

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

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Charles County, Maryland (the Board), a component unit of the County Commissioners of Charles County, Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the entity'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 auditors' 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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 20, and the required supplementary information on pages 69-78 as listed in the table of contents, 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's basic financial statements. The other supplementary information on pages 79-88 as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over the effectiveness of the Board's financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2020



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Board of Education of Charles County, Maryland (the Board), a component unit of the County Commissioners of Charles County, Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 29, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report.

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



CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2020

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

As Management of the Board of Education of Charles County (the Board) we offer readers of the Board's financial statements this discussion and analysis of the Board's financial performance during the fiscal year ended June 30, 2020. This section should be read in conjunction with the financial statements, which immediately follow this discussion.

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Government-Wide Financial Statements (Continued)

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

The governmental activities of the Board include Administration, Mid-level Administration, Instruction, Special Education, Student Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Community Services, and Food Services. These activities are mostly supported by county and state appropriations mandated in accordance with state law, and state and federal grants.

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

Fund Financial Statements

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

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

The Board has four governmental funds:

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

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

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Fund Financial Statements (Continued)

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in reconciliations found on pages 24 and 26.

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

The Board's fiduciary funds include the Agency Fund and Other Postemployment Benefits (OPEB) Plan Trust. The Agency fund reflects liabilities due to student groups that are earmarked for specific student groups at individual schools. The OPEB Plan Trust accumulates resources for postemployment health benefits.

Budget and Actual Financial Statements

A Schedule of Revenues and Expenditures — Budget and Actual – Non-GAAP Budgetary Basis is presented for the General Fund, which has a legally adopted annual budget. This schedule shows both original and final adopted budgets, along with actual revenues and expenditures compared to the final budget. In these statements, open encumbrances are treated as expenditures. The Schedule of Revenues and Expenditures — Budget and Actual — Non-GAAP Budgetary Basis can be found immediately following the basic governmental fund financial statements on page 77.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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

The Board's combined Net Position as of June 30, 2020 totaled \$(142.8) million, an increase of \$30.4 million or 17.5%.

Condensed Statement of Net Position (in millions of dollars)

	Governmental Activities		Total Percent
	2019	2020	Change 2019-2020
Assets			
Current and Other Assets	\$ 81.6	\$ 102.6	25.8 %
Capital Assets	379.9	388.5	2.3 %
Total Assets	<u>461.5</u>	<u>491.1</u>	6.4 %
Deferred Outflows Of Resources	<u>19.2</u>	<u>87.9</u>	357.7 %
Liabilities			
Long-Term Liabilities	348	439	26.1 %
Other Liabilities	46.1	50.0	8.5 %
Total Liabilities	<u>394.1</u>	<u>488.7</u>	24.0 %
Deferred Inflows Of Resources	<u>259.8</u>	<u>233.0</u>	(10.3)%
Net Position			
Investment in Capital Assets	379.0	384.1	1.3 %
Restricted	1.0	1.1	8.2 %
Unrestricted	(553.2)	(528.0)	4.6 %
Total Net Position	<u>\$ (173.2)</u>	<u>\$ (142.8)</u>	17.5 %

The major portion of the Board's net position reflects the investment in capital assets (land, land improvements, buildings, equipment, and construction), \$384.1 million. These assets include school buildings, relocatable classrooms, land for athletic fields, playgrounds, and equipment in the school classrooms and other buildings.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Changes In Net Position: The Board's Net Position increased by \$30.4 million in 2020 as opposed to an increase of \$23.3 million in 2019.

- The Board's government-wide activities had an unrestricted net deficit of (\$528.0) million at June 30, 2020, an increase of \$25.2 million. The increase is due to higher cash and investments balances at year end. The available cash increase is the result of a decrease in payments because of the COVID-19 shut down and lower fixed costs. Also contributing to the increase is the additional costs added to Construction in Progress that included active renovation projects at Benjamin Stoddert and Eva Turner Elementary.
- The Board's revenues of \$471.3 million increased by \$20.6 million 4.6% over last year. The overall increase of \$20.6 million is due to increases in County Appropriations (\$8.0 million) and State Formula Aid (\$5.6 million). The State Formula Aid included increases in State Foundation Program of \$4.2 million, State Guaranteed Tax Base of \$.5 million, State Net Taxable Income of \$.8 million, and State - GCEI of \$.1 million. Increases were offset by a decrease in Capital Grants and Contributions (\$5.7 million). Capital Grants and Contributions had a net decrease because State funding reimbursements for construction costs decreased by \$9.7 million since Billingsley Elementary and Dr. Mudd Elementary construction projects were completed in FY19. On the other hand, County funding increased by \$3.9 million due to cost reimbursements for the Eva Turner Elementary and Benjamin Stoddert Middle School renovation projects and security vestibule projects at various schools. Operating Grants and Contributions increased by \$14.4 million due to an increase of \$1.3 million in State Compensatory Aid, \$3.5 million in Special Education, \$6.2 million in Kirwan Funding, \$.5 million in Limited English Proficiency, \$.7 million in Transportation, \$3.0 million in Restricted Grants and a decrease of \$.8 million in School Lunch Services. Other factors affecting the net overall increase were a decrease of \$1.5 million in Children's Payments, an increase in Tuition, Rent and Commissions of \$.1 million, a decrease of \$.3 million in investment earnings and miscellaneous revenues.
- Expenses totaled \$440.9 million or \$13.5 million more than fiscal year 2019. The most significant change was an increase in expenses in the Instruction category of \$10.0 million. Instructional expenses increased because of salary and wage increases (with associated fixed costs) largely due to additional Kirwan funding. Increased expenses in Planning and Construction include Arthur Middleton Elementary School classroom modifications, kitchen renovation and roof replacement. Robert Stethem Educational Center building renovations also contributed to the increase in Planning and Construction expenses. Food Services expenses were lower due to the COVID -19 school shut downs. The increase in Administration expenses include implementation of the new Enterprise Resource Planning (ERP) System. Transportation expenses increased because bus contracts included additional negotiated provisions as well as cost of living increases. Other expenses increased by \$2.1 million primarily due to an increase in depreciation expense.

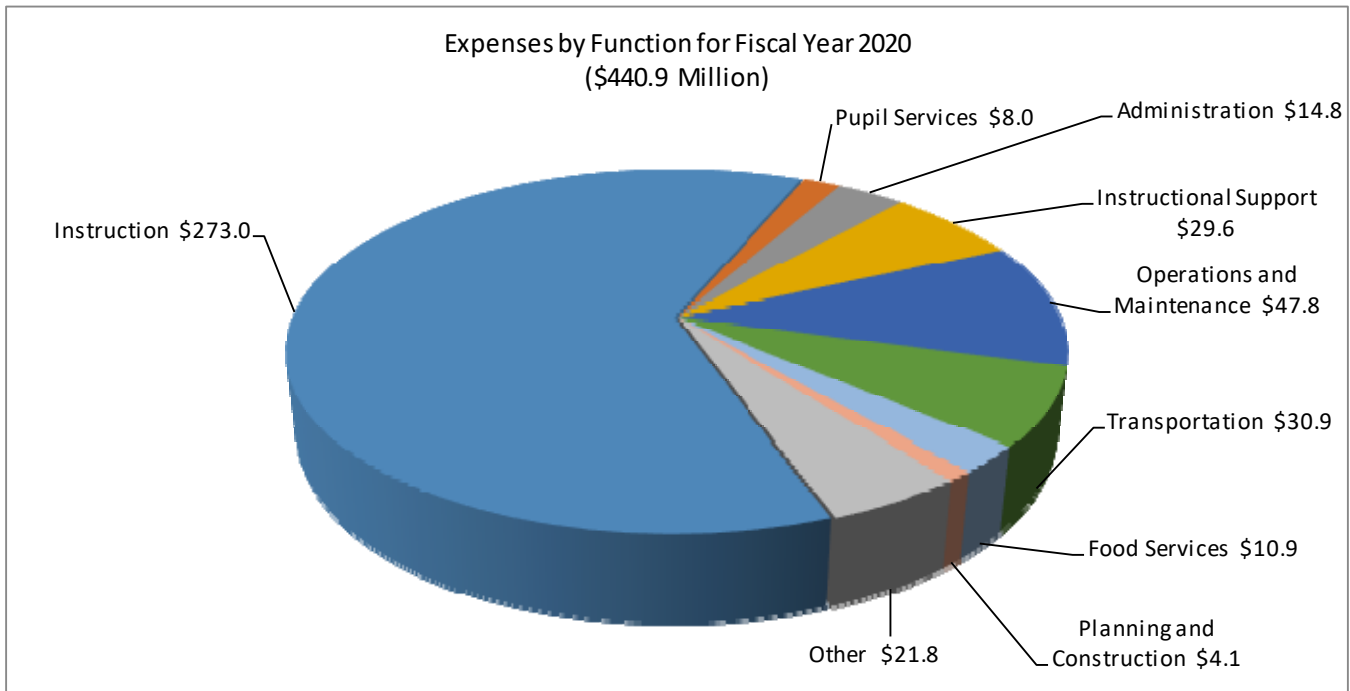
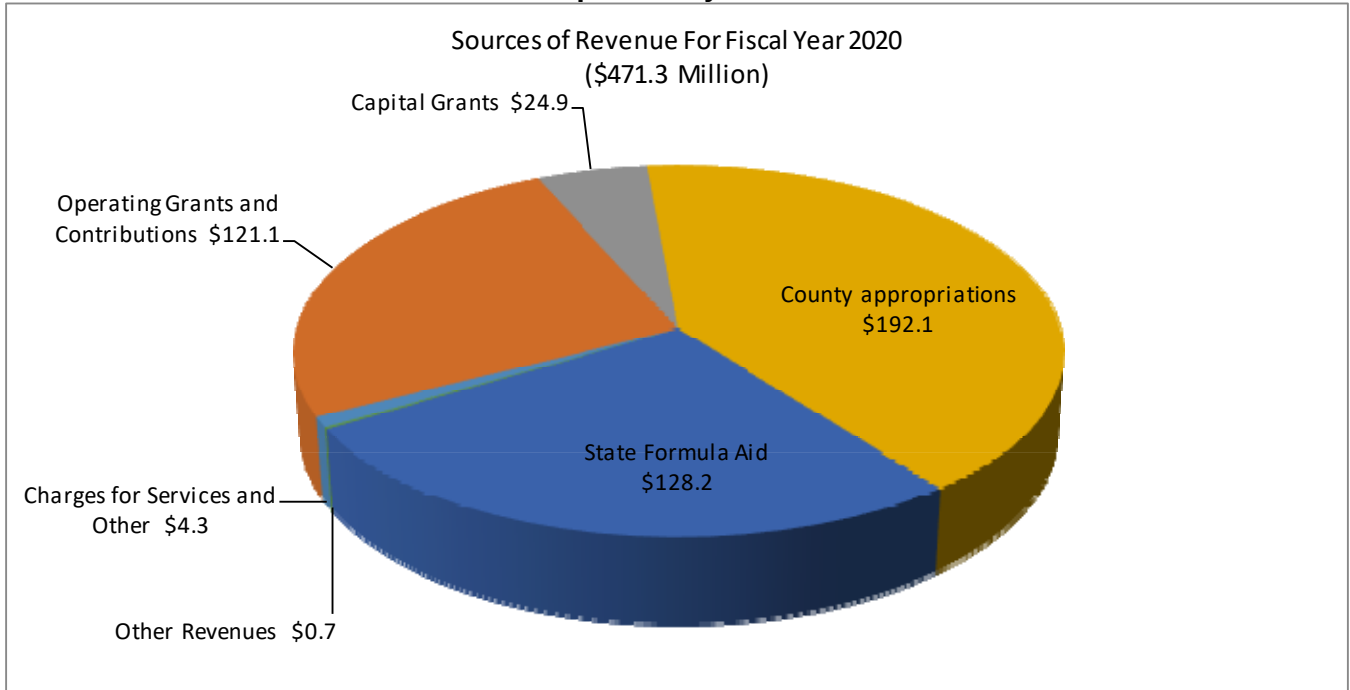
**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Changes in Net Position (in millions of dollars)

