrying amount of the Board's reconciled bank deposits was \$37,522,375 and the various bank balances were \$38,073,601. Of the bank balances, \$386,679 was covered by depository insurance. Total collateralized deposits were \$37,686,922. Total deposits include the cash balance for the Allegany County Building Trades Foundation.

During fiscal 2018, the Board implemented sweep accounts for its main checking and operating accounts. The sweep accounts are invested in a Government Money Market Fund as defined in Rule 2a-7 under the Investment Company Act of 1940, as amended. This means that the fund invests at least 99.5% of its total assets in (1) U.S. government securities, (2) repurchase agreements that are collateralized fully by U.S. government securities or cash, (3) cash, and/or (4) other money market mutual funds that operate as Government Money Market Funds. However, as a result of COVID's impact on interest rates, the Board discontinued the use of sweep accounts during fiscal 2020 as it was no longer profitable based upon the rate of return.

Investments

The Board's investment practices are governed by the Annotated Code of the State of Maryland. The Annotated Code limits the Board's investment activity to certificates of deposit, money market funds, instruments of the U.S. Treasury, and repurchase agreements secured by U.S. Treasury and other federal securities.

All investment revenue is recorded in the fund that held the investments at year end.

As of June 30, 2020, the Board's local investments in certificates of deposit and maturities are outlined as follows:

	Fair Value	Investment Maturity in Months			
		Less Than 1	1-6	6-12	More Than 12
Certificates of Deposit	\$519,491	\$30,297	\$213,660	\$53,798	\$221,736

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk - In accordance with its investment policy, the Board manages its exposure to declines in fair values arising from interest rates by limiting the maturity date of securities to no more than 2 years from the date of purchase, unless it is matched to a specific cash flow requirement.

Credit Risk – The Board’s investment policy for investments outside the MABE pooled investment trust limits the investments of the portfolio to 5% of Bankers Acceptances, 5% to money market mutual funds, and 5% to commercial paper. The Board’s investment policy complies with Maryland state law limits.

Custodial Credit Risk – Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor-board’s name.

Board of Education Discretely Presented Component Unit – Allegany County Building Trades Educational Foundation Inc.

Cash and cash equivalents are invested in interest bearing accounts at financial institutions and in money market funds. The carrying amount of the Foundation’s deposit as of June 30, 2020 was \$134,588 and the balance per bank was \$134,588. This amount is fully insured by federal depository insurance.

NOTE 9 - ON-BEHALF PAYMENTS

The State of Maryland paid \$6,858,416 into the State Retirement and Pension System of Maryland on behalf of the Board.

In addition, the Board receives support in the form of “on-behalf spending” from the Allegany County Government. School nurses are provided to the Board through the Allegany County Health Department at a total cost of \$1,617,039 of which \$923,261 is paid by the Board and the remainder is funded by the Allegany County Government.

County government also supported the school system by assisting with school security of \$118,189 for public school students and mental health spending in the amount of \$30,471 for both public and non public school students.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - COMMITMENTS, CONTINGENCIES, RISKS, AND SUBSEQUENT EVENTS

The Board is exposed to risks of loss from lawsuits, medical and dental insurance claims, workers' compensation claims, and property damage claims. The Board manages its risks for these claims in various ways. Risks of loss arising from property damage and errors and omissions have been transferred to the Board's insurance carrier through the purchase of set premium insurance. The Board retains the risk of loss for medical and dental claims and has included \$9,032,221 in accrued expenses on the balance sheet to cover incurred but not reported claims. This amount increased by \$2,793,297 from the prior year amount of \$6,238,924, and was based on total claims paid of \$18,477,793 and \$19,099,079 for 2020 and 2019, respectively. The Board does not include any other incremental costs in its basis. The Board's insurance consultant had advised that the recorded liability is sufficient. The Board purchased stop-loss insurance, however, so that if an individual claim exceeds \$350,000, the insurance company will reimburse the Board for the excess.

Hospital Insurance Liability at Beginning of Year	\$ 6,238,924
Claims and changes in estimates during the year	21,271,090
Claims paid	<u>(18,477,793)</u>
Hospital Insurance Liability at End of Year	<u>\$ 9,032,221</u>

The Board participates in the Maryland Association of Boards of Education's risk pool to manage the risks for workers' compensation claims. The Board pays an annual premium into the pool and may participate in refunds or be assessed additional premiums based on the experience of the pool and the Board's individual experience. No additional amounts have been recorded in the financial statements for any additional assessments since it is unlikely that a material amount, if any, will be assessed.

The Board also joined the Maryland Association of Boards of Education risk pool, organized as a trust, for the purpose of providing property, liability, and automobile coverage to members of the pool for an annual premium. Such premiums are actuarially calculated for the pool as a whole based upon loss data and are allocated to members based on student enrollment, number, and type of vehicles as well as experience modification factors. The Pool is reinsured on a claims-made basis for liabilities, covering claims aggregating \$3 million per system per year.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Board's financial condition, liquidity, and future results of operations. Board officials are actively monitoring the situation. Access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The Board's financial condition and services may be impacted for fiscal year 2021.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - COMMITMENTS, CONTINGENCIES, RISKS, AND SUBSEQUENT EVENTS (Continued)

The Board is exposed to a variety of threatened and pending litigation at June 30, 2020. No liability has been recorded for contingencies in the financial statements as the Board does not believe it is likely that a material liability will result from these claims that will not be covered by insurance, and no amount is determinable.

The Board evaluated subsequent events through November 30, 2020 for possible inclusion in the financial statements for potential required disclosures.

Long-range facilities plan

A long-range facilities plan for the future operation of County schools has been approved by vote by the School Board. Formal action is required for school consolidations and new school constructions. Funding for any action would come from State, County, and the Board funds.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In fiscal year 2018, GASB issued a new accounting standard for the employer of OPEB plans (Statement No. 75 Accounting and Reporting for Postemployment Benefits Other than Pensions). The Board adopted and implemented this standard. The information disclosed for GASB 75, as it relates to the employer of the OPEB plan, superseded the previous year's presentation of GASB 45 information, such as Net OPEB obligation.

Since 1992, a new policy was implemented to subsidize a portion of the retiree's health care premiums. For 2020, a maximum subsidy for all retirees of \$315,000 was Board approved. The total annual amount of the subsidy for the 2019-2020 fiscal year is as follows for 106 retirees:

<u>Years of Service at Retirement</u>	<u>Total Premium Subsidy Paid</u>	
	<u>Under Age 65</u>	<u>Over Age 65</u>
25 - 29 years	\$ 0	\$92,180
30 or more years	\$ 0	\$152,830

Plan Description

In 2000, the "Retiree Insurance Benefit Plan" was established to subsidize a portion of future retirees' health care costs. Eligible employees retiring after June 30, 2002 will be covered under this plan. Eligible employees who retired prior to July 1, 2002 will continue to receive supplements under the plan described in the previous paragraph. The Board contributed \$1,428,857 toward the fund during the fiscal year ended June 30, 2020. Interest income is calculated and added to the fund balance.

The Retiree Insurance Benefit Plan is an independent fund jointly established by the Board of Education of Allegany County and four bargaining units to reimburse eligible retirees a portion of their post-retirement health insurance costs. Annual benefits to be paid from the fund are to be determined by a Plan Oversight Committee, consisting of five employee union

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

representatives and four representatives appointed by the Board. The plan is presented within the financial statements as a Fiduciary Fund.

In March 2009, the Board entered into an agreement with the Maryland Association of Boards of Education (MABE), together with certain member Boards of Education of Maryland to establish the MABE Pooled OPEB Investment Trust (MABE Pool) in order to pool assets of the member Boards of Education for investment purposes and to arrange for the establishment of a reserve to pay health and welfare benefits for future retirees. The assets of the MABE Trust are managed by GYL Financial Synergies and consist of money market funds, U.S. government securities, fixed income securities, asset-backed securities, equity securities, mutual funds and exchange traded funds.

At June 30, 2020 the net position of the MABE Trust was valued at \$435.24 million; the School System's interest was \$13,563,864 which is held in trust for the OPEB liability. Certain investments in the trust are measured at net asset value and as such are not subject to fair value disclosure leveling. The pool does not carry a credit quality rating.

The MABE OPEB Trust is audited annually by an independent CPA firm. Cohen & Company, LTD performed this service. The audit report is usually issued by September 1st each year, a copy of which can be obtained by sending a request to the following address: Administrator of the MABE Pooled Investment Trust, 621 Ridgely Road, Suite 300, Annapolis, MD 21401-1112. The State of Maryland Treasurer's Office provides regulatory oversight of the investment pool, and the fair value of the School System's position in the pool is the same as the fair value of pool shares. The Board can withdraw its allocated investment balance from the fund by providing written notification six months prior to the intended date of withdrawal.

Plan Membership and Benefits Provided

In addition to subsidizing a portion of retiree health care benefits, the Board provides other post-employment benefits under a single employer plan. The Board provides medical benefits including prescription drug to eligible employees who retire from the Allegany County Public School System. The employer's contributions are financed on a pay-as-you-go basis through negotiated agreements with employee bargaining groups, and the future payment for these benefits is contingent upon annual approval of the operating budget. As of the June 30, 2019 actuarial valuation date, plan membership included 1,141 active employees that may receive this benefit in the future and 895 retirees and beneficiaries that are currently eligible for this benefit. 729 retirees are taking advantage of some portion of retiree benefits as of June 30, 2019. Details of the post-retirement benefits are as follows:

Medical Benefits

Retirees are eligible for continued membership of the school system's group medical plans provided they have at least 15 years of service with the Allegany County Public Schools. Employees must actually retire from the Board and begin receiving retirement benefits from the State of Maryland without any time break between the last day of employment and their retirement date. Employees must retire July 1, 2002, or thereafter.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

The retiree pays the premiums for these benefits but is eligible for a reduction of the premium based upon years of service and age. Retirees with 30 years of service are eligible for the maximum benefit. Retirees with more than 25 years, but less than 30 years of services are eligible for 85% of the maximum benefit. Retirees with over 20 years of service, but less than 25 years of service are eligible for 70% of the maximum benefit. Retirees with over 15 years of service but less than 20 years of service are eligible for 55% of the maximum benefit. The fund will reimburse for health, dental, vision, and prescription premiums paid toward the Board insurance, other employer provided insurance, private policies, and/or Medicare B. Retirees can be covered by any health insurance plan they choose. They can be covered by any combination of the Board's health insurance, their spouse's insurance and/or a supplemental health insurance policy. If the employee dies in service July 1, 2002, or thereafter, their spouse may be eligible for benefits as explained in the negotiated contract.