	Governmental Activities		Change	Percent Change
	2019	2020		
Revenues				
Program Revenues:				
Charges for Services	\$ 5.7	\$ 4.3	\$ (1.4)	(25.0)%
Operating Grants and Contributions	106.7	121.1	14.4	13.5 %
Capital Grants and Contributions	30.6	24.9	(5.7)	(18.7)%
General Revenues:				
County Appropriations	184.1	192.1	8.0	4.3 %
State Formula Aid	122.6	128.2	5.6	4.6 %
Other	1.0	0.7	(0.3)	(28.1)%
Total Revenues	<u>450.7</u>	<u>471.3</u>	<u>20.6</u>	4.6 %
Expenses				
Instruction	263.0	273.0	10.0	3.5 %
Support Services:				
Pupil Services	7.7	8.0	0.3	4.5 %
Administration	14.2	14.8	0.6	4.0 %
Instructional Support	30.0	29.6	(0.4)	(1.3)%
Operations and Maintenance	49.6	47.8	(1.8)	(3.6)%
Transportation	29.3	30.9	1.6	5.4 %
Food Services	12.0	10.9	(1.1)	(9.4)%
Planning and Construction	1.9	4.1	2.2	114.5 %
Other	19.7	21.8	2.1	10.7 %
Total Expenses	<u>427.4</u>	<u>440.9</u>	<u>13.5</u>	3.2 %
(Decrease)/Increase in Net Position	<u>\$ 23.3</u>	<u>\$ 30.4</u>	<u>\$ 7.1</u>	30.3 %

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Revenues and Expenses by Source and Function



**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Governmental Activities

The county appropriation for the operating budget in fiscal year 2020 was \$192.1 million or \$8.0 million more than in fiscal year 2019. Total cost of services increased 3.2% from 2019. Also, in fiscal year 2020, the net cost of services increased by \$6.3 million or 2.2%, in fiscal year 2019 the net cost decreased by \$16.6 million or 5.5%.

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

Net Cost of Government Activities (in millions of dollars)

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2019	2020	Change 2019-2020	2019	2020	Change 2019-2020
Instruction	\$ 263.0	\$ 273.0	3.8 %	\$ 179.2	\$ 174.3	(2.7)%
Pupil Services	7.7	8.0	4.5 %	7.7	8.0	4.5 %
Administration	14.2	14.8	4.0 %	13.8	14.6	5.8 %
Instructional Support	30.0	29.6	(1.3)%	29.2	28.7	(1.6)%
Operations and Maintenance	49.6	47.8	(3.6)%	49.2	47.4	(3.6)%
Transportation	29.3	30.9	5.4 %	17.8	18.8	5.8 %
Food Services	12.0	10.9	(9.4)%	(1.4)	(0.2)	(88.3)%
Planning and Construction	1.9	4.1	114.5 %	(29.3)	(21.8)	(25.7)%
Other	19.7	21.8	10.7 %	18.1	20.7	14.0 %
Total	<u>\$ 427.4</u>	<u>\$ 440.9</u>	3.2 %	<u>\$ 284.3</u>	<u>\$ 290.6</u>	2.2 %

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

The general fund is the operating fund for the Board. On a GAAP basis the Board ended the fiscal year with a general fund balance of \$50.9 million. The fund balance consists of amounts assigned for purchase order encumbrances and subsequent year's expenditures.

The total governmental funds consist of the General, Restricted Programs (restricted by purpose and source of funds), Food Service, and Capital Projects. Capital Projects receive their funding on a reimbursement basis and the negative fund balance is due to the timing of the reimbursement. The Board reported a total governmental funds balance of \$53.3 million as compared to last year's combined ending balance of \$36.0 million or \$17.2 million more than last year.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Changes in Fund Balance - Governmental Funds - GAAP Basis

	General Fund	Restricted Program Fund	Food Services Fund	Capital Projects	Total Governmental Funds
REVENUES					
State of Maryland	\$ 218,359,732	\$ 2,445,476	\$ 543,218	\$ 4,953,808	\$ 226,302,234
Federal Government	964,611	12,479,496	6,924,498	-	20,368,605
Other Sources	1,764,704	1,603,778	3,552,362	330	6,921,174
Local Sources	192,074,000	325,449	-	19,923,103	212,322,552
Total Revenues	<u>413,163,047</u>	<u>16,854,199</u>	<u>11,020,078</u>	<u>24,877,241</u>	<u>465,914,565</u>
EXPENDITURES					
Current:					
Administration	11,196,768	165,712	-	-	11,362,480
Mid-Level Administration	24,379,396	666,345	-	-	25,045,741
Instruction:					
Instructional Salaries	141,683,266	3,399,601	-	-	145,082,867
Materials of Instruction	5,418,312	1,533,029	-	-	6,951,341
Other Costs of Instruction	1,499,489	986,576	-	-	2,486,065
Special Education	38,070,972	5,038,751	-	-	43,109,723
Student Personnel Services	3,862,596	300	-	-	3,862,896
Health Service	3,370,012	-	-	-	3,370,012
Transportation	30,260,282	84,305	-	-	30,344,587
Operations	27,200,917	374,144	-	-	27,575,061
Maintenance	7,886,495	5,902	-	-	7,892,397
Food Service	-	12,277	11,020,379	-	11,032,656
Community Service	1,013,126	833,286	-	-	1,846,412
Fixed Charges	92,668,257	2,673,508	1,707,791	-	97,049,556
Capital Outlay	5,830,143	973,016	-	24,856,854	31,660,013
Total Expenditures	<u>394,340,031</u>	<u>16,746,752</u>	<u>12,728,170</u>	<u>24,856,854</u>	<u>448,671,807</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES					
	18,823,016	107,447	(1,708,092)	20,387	17,242,758
Fund Balances - Beginning of Year	<u>32,102,317</u>	<u>974,083</u>	<u>3,115,520</u>	<u>(175,426)</u>	<u>36,016,494</u>
FUND BALANCES - END OF YEAR	<u>\$ 50,925,333</u>	<u>\$ 1,081,530</u>	<u>\$ 1,407,428</u>	<u>\$ (155,039)</u>	<u>\$ 53,259,252</u>

Excess of revenues over expenditures resulted in increases or (decreases) in fund balances. Further analysis and explanation of Fund Balance classifications can be found in Note 15.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

General Fund Budgetary Highlights — Non-GAAP

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

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

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

Budget Adjustments

Included in the budget for 2020 was a supplemental appropriation for the creation the Fresh Start Academy. The amount of the appropriation was \$452,200 and was Board approved in November 2019. The funding supported three Teachers and Instructional Assistants, one Psychologist and one secretary, including employee benefits.

An additional budget change was approved in April 2020. Funds were redirected to support on-line resources to enhance instructional opportunities, K-3 reading resources, elementary math resources, and materials for mental health services. Funds were also used to support the replacement of laptops and computers in computer labs currently over six years of age, including equipment supplies. In addition, funding supported a network upgrade project at all elementary schools. In addition, funds supported various maintenance projects including replacement of the septic system at Gale-Bailey Elementary.

REVENUES

Total revenues were \$351,132 more than the anticipated budgetary levels primarily due to Miscellaneous Revenue, Nonresident Tuition and Interest Income.

EXPENDITURES

The expenditure savings of \$16.3 million, in addition to the positive revenue variance, contributed to the overall positive variance of \$16.6 million. Savings included \$4.3 million from various unfilled positions. In addition, savings are attributable to Fixed Charges totaling \$6.5 million primarily due to associated employee benefits from unfilled positions and retirement. The remaining \$5.5 million in savings is primarily spread over contracted services, supplies and materials in the areas of student health services, operation of plant and instruction.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Fund Balance — Unassigned

At the Board's direction, the use of unassigned fund balance has been used to fund major projects for technology and deferred maintenance including a new Enterprise Resource Planning (ERP) software system. The unassigned fund balance changed for the General Fund as follows:

	<u>2019</u>	<u>2020</u>	<u>Change</u>
Health Insurance Reserve (Self-Insurance 7.5% of Claims)	\$ 4,160,252	\$ 4,159,537	\$ (715)
Contingency Reserve (1% of Annual Operating Budget)	3,715,979	3,969,382	253,403
Capital Maintenance/Technology Reserve	10,102,967	19,746,186	9,643,219
Total Unassigned Fund Balance at June 30	<u>\$ 17,979,198</u>	<u>\$ 27,875,105</u>	<u>\$ 9,895,907</u>

Food Service Budget to Actual — Non-GAAP

Budget and actual — Non-GAAP Budgetary Basis statement can be found in the Other Supplementary Information section towards the end of this report.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

General Fund Budget and Actual - Non-GAAP Budgetary Basis

	2020			Variances Positive (Negative)	2019
	Original Budget	As amended Budget	Actual		Actual
REVENUES					
State of Maryland	\$ 196,774,014	\$ 196,774,014	\$ 196,784,911	\$ 10,897	\$ 181,970,457
Federal Government	970,000	970,000	964,611	(5,389)	806,898
Other Sources	1,419,080	1,419,080	1,764,704	345,624	1,917,031
Local Sources	191,621,800	192,074,000	192,074,000	-	184,143,214
Total Revenues	<u>390,784,894</u>	<u>391,237,094</u>	<u>391,588,226</u>	<u>351,132</u>	<u>368,837,600</u>
EXPENDITURES					
Administration	11,866,217	14,616,217	14,173,400	442,817	9,920,354
Mid-Level Administration	25,459,511	25,183,594	24,244,660	938,934	23,898,112
Instructional Salaries	147,257,138	142,568,018	141,683,266	884,752	133,474,743
Materials of Instruction	4,494,888	7,494,888	6,254,436	1,240,452	6,188,404
Other Costs of Instruction	2,393,090	2,393,090	1,499,489	893,601	1,755,969
Special Education	40,412,708	40,412,708	38,472,678	1,940,030	37,073,003
Student Personnel Services	3,925,810	4,015,810	3,849,271	166,539	3,713,724
Health Service	3,984,500	3,984,500	3,510,068	474,432	3,463,632
Transportation	30,976,645	31,076,645	30,015,632	1,061,013	29,395,540
Operations	28,245,672	33,745,672	32,681,263	1,064,409	26,807,979
Maintenance	8,865,443	8,865,443	8,419,542	445,901	8,456,705
Community Service	1,010,501	1,210,501	1,013,126	197,375	917,936
Capital Outlay	2,316,913	3,816,913	3,753,523	63,390	5,986,403
Fixed Charges	81,776,944	77,554,181	71,093,436	6,460,745	73,323,580
Total Expenditures	<u>392,985,980</u>	<u>396,938,180</u>	<u>380,663,790</u>	<u>16,274,390</u>	<u>364,376,084</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(2,201,086)	(5,701,086)	10,924,436	16,625,522	4,461,516
OTHER FINANCING SOURCES					
Use of Prior Year Fund Balance	<u>2,201,086</u>	<u>5,701,086</u>	<u>-</u>	<u>(5,701,086)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES					
	<u>\$ -</u>	<u>\$ -</u>	10,924,436	<u>\$ 10,924,436</u>	<u>\$ 4,461,516</u>
FUND BALANCE AT JUNE 30, 2019			<u>20,252,737</u>		
FUND BALANCE AT JUNE 30, 2020			<u>\$ 31,177,173</u>		

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Capital Asset and Long-Term Debt

Capital Assets

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

	<u>Cost (in millions)</u>
Additions to building (flooring, guided vestibules, lock replacement, fire alarm replacement, gym bleacher replacement, chiller replacement, boiler replacement, cooling tower replacement, well replacement, portable trailer improvements, door card access, door front installation, full day kindergarten, Starcall replacement, above ground tank, raceway conductors, and a storage shed).	\$ 3.1
Dr. Mudd Elementary - building renovations	1.3
Middleton Elementary - various building renovations	3.1
Billingsley Elementary - building construction	1.1
Robert Stethem Educational Center - various building renovations	1.6
Total	\$ 10.2

During fiscal year 2020, capital assets increased \$8.5 million, which was an increase of 2.2% from fiscal year 2019. Some of the changes were as follows:

- Land Improvements increased due to concrete work, parking lot expansion and improvements, storm water pond project, asphalt replacement, running track refurbishments, fencing, playground replacement and improvements, and fence replacement.
- Construction in progress included Full Day Kindergarten Projects at six schools (\$468,764), Security Enhancements at various schools (\$1,201,230), Eva Turner Renovation (\$12,618,226), Benjamin Stoddert Renovation (\$6,446,248), McDonough Renovation (\$885,996), Site Improvements (\$68,531), and Various Maintenance of (\$216,599).

Capital Assets (in millions of dollars)

	Governmental Activities		Change
	2019	2020	2019-2020
Land	\$ 17.9	\$ 17.9	\$ 0.0
Construction in Progress	5.2	21.9	16.7
Land Improvements	22.8	24.3	1.5
Buildings	641.4	651.5	10.1
Equipment and Furniture	31.9	32.9	1.0
Accumulated Depreciation	(339.2)	(360.0)	(20.8)
Total	\$ 379.9	\$ 388.5	\$ 8.5

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Capital Assets (Continued)

The Board's fiscal year 2021 capital improvement program budget includes spending another \$32.0 million for capital projects, principally in seven areas:

- \$2.3 million for T.C. Martin Elementary study/renovation.
- \$0.9 million for full day kindergarten additions at J.C. Parks and Mitchell Elementary.
- \$13.0 million for Benjamin Stoddert modernization/addition.
- \$1.8 million for various maintenance projects, portable classrooms, and a roof replacement.
- \$9.2 million for Eva Turner modernization/addition.
- \$2.4 million for McDonough High renovation/study, security enhancements, and performing arts.
- \$2.4 million for a new Elementary school.

Over the next five years, the Board anticipates opening a new elementary school, completing four full day kindergarten additions, an open space enclosure project for Dr. Brown Elementary, renovations and additions at Eva Turner Elementary, Benjamin Stoddert Middle and T.C. Martin Elementary, safety/security upgrades and renovations at McDonough and La Plata High, and various boiler/chiller/roof replacements.

Long-Term Debt

At year-end, the Board had \$439.4 million in long-term liabilities. Compensated absences including accumulated vacation and sick leave for the Board's employees available upon termination accounted for \$9.5 million. The Board also has an obligation of \$420.0 million for postemployment benefits other than pensions (OPEB) liability. The Board has an obligation of \$9.9 million for its pension liability. More detailed information about the Board's long-term liabilities is presented in Note 10 of the financial statements.

Factors Expected To Have an Effect on Future Operations

Enrollment in the county has increased over the past five-year period but due to COVID-19 and the need for remote learning, the current projection is that enrollment may be flat or slightly less which will lead to a decrease in state funding. Free and reduced student population for lunches may also see a decrease since remote learning has required that applications be distributed to homes by mail instead of through the students. This could result in a decrease in State Compensatory Education funding. Due to the negative impact that COVID-19 has had on the local economy, the general expectation is that additional funding for education may be minimal in the next few years.

The system is current with the employee salary scale progression. Funding other post-retirement benefits (OPEB) in accordance with GASB 75 remains a concern, but a low budget priority. The tradeoff between funding OPEB (including health care costs) and staff salaries in the future will be complicated during union negotiations. The national teacher shortage has resulted in a very competitive market both in terms of salary and affordable housing.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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

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

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

Contacting the Board's Financial Management

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 89,457,199
Accounts Receivable:	
Federal	2,258,481
State of Maryland	4,497,659
Other Sources	5,919,538
Inventories	433,072
Capital Assets:	
Land and Construction in Progress	39,788,475
Other Capital Assets, Net of Depreciation	<u>348,703,540</u>
Total Assets	<u>491,057,964</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pension	6,291,644
Deferred Outflows of Resources Related to OPEB	<u>81,581,443</u>
Total Deferred Outflows of Resources	<u>87,873,087</u>
Total Assets and Deferred Outflows of Resources	<u>578,931,051</u>
LIABILITIES	
Accounts Payable	12,783,212
Accrued Salaries and Fringe Benefits	27,879,753
Payroll Taxes and Withholding Payable	724,163
Other Liabilities	139,769
Payable for Health Insurance	3,064,656
Unearned Revenue	4,715,144
Noncurrent Liabilities:	
Due Within One Year	660,441
Due in More Than One Year	<u>438,734,830</u>
Total Liabilities	<u>488,701,968</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pension	5,638,691
Deferred Inflows of Resources Related to OPEB	<u>227,397,678</u>
Total Deferred Inflows of Resources	<u>233,036,369</u>
Total Liabilities and Deferred Inflows of Resources	<u>721,738,337</u>
NET POSITION	
Net Investment in Capital Assets	384,098,906
Restricted for:	
Grants	1,081,530
Unrestricted	<u>(527,987,722)</u>
Total Net Position	<u>\$ (142,807,286)</u>

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

		Program Revenues			Net Revenue (Expenses) and Changes in Net Position
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES					
INSTRUCTION					
Regular Education	\$ 222,489,859	\$ 616,595	\$ 77,840,564	\$ -	\$ (144,032,700)
Special Education	50,541,282	134,151	20,119,970	-	(30,287,162)
Total Instruction	273,031,141	750,746	97,960,534	-	(174,319,861)
SUPPORT SERVICES					
Pupil Services	8,044,029	-	322	-	(8,043,707)
Administration	14,774,922	-	176,379	-	(14,598,543)
Instructional Support	29,587,811	-	896,467	-	(28,691,344)
Operation and Maintenance	47,812,602	-	374,962	-	(47,437,640)
Transportation	30,889,537	-	12,052,526	-	(18,837,011)
Community Services	3,730,808	209,885	972,797	-	(2,548,126)
School Lunch Services	10,868,575	3,250,122	7,782,612	-	164,159
Planning and Construction	4,076,226	62,967	917,009	24,877,241	21,780,991
Unallocated Depreciation Expense	18,112,258	-	-	-	(18,112,258)
Total Support Services	167,896,768	3,522,974	23,173,074	24,877,241	(116,323,479)
Total Governmental Activities	\$ 440,927,909	\$ 4,273,720	\$ 121,133,608	\$ 24,877,241	(290,643,340)
GENERAL REVENUES					
County Appropriations					192,074,000
State Aid Not Restricted to Specific Purposes					128,213,317
Earnings on Investment					555,316
Miscellaneous					163,481
Total General Revenues					321,006,114
CHANGE IN NET POSITION					
					30,362,774
Net Position - Beginning of Year					(173,170,060)
NET POSITION - END OF YEAR					\$ (142,807,286)