Actuarial Methods and Assumptions .

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date:	June 30, 2019
Measurement Date	June 30, 2020
Amortization Method	Entry Age Normal
Inflation	2.5 percent
Salary Increases	4.0 percent
Discount Rate	7.0 percent
Investment Rate of Return	7.0 percent
Mortality:	

Pub-2010 Teacher Headcount-weighted with fully generational scale MP-2019. The table represents the most recent table released by the Society of Actuaries specifically for governmental employees.

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

The last complete actuarial valuation was performed as of June 30, 2019 with a roll forward for the period ended June 30, 2020. The June 30, 2020 measurement was based on (a) the plan provisions as in effect on that date, (b) employee data as of June 30, 2019, as provided by the plan sponsor, and (c) asset information as of June 30, 2020. The measurement included a 7.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7% initially, reduced linearly to an ultimate annual increase of 4.5%. The actuarial value of assets was determined using market value.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Investments

The MABE Trust's policy in regard to the allocation of invested assets is established and may be amended by the Trustees by a majority vote of its members. It is the policy of the Trust to pursue an investment strategy that emphasizes growth of principal while avoiding excess risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index. The MABE Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes and aims to refrain from dramatically shifting asset allocations over short time spans.

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 OPEB 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	7.51%
Fixed Income	37.00%	3.88%
Cash	3.00%	2.00%
 TOTAL	 100.00%	

The projected level of plan assets are sufficient to cover projected future obligated payments.

BOARD OF EDUCATION OF ALLEGANY COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)

Rate of Return on Investments

For the year ended June 30, 2020, the annual money-weighted rate of return on investments net of investment expense was 2.82 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Actual future returns may vary due to the timing of capital contributions and redemptions.

Change in Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2019	\$ 25,796,750	\$ 13,191,691	\$ 12,605,059
Changes for the year:			
Service cost	371,344	-	371,344
Interest	1,750,690	-	1,750,690
Difference between expected & actual experience	-	-	-
Assumption changes	2,633,852	-	2,633,852
Contributions - employer	-	1,600,868	(1,600,868)
Contributions - employee	-	-	-
Net investment income	-	419,617	(419,617)
Benefit payments	(1,600,868)	(1,600,868)	-
Administrative expense	-	(47,444)	47,444
Other changes	-	-	-
Net Changes	3,155,018	372,173	2,782,845
Balance at June 30, 2020	\$ 28,951,768	\$ 13,563,864	\$ 15,387,904

For the year ended June 30, 2020, the Board recognized OPEB expense of \$1,699,727.

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

The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB Liability	<u>\$18,081,826</u>	<u>\$15,387,904</u>	<u>\$13,045,832</u>

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT 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 Board, as well as what the Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0 percent decreasing to 3.5 percent) or 1-percentage-point higher (8.0 percent decreasing to 5.5 percent) than the current healthcare rates:

	1% Decrease (6.0% to 3.5%)	Healthcare Cost Trend Rate (7.0% to 4.5%)	1% Increase (8.0% to 5.5%)
Net OPEB Liability	<u>\$ 12,415,540</u>	<u>\$ 15,387,904</u>	<u>\$ 18,933,786</u>

Deferred Outflows and Deferred Inflows of Resources Related to Other Post-Employment Benefits

At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 2,271,561	\$ -
Difference between projected and expected experience	-	-
Net difference between projected and actual earnings on OPEB plan investments	401,735	22,323
Board contributions to the OPEB subsequent to the measurement date	-	-
	<u>\$ 2,673,296</u>	<u>\$ 22,323</u>

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)

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

Year ended June 30:		
2021	\$	452,035
2022		452,035
2023		461,782
2024		462,724
2025		362,291
Thereafter		460,106
Total	\$	<u>2,650,973</u>

NOTE 12 - CAPITAL LEASES

The Board leases photocopy and printing equipment under capital leases with interest rates ranging from 2.1% to 8.1% and maturity dates up to 2025. The total capital lease obligation as of June 30, 2020 was \$378,666 with \$111,884 representing the current portion and \$266,782 representing the long-term portion. In fiscal 2019, the capital lease obligation was \$377,443 of which \$129,202 was current and \$248,241 was considered long-term. The detail of the \$1,223 increase in the total capital lease liability is presented below. The capital lease obligations are secured by the equipment under lease.