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Restricted Programs Fund	Food Service Fund	Capital Projects	Total Governmental Funds
ASSETS					
Cash and Short-Term Investments	\$ 86,045,494	\$ -	\$ 3,389,324	\$ 22,381	\$ 89,457,199
Accounts Receivable:					
Federal	68,844	1,937,570	252,067	-	2,258,481
State of Maryland	1,112,294	627,430	-	2,757,935	4,497,659
Other Sources	913,099	213,342	3,038	4,790,059	5,919,538
Due from Other Funds	818,980	3,998,252	-	-	4,817,232
Inventories	98,341	-	334,731	-	433,072
	<u>89,057,052</u>	<u>6,776,594</u>	<u>3,979,160</u>	<u>7,570,375</u>	<u>107,383,181</u>
Total Assets	\$ 89,057,052	\$ 6,776,594	\$ 3,979,160	\$ 7,570,375	\$ 107,383,181
LIABILITIES					
Accounts Payable	\$ 7,850,902	\$ 461,213	\$ 77,988	\$ 4,393,109	\$ 12,783,212
Accrued Salaries and Fringe Benefits	26,416,931	766,776	696,046	-	27,879,753
Payroll Taxes and Withholding Payable	724,163	-	-	-	724,163
Due to Other Governments	-	116,100	-	-	116,100
Due to Other Funds	-	-	1,484,927	3,332,305	4,817,232
Due to Fiduciary Funds	23,669	-	-	-	23,669
Payable for Health Insurance	3,064,656	-	-	-	3,064,656
Unearned Revenue	51,398	4,350,975	312,771	-	4,715,144
	<u>38,131,719</u>	<u>5,695,064</u>	<u>2,571,732</u>	<u>7,725,414</u>	<u>54,123,929</u>
Total Liabilities	38,131,719	5,695,064	2,571,732	7,725,414	54,123,929
FUND BALANCE (DEFICIT)					
Nonspendable - Inventory	98,341	-	334,731	-	433,072
Restricted	-	1,081,530	-	-	1,081,530
Assigned	22,951,887	-	1,072,697	-	24,024,584
Unassigned	27,875,105	-	-	(155,039)	27,720,066
	<u>50,925,333</u>	<u>1,081,530</u>	<u>1,407,428</u>	<u>(155,039)</u>	<u>53,259,252</u>
Total Fund Balance (Deficit)	50,925,333	1,081,530	1,407,428	(155,039)	53,259,252
Total Liabilities and Fund Balance	\$ 89,057,052	\$ 6,776,594	\$ 3,979,160	\$ 7,570,375	\$ 107,383,181

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Fund Balances - Governmental Funds	\$ 53,259,252
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported assets in governmental funds:	
The Cost of Capital Assets	748,485,167
Accumulated Depreciation	<u>(359,993,152)</u>
Total	388,492,015
Deferred outflows and inflows of resources related to pensions and other post employment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows and inflows at year-end consisted of:	
Deferred outflows of resources related to pensions includes \$1,097,907 related to the difference between expected and actual experience, and \$5,193,737 related to difference between projected and actual earnings on pension plan investments	6,291,644
Deferred inflows of resources related to pensions includes \$3,477,869 related to differences between expected and actual experiences, and \$2,160,822 related to changes in pension plan assumptions	(5,638,691)
Deferred outflows of resources related to OPEB includes \$6,773 related to differences between expected and actual experiences, \$65,792,346 related to changes in pension plan assumptions, and \$15,768,692 related to employer contributions made subsequent to the measurement date	81,581,443
Deferred inflows of resources related to OPEB includes \$108,298,237 related to differences between expected and actual experience, and \$119,099,441 related to changes in	<u>(227,397,678)</u>
Total	(145,163,282)
Long-term liabilities, including notes payable, net other postemployment obligations and compensated absences, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consisted of:	
Net Pension Liability	(9,914,047)
Net OPEB Liability	(420,009,395)
Compensated Absences	<u>(9,471,829)</u>
Total	<u>(439,395,271)</u>
Total Net Position - Governmental Activities	<u><u>\$ (142,807,286)</u></u>

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Fund	Restricted Programs Fund	Food Service Fund	Capital Projects	Total Governmental Funds
REVENUES					
State of Maryland	\$ 218,359,732	\$ 2,445,476	\$ 543,218	\$ 4,953,808	\$ 226,302,234
Federal Government	964,611	12,479,496	6,924,498	-	20,368,605
Other Sources	1,764,704	1,603,778	3,552,362	330	6,921,174
Local Sources	192,074,000	325,449	-	19,923,103	212,322,552
Total Revenues	<u>413,163,047</u>	<u>16,854,199</u>	<u>11,020,078</u>	<u>24,877,241</u>	<u>465,914,565</u>
EXPENDITURES					
Current:					
Administration	11,196,768	165,712	-	-	11,362,480
Mid-Level Administration	24,379,396	666,345	-	-	25,045,741
Instruction:					
Instructional Salaries	141,683,266	3,399,601	-	-	145,082,867
Materials of Instruction	5,418,312	1,533,029	-	-	6,951,341
Other Costs of Instruction	1,499,489	986,576	-	-	2,486,065
Special Education	38,070,972	5,038,751	-	-	43,109,723
Student Personnel Services	3,862,596	300	-	-	3,862,896
Health Service	3,370,012	-	-	-	3,370,012
Transportation	30,260,282	84,305	-	-	30,344,587
Operations	27,200,917	374,144	-	-	27,575,061
Maintenance	7,886,495	5,902	-	-	7,892,397
Food Service	-	12,277	11,020,379	-	11,032,656
Community Service	1,013,126	833,286	-	-	1,846,412
Fixed Charges	92,668,257	2,673,508	1,707,791	-	97,049,556
Capital Outlay	5,830,143	973,016	-	24,856,854	31,660,013
Total Expenditures	<u>394,340,031</u>	<u>16,746,752</u>	<u>12,728,170</u>	<u>24,856,854</u>	<u>448,671,807</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,823,016	107,447	(1,708,092)	20,387	17,242,758
Fund Balances - Beginning of Year	<u>32,102,317</u>	<u>974,083</u>	<u>3,115,520</u>	<u>(175,426)</u>	<u>36,016,494</u>
FUND BALANCES - END OF YEAR	<u>\$ 50,925,333</u>	<u>\$ 1,081,530</u>	<u>\$ 1,407,428</u>	<u>\$ (155,039)</u>	<u>\$ 53,259,252</u>

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Total Net Change in Fund Balances - Governmental Funds

\$ 17,242,758

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

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

Assets Capitalized During the Year	29,752,733
Depreciation Expense for the Year	(21,113,516)
Net Book Value of Assets Disposed of During the Year	<u>(91,394)</u>
Total	<u>8,547,823</u>

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

(129,615)

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

5,398,788

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

(696,980)

Change in Net Position of Governmental Activities

\$ 30,362,774

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Pension and Retiree Health Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,351,598	\$ 2,923,995
Investments	180,742,854	-
Contribution Receivable	6,000,000	-
Due from General Fund	23,669	-
Total Assets	<u>189,118,121</u>	<u>\$ 2,923,995</u>
LIABILITIES		
Due to Student Groups	<u>-</u>	<u>\$ 2,923,995</u>
Total Liabilities	<u>-</u>	<u>\$ 2,923,995</u>
NET POSITION		
Held in Trust for Retiree Health/Pension Benefits	<u>\$ 189,118,121</u>	

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2020**

	<u>Pension and Retiree Health Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 18,657,992
Plan Members	<u>4,015,368</u>
Total Contributions	22,673,360
Investment Earnings:	
Interest and Dividends	3,078,197
Net Increase in Fair Value of Investments	<u>981,886</u>
Total Investment Earnings	4,060,083
Less: Investment Expense	<u>231,599</u>
Net Investment Gain	<u>3,828,484</u>
Total Additions	<u>26,501,844</u>
DEDUCTIONS	
Benefits Paid to Members	18,158,159
Administrative Expenses	<u>176,070</u>
Total Deductions	<u>18,334,229</u>
CHANGE IN NET POSITION	8,167,615
Net Position - Beginning of Year	<u>180,950,506</u>
NET POSITION - END OF YEAR	<u><u>\$ 189,118,121</u></u>

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Reporting Entity

The main criterion used in determining the entity for financial reporting purposes is whether the Board is financially accountable for any governmental department, agency, institution, commission, public authority, or other organization. As part of that criterion, the following factors were considered:

- Financial benefit or burden
- Appoints a voting majority of the component unit board
- Designation of management
- Ability to impose its will
- Fiscally dependent

Based on these factors, no other organizations exist that should have been included in these financial statements.

Government-Wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expense of a given program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. *Program revenues* include: 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Board reports the following funds:

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

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

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

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

- a. Pension Trust Fund – The Pension Trust Fund is used to account for activities of the Board’s administered retirement system.
- b. Retiree Health Trust Fund – This fund was established to record other postemployment benefits (OPEB) that the Board provides to retirees and their dependents of Charles County Public Schools.
- c. Agency Funds – Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. As a result, Agency Funds report only assets and liabilities. This type of fund is used to account for the transactions of the student activities funds which are the direct responsibility of the principal of each respective school.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

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

1. Subsequent to March, the Board submits to Charles County Commissioners a proposed operating budget for the fiscal year starting the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The approved budget is returned to the Board by the County Commissioners prior to June 30.
3. Legal budgetary control is employed for the General Fund only. The Capital Projects budget and the Special Revenue — Restricted Program are prepared on a project length basis and program basis, respectively, and, accordingly, annual budgetary comparisons are not presented in the financial statements. The Special Revenue — Food Service Fund budget is adopted by the Board for management purposes only, and is not subject to and under the control of the Charles County Commissioners. Accordingly, budgetary comparisons are not presented as required supplementary information, but are shown as other supplementary information.
4. Budgets are prepared and adopted on a budgetary basis which differs from GAAP due to the inclusion of encumbrances as expenditures and the usage of budget surplus as a revenue source to balance the budget.
5. The Board may transfer funds between major categories with approval by the County Commissioners. The Board has the authority to transfer funds between objects (i.e., salaries and wages, contracted services, supplies and materials) within the major categories, but must notify the County of such action. In accordance with Education Article 5-105 of the Annotated Code of Maryland, the Board may not exceed the appropriation by category without transfer and approval by the County.
6. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds.

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Due to/from Other Funds

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

Compensated Absence

Employees earn annual leave at the rate of 16 to 25 days per year, depending upon the length of service and the position held by the employee. There is no requirement that annual leave be taken, but the maximum permissible accumulation is 76 days. Upon retirement, classified employees are paid for any accumulated annual leave not to exceed 50 days at the employee's current wage rate. Upon termination for any reason other than retirement, classified employees are paid for any accumulated annual leave not to exceed 30 days at the employee's current wage rate. Upon termination, professional employees, other than 10 and 11 month employees such as teachers, librarians, counselors, and speech therapists, are paid for all accrued, but unused annual leave.

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

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

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

Fund Balance

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

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

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

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

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

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

Order of Fund Balance Spending Policy

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

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

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

Capital Assets

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

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 CASH AND INVESTMENTS

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

Deposits

At year-end, the carrying amount of the Board's combined deposits was \$58,886,538 the bank balance was \$68,671,375. The bank balance was covered by either Federal depository insurance or by collateral held in either the pledging bank's trust department or by the pledging bank's agent in the Board's name.

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

Investments

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

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

The Retiree Health Trust investments are invested in the Maryland Association of Board of Education Pooled OPEB Trust (MABE Trust). The MABE Trust is administered by the Maryland Association of Board of Education, and is a wholly owned instrumentality of its members. The nine members who are the sole contributors to the MABE Trust are the boards of education of the following counties in Maryland: Allegany (including Fiduciary Fund), Caroline, Cecil, Charles, Harford, Kent, Prince George's, St. Mary's, and Washington.

The assets of the MABE Trust are managed by GYL Financial Synergies, LLC and consist of money market funds, U.S. government securities, fixed income securities, mortgage-backed securities, equity securities, mutual funds, and certificates of deposits. At June 30, 2020, the pooled assets of the MABE Trust were valued at \$436,765,336 in total, of which the Board's share was \$67,096,529.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

A summary of cash and investments at June 30, 2020 is as follows:

	Total Governmental Funds	Total Fiduciary Funds	Total	Weighted Average Maturity in Years
Cash on Hand	\$ 24,280	\$ 525,595	\$ 549,875	N/A
Deposits	55,962,543	2,923,995	58,886,538	N/A
Money Market Mutual Funds	8,589,611	1,826,003	10,415,614	N/A
MLGIP	24,880,765	-	24,880,765	N/A
MABE Trust	-	67,096,529	67,096,529	4.94
U.S. Government and Agencies	-	13,512,434	13,512,434	9.26
Corporate Bonds	-	16,823,711	16,823,711	9.79
Equity Mutual Funds	-	55,639,289	55,639,289	N/A
Fixed Income Mutual Funds	-	9,817,375	9,817,375	N/A
Common Stocks	-	6,250,202	6,250,202	N/A
Fixed Income Nonprofit	-	278,965	278,965	5.43
Partnerships	-	2,557,363	2,557,363	N/A
Foreign Bonds	-	1,001,636	1,001,636	10.01
Mortgage-Backed Securities	-	7,765,350	7,765,350	23.95
Total	<u>\$ 89,457,199</u>	<u>\$ 186,018,447</u>	<u>\$ 275,475,646</u>	

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

The following tables summarize the ratings and maturity for fixed income investments held at June 30, 2020:

	S&P Ratings										
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Unrated
U.S. Government and Agencies	\$ -	\$ 11,556,338	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,956,096
Corporate Bonds	-	199,317	-	235,823	1,420,789	2,775,577	3,031,105	3,465,594	3,441,615	2,145,393	108,498
Fixed Income - Nonprofit	-	-	-	-	-	184,640	94,325	-	-	-	-
Foreign Bonds	-	-	-	21,939	-	203,592	389,914	94,964	249,660	41,567	-
Mortgage Backed Securities	988,028	-	-	-	-	-	19,247	-	-	-	6,758,075
Grand Total	\$ 988,028	\$ 11,755,655	\$ -	\$ 257,762	\$ 1,420,789	\$ 3,163,809	\$ 3,534,591	\$ 3,560,558	\$ 3,691,275	\$ 2,186,960	\$ 8,822,669

	FMV	Less than 1	1-5 Years	6-10 Years	11-15 Years	16-20 Years	20+ Years
U.S. Government and Agencies	\$ 13,512,434	\$ -	\$ 6,070,158	\$ 5,280,333	\$ 180,785	\$ -	\$ 1,981,158
Corporate Bonds	16,823,711	341,344	5,203,120	8,352,232	381,647	213,260	2,332,108
Fixed Income - Nonprofit	278,965	-	165,413	113,552	-	-	-
Foreign Bonds	1,001,636	-	508,620	320,463	-	-	172,553
Mortgage Backed Securities	7,765,350	38,912	803,129	374,229	-	120,995	6,428,085
Grand Total	\$ 39,382,096	\$ 380,256	\$ 12,750,440	\$ 14,440,809	\$ 562,432	\$ 334,255	\$ 10,913,904

Interest Rate Risk

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

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

Custodial Credit Risk

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Concentrations of Credit Risk

The investment policy of the Pension Plan limits the exposure of debt securities of any one private corporation to no more than 5% of the cost value of assets within the portfolio. There were no debt security investments in any one private corporation over this limit as of June 30, 2020.

Foreign Credit Risk

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

Investments and Valuation

The Board, the Board of Education of Charles County Defined Benefit Pension Plan, and the Retiree Health Trust (The Plans) categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

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

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

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

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments and Valuation (Continued)

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

The Board and the Plan had the following recurring fair value measurements as of June 30, 2020:

	Level 1	Level 2	Level 3	Balance June 30, 2020
Investments by Fair Value Level:				
Debt Securities:				
Corporate Bonds	\$ -	\$ 16,823,711	\$ -	\$ 16,823,711
Mortgage-Backed Obligations	-	7,765,350	-	7,765,350
Foreign Bonds	-	1,001,636	-	1,001,636
U.S. Government and Agencies	-	13,512,434	-	13,512,434
Total Debt Securities	-	39,103,131	-	39,103,131
Equity Securities:				
Common Stocks	6,250,202	-	-	6,250,202
Fixed Mutual Funds	9,817,375	-	-	9,817,375
Fixed Income - Nonprofit	278,965	-	-	278,965
Partnerships	2,557,363	-	-	2,557,363
Equity Mutual Funds	55,639,289	-	-	55,639,289
Total Equity Securities	74,543,194	-	-	74,543,194
MABE OPEB Trust	-	67,096,529	-	67,096,529
Total	<u>\$ 74,543,194</u>	<u>\$ 106,199,660</u>	<u>\$ -</u>	180,742,854
Cash and Investments carried at NAV or Amortized Cost:				
Cash on Hand				549,875
Deposits				58,886,538
Money Market Mutual Funds				10,415,614
MLGIP				24,880,765
Total Cash and Investments at Amortized Cost				<u>94,732,792</u>
Total Cash and Investments				<u>\$ 275,475,646</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 CAPITAL ASSETS

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

Governmental Activities	Balance at June 30, 2019	Increases	Decreases	Balance at June 30, 2020
Capital Assets Not Being Depreciated				
Land	\$ 17,850,124	\$ 32,756	\$ -	\$ 17,882,880
Construction-in-Progress	5,170,463	22,051,690	(5,316,558)	21,905,595
Total Capital Assets, Not Being Depreciated	23,020,587	22,084,446	(5,316,558)	39,788,475
Capital Assets Being Depreciated				
Buildings and Improvements	641,409,195	10,244,012	(165,891)	651,487,316
Land Improvements	22,843,256	1,464,939	(10,840)	24,297,355
Furniture and Equipment	31,906,927	1,275,894	(270,800)	32,912,021
Total Capital Assets Being Depreciated	696,159,378	12,984,845	(447,531)	708,696,692
Less: Accumulated Depreciation				
Buildings and Improvements	(299,766,031)	(18,067,565)	76,170	(317,757,426)
Land Improvements	(12,681,258)	(1,571,826)	10,840	(14,242,244)
Furniture and Equipment	(26,788,484)	(1,474,125)	269,127	(27,993,482)
Total Accumulated Depreciation	(339,235,773)	(21,113,516)	356,137	(359,993,152)
Total Capital Assets, Being Depreciated, Net	356,923,605	(8,128,671)	(91,394)	348,703,540
Capital Assets, Net	<u>\$ 379,944,192</u>	<u>\$ 13,955,775</u>	<u>\$ (5,407,952)</u>	<u>\$ 388,492,015</u>

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

Governmental Activities	
Regular Education	\$ 222,481
Special Education	3,698
Supporting Services:	
Pupil Services	104,502
Administration	106,404
Instructional Support	43,698
Operation and Maintenance of Facilities	1,191,974
Transportation	171,961
Community Services	2,009
School Lunch Services	22,436
Planning and Construction	1,132,095
Unallocated	18,112,258
Total Depreciation Expense - Governmental Activities	<u>\$ 21,113,516</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 CAPITAL ASSETS (CONTINUED)

The Board has active school construction projects at June 30, 2020, as follows:

	Spent to Date	Remaining Commitment
Benjamin Stoddert Middle Renovation/Feasibility Study	\$ 6,446,248	\$ 197,280
Eva Turner Modernization & Addition	12,618,226	560,180
Other Projects	2,841,121	222,481
Total	\$ 21,905,595	\$ 979,941

NOTE 4 RETIREMENT SYSTEM — STATE OF MARYLAND DESCRIPTION

Plan Description

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

Benefits Provided

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Benefits Provided (Continued)

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

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

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

Contributions

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

The state makes a substantial portion of the Board's annual required contribution to the Teachers' Retirement and Pension Systems on behalf of the Board. The state's contributions on behalf of the Board for the year ended June 30, 2020, was \$21,574,821. The fiscal 2020 contribution made by the state on behalf of the Board has been included as both revenues and expenditures in the General Fund in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances and are also included as revenues and expenses in the Statement of Activities.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Contributions (Continued)

Beginning in FY 2013, the State of Maryland General Assembly passed a bill that required the Boards of Education in Maryland to begin paying the normal cost for their teachers into the Teachers' Retirement and Pension Systems. The legislation structured this as a four year phase in to the full normal cost so that 50% was paid in FY 2013. Full normal cost was paid in FY 2020 and will be paid each year thereafter. The Board's required contribution to the Teachers' Retirement and Pension Systems for the year ended June 30, 2020 was \$8,104,510.

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

At June 30, 2020, the Board did not report a liability related to the Teachers' Retirement and Pension Systems due to a special funding situation. The state of Maryland pays the unfunded liability for the Board, therefore, the Board is not required to record its share of the unfunded pension liability, but instead, that liability is recorded by the state of Maryland. The amount recognized by the Board as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Board were as follows:

State's Proportionate Share of the Net Pension Liability	\$ 211,753,292
Board's Proportionate Share of the Net Pension Liability	-
Total	<u><u>\$ 211,753,292</u></u>

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.

For the year ended June 30, 2020, the Board recognized pension expense of \$29,679,331 and revenue of \$21,574,821 in the General Fund for support provided by the state. In the Statement of Activities, the Board recognized pension expense of \$26,950,936 and revenue of \$26,950,936 for support provided by the State. Due to the special funding situation noted above related to the Teachers' Retirement and Pension Systems, the Board did not report deferred outflows of resources and deferred inflows of resources related to the Teachers' Retirement and Pension Systems.

Actuarial Assumptions

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

Inflation	2.60% General, 3.10% Wage
Salary Increases	3.10% to 11.60%
Investment Rate of Return	7.40%

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Actuarial Assumptions (Continued)

The economic and demographic actuarial assumptions used in the June 30, 2019 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2014-2018, after completion of the June 30, 2018 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2019. As a result, an investment return assumption of 7.40% and an inflation assumption of 2.60% were used in the June 30, 2019 valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37 %	5.80 %
Private Equity	13	6.70 %
Rate Sensitive	19	1.10 %
Credit Opportunity	9	3.60 %
Real Assets	14	4.80 %
Absolute Return	8	3.20 %
Total	<u>100 %</u>	

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2019.