Capital Lease Liability at June 30, 2019	\$	377,443
Additional Lease Obligations		145,477
Payments on Capital Lease Liability		<u>(144,254)</u>
Capital Lease Liability at June 30, 2020	\$	<u>378,666</u>

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - CAPITAL LEASES (Continued)

Following is a schedule of principal and interest payments under capital leases as of June 30, 2020:

<u>Year Ended June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 111,884	\$ 26,148	\$ 138,032
2022	98,134	17,746	115,880
2023	86,937	10,140	97,077
2024	62,125	3,997	66,122
2025	18,739	694	19,433
2026	847	6	853
Total	<u>\$ 378,666</u>	<u>\$ 58,731</u>	<u>\$ 437,397</u>

The portion of the lease payments that are for service and materials have not been capitalized. Minimum total future lease payments, including the amounts for service and materials, as of June 30, 2020 follow:

<u>Year ended June 30:</u>	<u>Minimum Lease Payments</u>
2021	\$ 287,128
2022	245,875
2023	211,704
2024	145,353
2025	42,625
2026	1,595
Total	<u>\$ 934,280</u>

The following is equipment acquired through capital leases, which is included in capital assets on the statement of net position at June 30, 2020:

Cost	\$917,421
Less accumulated depreciation	<u>(580,308)</u>
	<u>\$337,113</u>

NOTE 13 - FUND BALANCE

A surplus fund balance of \$26,412,064 existed in the Current Expense Fund Type, Unrestricted Fund, as of June 30, 2020. The surplus of \$26,362,064 was undesignated.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 14 - ACCOUNTS RECEIVABLE

Total accounts receivable of Governmental Funds in the financial statements as of June 30, 2020 is \$10,606,038. This total consists of the following components:

County Government	\$ -
State Government	2,087,326
Federal Government	8,418,325
Other Local Education Agencies	17,066
Other	<u>83,321</u>
Total	<u>\$ 10,606,038</u>

NOTE 15 - STADIUM FUNDS

Greenway Avenue Stadium

On August 13, 1996 the Board approved a \$1 surcharge on adult ticket sales for varsity football, varsity soccer, and varsity track sporting events held at Greenway Avenue Stadium. The \$1 surcharge is also assessed on student ticket sales for the varsity football homecoming game. The funds are to be used to maintain, renovate, and upgrade Greenway Avenue Stadium. These funds are collected by Fort Hill and Allegany High Schools and remitted to the central office. Once received by the central office, these funds become part of the School Construction Fund.

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

Balance, beginning of year	\$ 246,627
Add: Ticket surcharge collections	15,727
Donation	0
Tower rent	17,512
Less: Expenditures	<u>(29,103)</u>
Balance, end of year	<u>\$ 250,763</u>

Mountain Ridge Stadium

On March 13, 2007 the Board approved a \$1 surcharge on adult ticket sales for varsity football, varsity soccer, and varsity track sporting events held at Mountain Ridge Stadium. The funds are to be used to maintain, renovate, and upgrade Mountain Ridge Stadium. These funds are collected by Mountain Ridge High School and remitted to the central office. Once received by the central office, these funds become part of the School Construction Fund.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 15 - STADIUM FUNDS (Continued)

Mountain Ridge Stadium (Continued)

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

Balance, beginning of year	\$ 66,075
Add: Ticket surcharge collections	5,776
Interest	0
Less: Expenditures	(0)
Balance, end of year	<u>\$ 71,851</u>

NOTE 16 - FAIR VALUE MEASUREMENTS

Government Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, defines fair value, establishes a framework for measuring fair value, establishes a three level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Represented by quoted prices that are available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities.
- Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed securities and swap agreements.
- Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and private investments in public entities.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

Change in Net OPEB Liability

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 519,491	\$ -	\$ -	\$ 519,491
MABE Investment Assets:				
Corporate Bonds	-	1,670,366	-	1,670,366
Corporate Asset Backed Securities	-	68,185	-	68,185
Equity Securities	2,798,413	-	-	2,798,413
Exchange Traded Funds	1,745,069	-	-	1,745,069
Mutual Funds	4,552,838	-	-	4,552,838
Municipal Bonds	-	-	-	-
US Government and Agency Fixed Income Asset Backed Securities	-	1,964,136	-	1,964,136
Total MABE investments by fair value level	9,096,319	3,702,686	-	12,799,005
Total Investments Measured at Fair Value	\$ 9,615,810	\$ 3,702,686	\$ -	\$13,318,496
MABE Investments measured at net asset value				764,859
Total Investments				\$14,083,355