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 6.46%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Discount Rate

The single discount rate used to measure the total pension liability was 7.40%. This single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

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

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

General Information about the Pension Plan

Plan Description

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

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

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

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Plan Administration

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

Investment Policy

The Pension Committee is responsible for administering the investment policies of the Plan and providing oversight for the management of the Plan's assets. The investment strategy of the Plan is to emphasize total return (defined as the aggregate return from capital appreciation and dividend and interest income). The investment policy requires that all Plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Plan, with minimal impact on market price. The following was the Plan's adopted asset allocation policy as of June 30, 2020:

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

Concentrations

The Pension plan held the following investments as of June 30, 2020 that exceeded 5% of the pension plan's fiduciary net position:

<u>Investment</u>	<u>Percentage of Pension Fiduciary Net Position</u>	<u>Fair Market Value</u>
IShares Core S&P 500	9.49%	\$ 11,007,217
Invesco Oppenheimer Developing Markets	7.50%	8,701,154
Vanguard Russell 1000	11.61%	13,462,837

Rate of Return on Investments

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY 2020 was 1.54%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Benefits Provided

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

Employees Covered by Benefit Terms

At July 1, 2019, the date of the latest actuarial valuation, the following employees were covered by the benefit terms:

Retirees and Beneficiaries Receiving Benefits	337
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	370
Active Plan Members	561
Total	1,268

Contributions

Per Section VII of the Plan agreement, the Board establishes contribution amounts based on an actuarially determined amount recommended by an independent actuary. The actuarially determined amount is the estimated amount necessary to pay all of the Plan cost (in excess of Participant contributions) that the actuary determines to be necessary to maintain the Plan as a qualified plan under the Internal Revenue Code and Regulations. For the year ended June 30, 2020, the average active employee contribution rate was 5.0% of annual pay. For fiscal year 2020, the Board contributed \$2,889,301 to the Plan while participants contributed \$1,287,681. These contributions amounted to approximately 17.5% of covered payroll.

Net Pension Liability

The net pension liability of the Plan was measured as of June 30, 2020, and the net pension liability was determined by an actuarial valuation as of that date.

Total Pension Liability	\$ 125,911,970
Plan Fiduciary net Position	(115,997,923)
Net Pension Liability	\$ 9,914,047

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.13 %
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**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Actuarial Assumptions

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

Valuation Date	July 1, 2019, rolled forward to June 30, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Period	20 Years
Asset Valuation Method	Market value of Assets
Investment Rate of Return	6.75% per year compounded annually, net of Investment expenses
Projected salary increases	Years of service based 0.50-7.00%
Cost of living adjustments	2.50% limited to 150% of original benefit
General inflation	2.60% per year
Retirement	Experience-based table of rates
Mortality rate	Pub-2010(B) Public Retirement Plans Below Median Income Amount-Weighted Mortality Tables (for General Employees) projected to valuation date with Scale MP-2019
Experience Studies	The actuarial assumptions used in the valuation were based on standard tables modified for certain plan features such as full eligibility for full and early retirement where applicable and input from the plan sponsor. A full actuarial experience study was done in 2016 using data from 2004-2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rate of return for each major asset class included in the pension plan's target asset allocation of June 30, 2020.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap	16.00 %	4.30 %
U.S. Mid Cap	5.50 %	4.80 %
U.S. Small Cap	6.00 %	5.30 %
International Developed Equities	12.50 %	5.30 %
Emerging Market Equities	8.00 %	8.80 %
Real Estate / MLPs	8.00 %	5.70 %
Hedge Funds	4.00 %	0.70 %
U.S. Investment Grade Bonds	32.50 %	1.50 %
U.S. High-Yield Bonds	4.50 %	3.80 %
Emerging Market Bonds	2.00 %	3.40 %
Cash	1.00 %	0.30 %

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flow to determine the discount rate assumed the contributions from Plan members will be made at the current contribution rate and that contributions from the Board will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on the pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances as of June 30, 2019	\$ 121,235,622	\$ 115,712,944	\$ 5,522,678
Changes for the Year:			
Service Cost	3,584,475	-	3,584,475
Interest	8,237,391	-	8,237,391
Differences Between Expected and Actual Experience	1,003,408	-	1,003,408
Changes of Assumptions	(2,487,145)	-	(2,487,145)
Contributions - Employer	-	2,889,301	(2,889,301)
Contributions - Member	-	1,287,681	(1,287,681)
Net Investment Income	-	1,769,778	(1,769,778)
Benefit Payments, Including Refunds of Members Contributions	(5,661,781)	(5,661,781)	-
Net Changes	4,676,348	284,979	4,391,369
Balances at June 30, 2020	\$ 125,911,970	\$ 115,997,923	\$ 9,914,047

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Board calculated using the discount rate of 6.75%, as well as what the Board's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%), or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 25,248,716	\$ 9,914,047	\$ (2,926,261)

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

For the year ended June 30, 2020, the Board recognized pension expense of \$3,018,916. As of June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,097,907	\$ 3,477,869
Changes in Assumptions	-	2,160,822
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,193,737	-
Total	<u>\$ 6,291,644</u>	<u>\$ 5,638,691</u>

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

<u>Year Ending June 30:</u>	<u>Amount</u>
2021	\$ (394,128)
2022	951,387
2023	704,480
2024	892,022
2025	(306,287)
Thereafter	(1,194,521)

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

Plan Administration

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

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

Plan Membership

At July 1, 2018, the Plan membership consisted of the following:

<u>Enrolled In Medical/Drug Coverage</u>	
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefit Payments	804
Inactive Plan Members Entitled to But Not	
Yet Receiving Benefit Payments	285
Active Plan Member	2,489
Total	3,578
<u>Enrolled In Life Coverage</u>	
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefit Payments	863
Inactive Plan Members Entitled to But Not	
Yet Receiving Benefit Payments	262
Active Plan Member	1,898
Total	3,023

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Benefits Provided

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

Funding Policy and Contribution

The contribution requirements of Plan members and the School System are established and may be amended by the School System. The required contribution is based on projected pay-as-you-go (PAYGO) financing requirements, with an additional amount to prefund benefits as determined annually by the School System. For fiscal year 2019, the School System contributed \$6.5 million to the OPEB Trust Fund. In addition, it paid \$10.3 million towards retiree health care costs, including administrative costs. Retirees contributed an additional \$2.6 million.

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

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

Investment Policy

The Trust does not have a formal investment policy.

Concentration

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

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Net OPEB Liability

The Board's net OPEB Liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The components of the net OPEB liability of the Plan at June 30, 2019, were as follows:

Total OPEB Liability	\$ 485,246,957
Plan Fiduciary Net Position	<u>(65,237,562)</u>
Board's Net OPEB Liability	<u>\$ 420,009,395</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.44 %
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Actuarial Assumptions

The total OPEB liability is based on June 30, 2019 valuation. The methods, assumptions, and participant data used are detailed below:

Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Market value of Assets
Inflation	2.2%
Salary Increases	Years of service based 5.00%-10.00%
Investment Rate of Return	7.5% per year compounded annually
Healthcare Cost Trend Rates:	
Medical	5.5% initial / 3.9% ultimate (not applicable to life insurance)
Dental	5.0% per year

Mortality rates were based on the RP-2014 Healthy Annuitant White Collar Mortality Table, Fully Generational, Projected using Scale MP-2014 (Projected from 2012 for Males and 2016 for Females in year 2014).

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap	16.00 %	6.80 %
U.S. Mid Cap	7.00 %	7.30 %
U.S. Small Cap	7.50 %	7.80 %
International Developed Equities	16.50 %	7.80 %
International Emerging Market Equities	8.00 %	11.30 %
U.S. Real Estate	5.00 %	8.20 %
U.S. Investment Grade Bonds	27.50 %	4.00 %
U.S. High Yield Bonds	6.00 %	6.30 %
Emerging Market Bonds	3.50 %	5.90 %
Cash	3.00 %	2.80 %

Discount Rate

The discount rate used to measure the total OPEB liability was 4.24%. This calculation assumes that the members and the Schools will contribute pay-go rather than the required actuarially determined contributions. Based on that assumption, the Plan's fiduciary net position is expected to run out of assets in the year 2052, therefore having insufficient assets available to make all future benefit payments of current Plan members. A blended discount rate is determined based on the fully funded rate of 7.50% when assets are available prior to 2051, and the unfunded rate of 3.13% for 2051 and beyond. The long-term nominal expected rate of return on OPEB Plan investments was determined using a building-block method where return expectations are established for each asset class.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2018	\$ 389,111,882	\$ 54,944,973	\$ 334,166,909
Changes for the Year:			
Service Cost	14,223,238	-	14,223,238
Interest	19,813,133	-	19,813,133
Experience Losses (Gains)	7,450	-	7,450
Trust Contributions - Employer	-	16,780,327	(16,780,327)
Net Investment Income	-	3,792,589	(3,792,589)
Changes in Assumptions	72,371,581	-	72,371,581
Benefit Payments	(10,280,327)	(10,280,327)	-
Net Changes	<u>96,135,075</u>	<u>10,292,589</u>	<u>85,842,486</u>
Balance as of June 30, 2019	<u>\$ 485,246,957</u>	<u>\$ 65,237,562</u>	<u>\$ 420,009,395</u>

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

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.24%) or 1-percentage-point higher (5.24%) than the current discount rate:

	1% Decrease (3.24%)	Discount Rate (4.24%)	1% Increase (5.24%)
Net OPEB Liability (Asset)	\$ 519,728,828	\$ 420,009,395	\$ 342,067,011

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

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (2.90%) or 1-percentage-point higher (4.90%) than the current healthcare cost trend rates:

	1% Decrease (2.90%)	Healthcare Cost Trend Rates (3.90%)	1% Increase (4.90%)
Net OPEB Liability (Asset)	\$ 337,235,837	\$ 420,009,395	\$ 531,569,601

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

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

For the year ended June 30, 2020, the Board recognized OPEB expense of \$10,369,919. 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>
Differences Between Expected and Actual Experience	\$ 6,773	\$ 108,298,237
Changes in Assumptions	65,792,346	119,099,441
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	13,632	-
Employer Contributions Subsequent to Measurement Date	<u>15,768,692</u>	<u>-</u>
Total	<u>\$ 81,581,443</u>	<u>\$ 227,397,678</u>

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

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

<u>Year Ending June 30:</u>	<u>Amount</u>
2021	\$ (19,592,804)
2022	(19,592,803)
2023	(19,387,592)
2024	(19,453,993)
2025	(19,510,206)
Thereafter	(64,047,529)

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

GASB 74 INFORMATION

Plan Membership

At June 30, 2020, the Plan membership consisted of the following:

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

Funding Policy and Contribution

The contribution requirements of Plan members and the School System are established and may be amended by the School System. The required contribution is based on projected pay-as-you-go (PAYGO) financing requirements, with an additional amount to prefund benefits as determined annually by the School System. For fiscal year 2020, the School System contributed \$6.0 million to the OPEB Trust Fund. In addition, it paid \$9.8 million towards retiree health care costs, including administrative costs. Retirees contributed an additional \$2.7 million.