The fair value measurement for these assets are based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data (Level 2). In certain cases, where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the hierarchy.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Unrestricted			
	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
REVENUES				
County - regular appropriation	\$ 30,734,338	\$ 30,734,338	\$ 30,734,335	\$ (3)
State - direct	83,565,195	83,565,195	84,245,420	680,225
Federal - direct	350,000	350,000	266,908	(83,092)
Fund Balance	-	564,000	-	(564,000)
Other revenue	544,000	544,000	559,662	15,662
TOTAL REVENUES	<u>115,193,533</u>	<u>115,757,533</u>	<u>115,806,325</u>	<u>48,792</u>
EXPENDITURES				
Administration	2,497,903	2,288,667	2,260,972	27,695
Mid-level administration	6,852,578	6,852,578	6,626,850	225,728
Instruction - salaries	40,405,514	40,745,514	40,087,816	657,698
Instruction - textbooks & instructional supplies	2,586,076	2,586,076	2,610,042	(23,966)
Instruction - other	2,447,573	2,447,573	1,862,299	585,274
Student personnel services	755,869	755,869	548,324	207,545
Health services	843,250	843,250	751,083	92,167
Student transportation	6,321,072	6,321,072	5,746,058	575,014
Operation of plant and equipment	7,803,897	8,027,897	7,656,089	371,808
Maintenance of plant	1,859,272	1,859,272	1,690,984	168,288
Fixed charges	26,099,190	24,670,333	22,526,913	2,143,420
Community Service	-	-	6,341	(6,341)
Food Services	502,967	-	-	-
Capital outlay	290,000	230,000	207,424	22,576
Special education	15,928,372	15,928,372	15,275,655	652,717
TOTAL EXPENDITURES	<u>115,193,533</u>	<u>113,556,473</u>	<u>107,856,850</u>	<u>5,699,623</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>2,201,060</u>	<u>7,949,475</u>	<u>5,748,415</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers	-	(2,201,060)	(2,127,082)	73,978
Capital lease financing	-	-	145,477	145,477
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(2,201,060)</u>	<u>(1,981,605)</u>	<u>219,455</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>5,967,870</u>	<u>5,967,870</u>
FUND BALANCE - JULY 1, 2019	<u>20,444,194</u>	<u>20,444,194</u>	<u>20,444,194</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2020	<u>\$ 20,444,194</u>	<u>\$ 20,444,194</u>	<u>\$ 26,412,064</u>	<u>\$ 5,967,870</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - RESTRICTED (CURRENT EXPENSE) AND FOOD SERVICE
FOR THE YEAR ENDED JUNE 30, 2020

	Restricted			Food Service		
	Budgeted Amounts	Final	Actual Budgetary Basis	Budgeted Amounts	Final	Actual Budgetary Basis
REVENUES	Original			Original		
State - direct	\$ 3,667,124	\$ 3,667,124	\$ 2,727,776	\$ 115,000	\$ 115,000	\$ 139,027
Federal - direct						
- received through State & Pass-Thru Agencies	8,376,852	8,376,852	9,457,851	300,000	300,000	321,267
Other revenue	164,600	164,600	206,351	3,000,000	3,000,000	3,072,334
TOTAL REVENUES	12,208,576	12,208,576	12,391,978	4,365,000	4,365,000	4,175,404
EXPENDITURES						
Administration	64,187	64,187	62,901			
Mid-level administration	305,143	305,143	300,809			
Instruction - salaries	3,980,274	3,980,274	2,665,639			
Instruction - textbooks & instructional supplies	403,330	403,330	1,787,028			
Instruction - other	606,431	606,431	634,649			
Student personnel services	-	-	26,809			
Health services	250,000	250,000	250,944			
Student transportation	16,300	16,300	37,796			
Operation of plant and equipment	-	-	255,895			
Maintenance of plant	-	-	4,789			
Fixed charges	1,873,555	1,873,555	2,182,968			
Community Services	376,805	376,805	501,951			
Special education	4,332,551	4,332,551	3,660,488			
Food Service	-	-	19,312	4,790,000	4,790,000	4,877,151
TOTAL EXPENDITURES	12,208,576	12,208,576	12,391,978	4,790,000	4,790,000	4,877,151
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				(425,000)	(425,000)	(701,747)
OTHER FINANCING SOURCES (USES)						
Interfund transfers				425,000	425,000	406,413
NET CHANGE IN FUND BALANCES						
FUND BALANCE - JULY 1, 2019						
FUND BALANCE - JUNE 30, 2020						
	\$ -	\$ -	\$ -	\$ 681,979	\$ 681,979	\$ 681,979
				\$ 681,979	\$ 681,979	\$ 386,645
						\$ (295,334)
						\$ (295,334)

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY
RECONCILIATION OF BUDGETARY BASIS TO GAAP
JUNE 30, 2020

	Revenues	Expenditures	Current Year Effect on Fund Balance
Unrestricted Current Expense Fund Budgetary Basis	\$ 115,806,325	\$ 107,856,850	\$ 7,949,475
Retirement contribution made by the State on behalf of the Board	6,858,416	6,858,416	-
Board, and local contributions for nurses, security and mental health professionals	842,438	842,438	-
Statement of Revenues, Expenditures, and Change in Fund Balances Actuals	<u>\$ 123,507,179</u>	<u>\$ 115,557,704</u>	<u>\$ 7,949,475</u>

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE 1 - BUDGET TO ACTUAL VARIANCES

General Fund

For the year ended June 30, 2020, both the General Fund revenues and expenditures came in under budget.

Net state revenues were over budget as a result of the first year of the Teacher Salary Incentive grant that was implemented as a portion of the recommendations of the Commission on Innovation and Excellence in Education (commonly known as the Kirwan Commission). There was also a shortfall of state revenues that related to non-public placements. Public schools are required to provide a free and appropriate education to all students in a public school system. When students have intensive educational needs that cannot be met by the local school system, the school system is mandated to provide an education in a facility that can meet those needs. The cost is shared between the local school system and state government based upon a formula. Revenues were under budget because of a formulaic change that occurred as a result of facilities providing virtual services to students versus in person services from March through the end of the fiscal year.

Medicare Part D revenues show an unfavorable variance. The system is self-insured for health insurance purposes. As a result, the system qualifies for the Medicare Part D program that reimburses the system for a portion of prescription drug benefits provided to Medicare eligible retirees. The system budget is based upon past experience.

A favorable variance existed in mid-level administration. Salaries and wages came in under plan for the year. Other charges came in under budget and were driven by lower travel costs than anticipated. This savings was primarily due to there being virtually no travel within the state or to outside conferences from March through the end of the fiscal year as a result of COVID. Equipment also came under budget because fewer computers needed to be replaced than originally budgeted.

A favorable variance existed for instructional salaries due to several employees being off due to illness and some other employees retiring during the school year. These positions were covered with substitute costs which would have been significantly lower than budgeted. There were also some open positions. Also, from March through the end of the year, there were no field trips and very limited staff development opportunities, so the use of substitutes within the district was minimal. Typically, those types of expenses occur during the spring semester.

Instructional textbooks and supplies came in under budget with a positive variance of 4.7%. There were instances as a result of virtual learning where supplies were not consumed during the period from March through the end of the year.

BOARD OF EDUCATION OF ALLEGANY COUNTY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE 1 - BUDGET TO ACTUAL VARIANCES (Continued)

General Fund (Continued)

Other instructional expenditures came in under budget. Contracted services, other charges, and equipment were all under budget in fiscal 2020. The district was below plan within contracted services as it was without the budgeted number of athletic trainers for a portion of the year. Also, the district's after school programs were cut short this year as a result of going to a virtual learning format in March. Equipment expenditures were also significantly under budget as the district evaluates the timing and necessity of all equipment purchases and tries to use grants, when available.

The budget for Special Education private placements was an estimate based on the anticipated number of students to be served and historic usage trends. While the total number of students requiring these intensive services increased, the impact of the pandemic shutting down "in person" learning for this group of students resulted in a formulaic change in reimbursements from the state which contributed to this positive variance. Special Education was under budget within salaries by about 2%. Also, contracted services for occupational and physical therapy were higher than budgeted based upon the needs of the students.

Student transportation was under budget overall and largely within contracted services due to the fuel rates being lower than budgeted. The school system must budget up to 18 months in advance of expenditure and the system uses an average fuel rate when developing the budget. The department monitors and adjusts bus routes as appropriate. Also, as a result of the district's learning going virtual during the pandemic, the system recognized additional savings related to fuel since it did not reimburse contractors for fuel from March to the end of the school year. Overall, contracted services were under budget by \$358,369.

The operations area was able to come in under budget overall. Overall, salaries were lower than anticipated within the budget. Supplies and materials were over budget as a result of the classification of some technology supplies. Contracted services were over budget, but there were savings in other charges as utilities trended better than plan for the year. Equipment also came in under budget as operations did not spend all the funds appropriated in the budget as a result of the pandemic.

For the maintenance department, COVID limited projects by contractors this spring which caused contracted services to come in under budget. The facilities department came in under budget in labor, supplies, contracted services, and equipment. Equipment came in under budget as the facilities department did not spend all funds appropriated in the budget.

BOARD OF EDUCATION OF ALLEGANY COUNTY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE 1 - BUDGET TO ACTUAL VARIANCES (Continued)

General Fund (Continued)

The school system was able to come in under budget in fixed charges as a result of stabilizing healthcare claims and savings of payroll related fixed charges within the system overall. The amount expensed for healthcare was less than budgeted. Also, the reduction of overall labor costs caused employment taxes to come in under budget. Fixed charges were also favorable due to retirees not using all of budgeted retiree health benefits. The school system will reimburse retirees up to a set amount providing documentation. In some cases, the coverage obtained by retirees is less than the cap on the amount retirees are eligible to receive.

Special Revenue Fund – Restricted

Restricted revenues and expenses for the year were \$12,391,978 which is up about 20.9% or \$2,139,300 from the prior year's revenues and expenses of \$10,252,678. Restricted revenues are tied to the availability of grants and funding. The state funding attributable to the Blueprint for Maryland's future represents \$1,739,093 or 81% of the increase. The remainder of the increase was made up of CARES grant spending of \$1,025,481 and a corresponding decrease attributable to Erate spending this year of \$530,779.

Special Revenue Fund – Food Service

As a result of the pandemic and the steps taken to continue to provide our students with school meals daily from mid-March through the end of the school year, the Food Services fund was unable to remain profitable this fiscal year with a loss of \$295,334 compared to the prior year's income of \$174,202. Overall, revenue decreased by \$241,269 to \$4,581,817 as the district served fewer meals compared to the prior year and received no Children's Payments from mid-March through the end of the school year.

Expenses within the fund increased to \$4,877,151 compared to fiscal year 2019's expenses of \$4,648,884. The increase within expenses relates to primarily to salaries and wages as the district paid a COVID premium to essential employees. There were savings related to equipment purchases while spending more in fiscal 2020 on supplies, primarily for containers for transporting breakfasts and lunches for pickup.