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.88%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Net OPEB Liability of the Plan

The components of the net OPEB liability of the Plan at June 30, 2020, were as follows:

Total OPEB Liability	\$ 654,445,141
Plan Fiduciary Net Position	<u>(73,120,198)</u>
Board's Net OPEB Liability	<u><u>\$ 581,324,943</u></u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.17 %
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Actuarial Methods and Assumptions

The total OPEB liability is based on June 30, 2020 valuation data. The methods, assumptions, and participant data used are detailed below:

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

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap	22.50 %	6.50 %
U.S. Mid Cap	7.00 %	7.00 %
U.S. Small Cap	5.00 %	7.50 %
International Developed Equities	12.50 %	7.30 %
International Emerging Market Equities	8.00 %	11.00 %
U.S. Real Estate	5.00 %	7.70 %
U.S. Investment Grade Bonds	28.50 %	3.40 %
U.S. High Yield Bonds	5.00 %	5.70 %
Emerging Market Bonds	3.50 %	5.20 %
Cash	3.00 %	2.00 %

Discount Rate

The discount rate used to measure the total OPEB liability was 3.16%. This calculation assumes that the members and the Schools will contribute pay-go rather than the required actuarially determined contributions. Based on that assumption, the Plan's fiduciary net position is expected to run out of assets in the year 2047, therefore having insufficient assets available to make all future benefit payments of current Plan members. A blended discount rate is determined based on the fully funded rate of 7.50% when assets are available prior to 2046, and the unfunded rate of 2.45% for 2046 and beyond. The long-term nominal expected rate of return on OPEB Plan investments was determined using a building-block method where return expectations are established for each asset class.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Discount Rate (Continued)

	Increase (Decrease)		
	Total OPEB Liability	Plan	
		(a)	Fiduciary Net Position (b)
Balance as of June 30, 2019	\$ 485,246,957	\$ 65,237,562	\$ 420,009,395
Changes for the Year:			
Service Cost	19,247,815	-	19,247,815
Interest	20,347,672	-	20,347,672
Experience Losses (Gains)	47,945,774	-	47,945,774
Trust Contributions - Employer	-	15,768,692	(15,768,692)
Net Investment Income	-	1,882,635	(1,882,635)
Changes in Assumptions	91,425,614	-	91,425,614
Benefit Payments	(9,768,691)	(9,768,691)	-
Administrative Expense	-	-	-
Net Changes	<u>169,198,184</u>	<u>7,882,636</u>	<u>161,315,548</u>
Balance as of June 30, 2020	<u>\$ 654,445,141</u>	<u>\$ 73,120,198</u>	<u>\$ 581,324,943</u>

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

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16%) or 1-percentage-point higher (4.16%) than the current discount rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Net OPEB Liability (Asset)	\$ 721,252,183	\$ 581,324,943	\$ 472,680,129

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

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

	1% Decrease 3.00%	Healthcare Cost Trend Rates 4.00%	1% Increase 5.00%
Net OPEB Liability (Asset)	\$ 469,366,751	\$ 581,324,943	\$ 733,193,901

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 TRUST FUNDS

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

Condensed Statement of Net Position			
	Retiree Health Trust Fund	Pension Trust Fund	Total
Assets			
Investments, Including Cash and Cash Equivalents	\$ 67,096,529	\$ 115,997,923	\$ 183,094,452
Other Assets	6,023,669	-	6,023,669
Total Assets	73,120,198	115,997,923	189,118,121
Net Position - Held in Trust for Retiree Health/Pension Benefits	\$ 73,120,198	\$ 115,997,923	\$ 189,118,121

Condensed Statement of Net Position			
	Retiree Health Trust Fund	Pension Trust Fund	Total
Additions			
Contributions	\$ 18,496,378	\$ 4,176,982	\$ 22,673,360
Net Investment Gain (Loss)	2,058,706	1,769,778	3,828,484
Total Additions	20,555,084	5,946,760	26,501,844
Deductions			
Benefits Paid	12,496,378	5,661,781	18,158,159
Administrative Expenses	176,070	-	176,070
Total Deductions	12,672,448	5,661,781	18,334,229
Change in Net Position	7,882,636	284,979	8,167,615
Net Position - Beginning Of Year	65,237,562	115,712,944	180,950,506
Net Position - End Of Year	\$ 73,120,198	\$ 115,997,923	\$ 189,118,121

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 DEBT SERVICE

School Construction Debt

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

NOTE 9 INTERFUND ACCOUNTS

At June 30, 2020, the amounts due to and from other funds were as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 818,980	\$ 23,669
Special Revenue - Food Service	-	1,484,927
Special Revenue - Restricted Program	3,998,252	-
Fiduciary Fund - Other Post Employment Benefits	23,669	-
Capital Projects	-	3,332,305
Total	<u>\$ 4,840,901</u>	<u>\$ 4,840,901</u>

NOTE 10 LONG-TERM LIABILITIES

The following is an analysis of the changes in long-term liabilities for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Net Increase (Decrease)</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Compensated Absences	\$ 8,774,849	\$ 696,980	\$ 9,471,829	\$ 660,441
Net OPEB Liability	334,166,909	85,842,486	420,009,395	-
Net Pension Liability	5,522,678	4,391,369	9,914,047	-
Total Long-Term Liabilities	<u>\$ 348,464,436</u>	<u>\$ 90,930,835</u>	<u>\$ 439,395,271</u>	<u>\$ 660,441</u>

For the governmental activities, compensated absences, net pension obligations, and net other postemployment benefits obligations are generally liquidated by the General Fund.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 COMMITMENTS AND CONTINGENCIES

Operating Leases

The Board is committed under various leases for the use of equipment. The leases cover annual and multi-year periods with various expiration dates through June 2025. These leases are considered to be operating leases for accounting purposes.

The future annual minimum lease payments due under these operating leases as of June 30, 2020 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 770,328
2022	744,665
2023	731,833
2024	510,794
2025	49,141
Total Minimum Lease Payments	<u><u>\$ 2,806,761</u></u>

Rental expenditures for the year ended June 30, 2020 amounted to approximately \$719,418.

Litigation

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

Health Insurance

The Board entered into an agreement with BlueCross BlueShield of Maryland for health insurance under a claims made policy. The Board underwrites 75% of the cost of health insurance based on an estimate and the employees contribute 25%. Actual contribution rates by the Board may vary based on actual claims. The policy arrangement includes a stop-loss provision for claims in excess of \$250,000. A liability in the amount of \$3,064,656 has been recorded for the estimated claims incurred but not reported at the end of the year.

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

	2020	2019
Accrued Health Claims:		
Unpaid Claims - Beginning of Year	\$ 3,179,500	\$ 2,918,000
Incurred Claims (Including IBNR)	32,500,587	35,398,922
Claim Payments	(32,615,431)	(35,137,422)
Unpaid Claims - End of Year	<u><u>\$ 3,064,656</u></u>	<u><u>\$ 3,179,500</u></u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 FUND BALANCE DEFICIT

The Capital Projects Fund reflects a deficit unassigned fund balance for June 30, 2020 because revenues, provided by the state and county needed to liquidate encumbrances outstanding, are not received and recognized until invoices for goods and services rendered are received and approved by the Board. The deficit will be eliminated through future funding provided by local and state sources.

NOTE 13 RISK MANAGEMENT

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

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

NOTE 14 ENCUMBRANCES

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 ENCUMBRANCES (CONTINUED)

Encumbrances at June 30, 2020 are for the following uses:

	<u>General Fund</u>	<u>Restricted Programs Fund</u>
Encumbrances:		
Administration	\$ 3,185,049	\$ -
Mid-Level Administrative	54,011	749
Instruction	3,417,758	315,787
Special Education	850,472	209,980
Student Personnel Services	89,334	-
Student Health Services	416,006	-
Student Transportation	355,691	-
Operation and Maintenance of Plant	9,320,442	141,429
Food Service	-	-
Community Service	-	3,068
Capital Outlay	2,062,038	410,517
Total Encumbrances	<u>\$ 19,750,801</u>	<u>\$ 1,081,530</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 FUND BALANCE

Fund balance at June 30, 2020 consists of the following:

	General Fund	Restricted Programs Fund	Food Service Fund	Capital Projects
Nonspendable - Inventory	\$ 98,341	\$ -	\$ 334,731	\$ -
Restricted for:				
Administration	-	-	-	-
Mid-Level Administration	-	749	-	-
Instruction	-	315,787	-	-
Special Education	-	209,980	-	-
Student Personnel Services	-	-	-	-
Operation and Maintenance of Plant	-	141,429	-	-
Food Service	-	-	-	-
Community Service	-	3,068	-	-
Capital Outlay	-	410,517	-	-
Total Restricted for	-	1,081,530	-	-
Assigned for:				
Administration	3,185,049	-	-	-
Mid-Level Administration	54,011	-	-	-
Instruction	3,417,758	-	-	-
Special Education	850,472	-	-	-
Student Personnel Services	89,334	-	-	-
Student Health Services	416,006	-	-	-
Student Transportation	355,691	-	-	-
Operation and Maintenance of Plant	9,320,442	-	-	-
Food Service	-	-	1,072,697	-
Community Service	-	-	-	-
Capital Outlay	2,062,038	-	-	-
Subsequent Year Expenditures	3,201,086	-	-	-
Total Assigned for	22,951,887	-	1,072,697	-
Unassigned	27,875,105	-	-	(155,039)
Total Fund Balance	\$ 50,925,333	\$ 1,081,530	\$ 1,407,428	\$ (155,039)