NOTE 2 - RECONCILIATION OF BUDGETARY BASIS TO GAAP

Actual results of operations are presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual on the budgetary basis of accounting, in order to provide a meaningful comparison of actual results with budget estimates. Under the budgetary basis, capital leases principal payments are recognized as a current expense. In addition, retirement contributions made by the State on behalf of the Board, and local contributions for nurses, security, and mental health professionals are not recognized as revenue and current expense on the budget basis.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**SCHEDULE OF NET OTHER POST EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	2020	2019	2018
Actuarially determined contribution	\$ 1,600,868	\$ 1,619,502	\$ 1,607,290
Contributions in relation to the actuarially determined contribution	(1,600,868)	(1,619,502)	(1,607,290)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	66,916,160	67,194,377	63,892,883
Contribution as a percentage of covered employee payroll	2.39%	2.41%	2.52%

Notes:

This schedule is presented to illustrate the requirement to show the information for 10 years. However, until a full 10-year trend is completed the Board will present information for those years for which the information is available.

Changes since prior valuation:

- 1) The mortality table was updated from the RP-2000 mortality table with scale AA generational improvement to Pub-2010 Teachers Headcount-weighted with fully generational scale MP-2019.
- 2) Trend was updated to assume increases annually at a rate of 7% in FY21 and decreasing linearly each year by decrements of .50% to an ultimate annual increase of 4.5%. The prior valuation assumed 6.0% in FY21 and an ultimate rate of 5.0%.
- 3) Retirement and termination tables were updated based on the 6/30/2019 Teacher's Pension System Valuation.

BOARD OF EDUCATION OF ALLEGANY COUNTY
RETIREE POST-EMPLOYMENT BENEFITS-SCHEDULE OF CHANGES IN THE BOARD'S NET OPEB AND RELATED
RATIOS
LAST 10 FISCAL YEARS

	2020	2019	2018
TOTAL OPEB LIABILITY			
Service cost	\$ 371,344	\$ 347,050	\$ 324,346
Interest	1,750,690	1,718,804	1,690,682
Change of assumptions	2,633,852	-	-
Benefit payments	(1,600,868)	(1,619,502)	(1,607,290)
Net change in total OPEB liability	3,155,018	446,352	407,738
Total OPEB liability - beginning	25,796,750	25,350,398	24,942,660
Total OPEB liability - end	<u>\$ 28,951,768</u>	<u>\$ 25,796,750</u>	<u>\$ 25,350,398</u>
PLAN FIDUCIARY NET POSITION			
Contributions-employer	\$ 1,600,868	\$ 1,619,502	\$ 1,607,290
Net investment income	419,617	867,405	838,773
Administrative expenses	(47,444)	-	-
Benefit payments	(1,600,868)	(1,619,502)	(1,607,290)
Net change in plan fiduciary position	372,173	867,405	838,773
Plan fiduciary net position - beginning	13,191,691	12,324,286	11,485,513
Plan fiduciary net position - end	<u>\$ 13,563,864</u>	<u>\$ 13,191,691</u>	<u>\$ 12,324,286</u>
Board's net OPEB liability- end	<u>\$ 15,387,904</u>	<u>\$ 12,605,059</u>	<u>\$ 13,026,112</u>
Plan fiduciary net position as a percentage of the total OPEB liability	46.85%	51.14%	48.62%
Covered employee payroll	66,916,160	67,194,377	63,892,883
Net OPEB liability as a percentage of covered-employee payroll	23.00%	18.76%	20.39%

Notes:

This schedule is presented to illustrate the requirement to show information for 10 years. Until a full 10 year trend is completed, the Board will present the information for the years that are available.

Key Assumptions:

Actuarial Valuation Date:

June 30, 2019

Measurement Date:

June 30, 2020

Amortization Method:

Entry Age Normal

Salary Increases:

4.0%

Discount Rate:

7.0%

Investment Rate of Return:

7.0%

Mortality:

Pub-2010 Teachers Headcount-weighted with fully generational scale MP-2019. The table represents the most recent table released by the Society of Actuaries specifically for governmental employees.

BOARD OF EDUCATION OF ALLEGANY COUNTY
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - MARYLAND STATE RETIREMENT AND PENSION
SYSTEM
LAST 10 FISCAL YEARS

	2020	2019	2018	2017	2016	2015
Board's proportion of the net pension liability (asset)	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Board's proportionate share of net pension liability	\$ 5,730,106	\$ 5,846,752	\$ 5,657,005	\$ 6,932,618	\$6,917,608	\$5,665,273
Board's covered employee payroll	6,338,813	6,491,484	6,517,359	6,710,481	\$7,210,687	\$7,469,056
Board's proportionate share of the net pension liability as a percentage of its covered employee payroll	90.04%	90.07%	86.80%	103.31%	95.94%	75.85%
Plan fiduciary net position as a percentage of the total pension liability	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

Notes:

The amounts presented for each fiscal year were determined as of the measurement period year-end. The measurement period year-end was one year prior to each fiscal year-end.

This schedule is presented to illustrate the requirement to show the information for 10 years. However, until a full 10-year trend is completed the Board will present information for those years for which the information is available.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**SCHEDULE OF THE BOARD'S CONTRIBUTIONS - MARYLAND STATE RETIREMENT AND PENSION SYSTEM
LAST 10 FISCAL YEARS**

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 582,676	\$ 570,493	\$ 555,671	\$ 532,468	\$ 572,404	\$ 701,601
Contributions in relation to the contractually required contribution	<u>\$ (582,676)</u>	<u>\$ (570,493)</u>	<u>\$ (555,671)</u>	<u>\$ (532,468)</u>	<u>\$ (572,404)</u>	<u>\$ (701,601)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's covered-employee payroll	\$ 6,211,901	\$ 6,338,813	\$ 6,491,484	\$ 6,517,359	\$6,710,481	\$7,210,687
Contributions as a percentage of covered-employee payroll	9.38%	9.00%	8.56%	8.17%	8.53%	9.73%

Notes:

The amounts presented for each fiscal year were determined as of the measurement period year-end. The measurement period year-end was one year prior to each fiscal year-end.

This schedule is presented to illustrate the requirement to show the information for 10 years. However, until a full 10-year trend is completed the Board will present information for those years for which the information is available.

100% of the net pension liability associated with the system is the responsibility of the State of Maryland. Consequently, 10 year information is not provided for the Teachers' Retirement System.

There were no changes in benefit terms during the year.

Changes in Actuarial Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2019 actuarial valuation as compared to the 2018 actuarial valuation.

- Inflation assumption changed from 2.60% general and 3.10% wage to 2.65% general and 3.15% wage.
- Salary increase assumption changed from a range of 3.1% to 9.10% to a range of 3.10% to 11.60%
- Discount rate used changed from 7.45% to 7.40%
- Investment rate of return changed from 7.45% to 7.40%
- Mortality tables were changed from RP-2014 Mortality Tables with generational mortality improvements based on the MP 2014 2-dimensional improvement scale to Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

BOARD OF EDUCATION OF ALLEGANY COUNTY

SCHOOL ACTIVITIES - INCREASES, DECREASES AND BALANCES BY SCHOOL For Year Ended June 30, 2020

	Balances June 30, 2019	Increases	Decreases	Balances June 30, 2020
HIGH SCHOOLS				
Allegany	\$ 203,227	\$ 337,491	\$ 310,954	\$ 229,764
Center for Career and Technical Education	87,260	64,378	63,677	87,961
Fort Hill	118,194	389,061	328,936	178,319
Mountain Ridge	327,278	627,540	626,686	328,132
Total High Schools	735,959	1,418,470	1,330,253	824,176
MIDDLE SCHOOLS				
Braddock	40,745	74,172	58,162	56,755
Mount Savage	87,643	115,054	109,062	93,635
Washington	93,604	67,243	52,010	108,837
Westmar	45,041	48,290	36,314	57,017
Total Middle Schools	267,033	304,759	255,548	316,244
ELEMENTARY SCHOOLS				
Beall	26,083	32,983	25,648	33,418
Bel Air	14,451	22,512	22,614	14,349
Cash Valley	28,825	18,610	17,623	29,812
Cresaptown	33,687	86,815	27,223	93,279
Flintstone-school	201,051	13,266	11,906	202,411
Flintstone-McLuckie	353,468	6,752	3,550	356,670
Frost	107,393	26,960	57,416	76,937
Georges Creek	68,351	42,522	33,016	77,857
John Humbird	42,005	20,826	17,372	45,459
Northeast	70,089	29,030	25,067	74,052
Parkside	6,240	24,168	19,807	10,601
South Penn	57,216	66,935	45,879	78,272
West Side	53,149	31,336	30,520	53,965
Westernport	33,444	32,708	30,777	35,375
Total Elementary Schools	1,095,452	455,423	368,418	1,182,457
TOTAL SCHOOLS	\$ 2,098,444	\$ 2,178,652	\$ 1,954,219	\$ 2,322,877

**STATEMENT CONCERNING DEBT SERVICE FUND
FOR PUBLIC SCHOOL CONSTRUCTION**

Board of Education of Allegany County
Cumberland, Maryland

Our audit of the basic financial statements of the Board of Education of Allegany County as of June 30, 2020 and for the year then ended was intended for the purpose of formulating an opinion on the basic financial statements taken as a whole. The Board of Education of Allegany County has no jurisdiction, direct or indirect, over the Debt Service Fund for Public School Construction, and the fund is, consequently, outside the scope of our audit. Therefore, detailed information with respect to the Debt Service Fund is not included in this report.

Maryland law passed in 1971 provides for payment by the State of all costs, in excess of available federal funds, of all approved public school construction and capital improvements projects in its counties and Baltimore City. In addition, the law provides for payment of principal and interest on debt issued by any subdivision for public school construction, if the debt was outstanding or obligated as of June 30, 1967.

Additional legislation passed during 1973 provides that the State will assume public school costs for debt obligated after June 30, 1967 on construction contracts let prior to July 1, 1967.

Huber, Michaels & Company