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Teachers' Retirement and Pension Systems:</u>						
Board's Proportionate of the Net Pension Liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Board's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability of The Board	<u>211,753,292</u>	<u>222,873,465</u>	<u>237,943,494</u>	<u>346,805,829</u>	<u>277,781,307</u>	<u>203,938,312</u>
Total	<u><u>\$ 211,753,292</u></u>	<u><u>\$ 222,873,465</u></u>	<u><u>\$ 237,943,494</u></u>	<u><u>\$ 346,805,829</u></u>	<u><u>\$ 277,781,307</u></u>	<u><u>\$ 203,938,312</u></u>
Board's Covered Payroll	\$ 181,942,944	\$ 176,205,034	\$ 174,077,168	\$ 171,333,118	\$ 166,442,075	\$ 166,561,146
Board's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.43%	73.35%	71.41%	67.95%	68.78%	69.53%

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

MARYLAND STATE RETIREMENT AND PENSION SYSTEM (CONTINUED)

Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013
<u>Teachers Retirement and Pension System</u>								
Contractually Required Contribution	\$ 8,104,510	\$ 8,105,946	\$ 8,106,644	\$ 7,410,150	\$ 7,339,061	\$ 6,383,304	\$ 4,989,645	\$ 3,936,516
Contributions in Relation to the Contractually Required Contribution	(8,104,510)	(8,105,946)	(8,106,644)	(7,410,150)	(7,339,061)	(6,383,304)	(4,989,645)	(3,936,516)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's Employee Payroll	\$ 193,190,625	\$ 181,942,944	\$ 176,205,034	\$ 174,077,168	\$ 171,333,118	\$ 166,442,075	\$ 166,561,146	\$ 165,631,397
Contributions as a Percentage of Covered Payroll	4.20%	4.46%	4.60%	4.26%	4.28%	3.84%	3.00%	2.38%

* The Board was not contractually required to contribute to the Teachers' Retirement and Pension System prior to FY 2013.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

MARYLAND STATE RETIREMENT AND PENSION SYSTEM (CONTINUED)

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the years 2015 through 2019.

NOTE 2 CHANGES IN ASSUMPTIONS

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

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

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

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

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:							
Service Cost	\$ 3,584,475	\$ 3,420,344	\$ 3,243,842	\$ 3,146,977	\$ 3,005,742	\$ 2,890,137	\$ 2,140,866
Interest	8,237,391	7,985,447	7,530,473	7,673,388	7,478,300	6,954,089	6,585,023
Benefit Changes	-	-	-	-	-	-	-
Difference Between Actual and Expected if Any	1,003,408	(1,552,063)	1,798,691	(3,768,285)	(1,244,586)	(1,733,314)	-
Assumption Changes	(2,487,145)	(787,090)	(758,406)	(182,819)	(1,809,348)	3,773,150	-
Benefit Payments	(5,661,781)	(5,340,011)	(5,164,335)	(4,884,174)	(4,687,877)	(4,413,285)	(3,925,897)
Net Change in Total Pension Liability	4,676,348	3,726,627	6,650,265	1,985,087	2,742,231	7,470,777	4,799,992
Total Pension Liability - Beginning	121,235,622	117,508,995	110,858,730	108,873,643	106,131,412	98,660,635	93,860,643
Total Pension Liability - Ending (a)	<u>\$ 125,911,970</u>	<u>\$ 121,235,622</u>	<u>\$ 117,508,995</u>	<u>\$ 110,858,730</u>	<u>\$ 108,873,643</u>	<u>\$ 106,131,412</u>	<u>\$ 98,660,635</u>
Plan Fiduciary Net Position:							
Contribution - Employer	\$ 2,889,301	\$ 3,513,177	\$ 3,498,343	\$ 3,833,580	\$ 4,090,857	\$ 5,085,000	\$ 5,251,554
Contribution - Member	1,287,681	1,263,195	1,159,268	1,087,858	1,031,619	984,727	966,598
Net Investment Income	1,769,778	7,449,004	4,071,156	10,317,975	1,197,164	797,427	9,567,475
Benefit Payments	(5,661,781)	(5,340,011)	(5,164,335)	(4,884,174)	(4,687,877)	(4,413,285)	(3,925,897)
Administrative Expense	-	(3,593)	(39,744)	-	-	-	-
Other	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	284,979	6,881,772	3,524,688	10,355,239	1,631,763	2,453,869	11,859,730
Plan Fiduciary Net Position - Beginning	115,712,944	108,831,172	105,306,484	94,951,245	93,319,482	90,865,613	79,005,883
Plan Fiduciary Net Position - Ending (b)	<u>\$ 115,997,923</u>	<u>\$ 115,712,944</u>	<u>\$ 108,831,172</u>	<u>\$ 105,306,484</u>	<u>\$ 94,951,245</u>	<u>\$ 93,319,482</u>	<u>\$ 90,865,613</u>
Net Pension on Liability (a-b)	<u>\$ 9,914,047</u>	<u>\$ 5,522,678</u>	<u>\$ 8,677,823</u>	<u>\$ 5,552,246</u>	<u>\$ 13,922,398</u>	<u>\$ 12,811,930</u>	<u>\$ 7,795,022</u>
Plan Fiduciary Net Position as a Percentage of Total Liability	92.13 %	95.44 %	92.65 %	94.99 %	87.21 %	87.93 %	92.10 %
Covered Payroll	\$ 23,860,730	\$ 22,511,363	\$ 21,208,683	\$ 20,273,361	\$ 20,393,483	\$ 19,095,035	\$ 20,059,710
Net Pension Liability as a Percentage of Covered Payroll	41.55 %	24.53 %	40.92 %	27.39 %	68.27 %	67.10 %	38.86 %

Notes to Schedule:

Changes of assumptions: Mortality table: Pub-2010(B) Public Retirement Plans Below Median Income Amount-Weighted Mortality Tables (for General Employees), projected to the valuation date with Scale MP-2019.

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

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

Schedule of Employer Contributions

Year Ending June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency Excess	Covered Payroll	Actual Contribution as a Percent of Covered Payroll
2011	4,153,768	5,523,768	1,370,000	19,808,871	27.89 %
2012	4,332,303	5,249,987	917,684	19,594,555	26.79 %
2013	3,572,997	4,395,188	822,191	19,791,615	22.21 %
2014	3,493,190	5,251,554	1,758,364	20,059,710	26.18 %
2015	3,517,634	5,085,000	1,567,366	19,095,035	26.63 %
2016	3,179,849	4,090,857	911,008	20,393,483	20.06 %
2017	2,833,580	3,833,580	1,000,000	20,273,361	18.91 %
2018	2,597,854	3,498,343	900,489	21,208,683	16.49 %
2019	2,785,369	3,513,177	727,808	22,511,363	15.61 %
2020	2,718,684	2,889,301	170,617	23,860,730	12.11 %

Schedule of Investment Returns*

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

Schedule of the Employer's Net Pension Liability*

Year Ending June 30	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Plan Net Position as a Percent of Total Pension Liability	Covered Payroll	Net Pension Liability as a Percent of Covered Payroll
2014	\$ 98,660,635	\$ 90,865,613	\$ 7,795,022	92.10 %	\$ 20,059,710	38.86 %
2015	106,131,412	93,319,482	12,811,930	87.93 %	19,095,035	67.10 %
2016	108,873,643	94,951,245	13,922,398	87.21 %	20,393,483	68.27 %
2017	110,858,730	105,306,484	5,552,246	94.99 %	20,273,361	27.39 %
2018	117,508,995	108,831,172	8,677,823	92.62 %	21,208,683	40.92 %
2019	121,235,622	115,712,944	5,522,678	95.44 %	22,511,363	24.53 %
2020	125,911,970	115,997,923	9,914,047	92.13 %	23,860,730	41.55 %

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

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

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

There were no significant Plan changes since the last published valuation.

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

Valuation Date	July 1, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Period	20 Years
Asset Valuation Method	Market value of assets
Investment Rate of Return	6.75% per year compounded annually, net of investment expenses
Projected Salary Increases	Years of service based 0.50 - 7.00%
Cost of Living Adjustments	2.50% limited to 150% of original benefit
General Inflation	2.60% per year
Retirement	Experience- based table of rates
Mortality Rate	Pub-2010(B) Public Retirement Plans Below Median Income Amount-Weighted Mortality Tables (for General Employees) projected to valuation date with Scale MP-2019
Experience Studies	The actuarial assumptions used in the valuation were based on standard tables modified for certain plan features such as full eligibility for full and early retirement where applicable and input from the plan sponsor. A full actuarial experience study was done in 2016 using data from 2004-2016.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

RETIREE HEALTH PLAN TRUST

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

	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	\$ 19,247,815	\$ 14,223,238	\$ 22,733,151	\$ 21,900,915
Interest Cost	20,347,672	19,813,133	22,516,259	21,179,314
Changes in Benefit Terms	-	-	-	-
Experience Losses (Gains)	47,945,774	7,450	(132,364,513)	-
Changes of Assumptions	91,425,614	72,371,581	(73,079,536)	(81,547,251)
Benefit Payments	(9,768,691)	(10,280,327)	(9,422,528)	(9,454,874)
Net Change in Total OPEB Liability	169,198,184	96,135,075	(169,617,167)	(47,921,896)
Total OPEB Liability - Beginning of Year	485,246,957	389,111,882	558,729,049	606,650,945
Total OPEB Liability - End of Year	<u>\$ 654,445,141</u>	<u>\$ 485,246,957</u>	<u>\$ 389,111,882</u>	<u>\$ 558,729,049</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 15,768,692	\$ 16,780,327	\$ 15,722,529	\$ 13,884,981
Net Investment Income	1,882,635	3,792,589	3,304,778	3,950,292
Benefit Payments	(9,768,691)	(10,280,327)	(9,422,528)	(9,084,981)
Net Change in Fiduciary Net Position	7,882,636	10,292,589	9,604,779	8,750,292
Fiduciary Net Position - Beginning of Year	65,237,562	54,944,973	45,340,194	36,589,902
Fiduciary Net Position - End of Year	<u>73,120,198</u>	<u>65,237,562</u>	<u>54,944,973</u>	<u>45,340,194</u>
Net OPEB Liability	<u>581,324,943</u>	<u>420,009,395</u>	<u>334,166,909</u>	<u>513,388,855</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	<u>11.17 %</u>	<u>13.44 %</u>	<u>14.12 %</u>	<u>8.11 %</u>
Covered Employee Payroll	<u>\$ 221,357,164</u>	<u>\$ 200,372,230</u>	<u>\$ 200,372,230</u>	<u>\$ 195,000,000</u>
Net OPEB Liability as a Percentage of Payroll	<u>2.63 %</u>	<u>2.10 %</u>	<u>1.67 %</u>	<u>2.63 %</u>

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

RETIREE HEALTH PLAN TRUST

Schedule of Investment Returns*

<u>Year Ended June 30,</u>	<u>Actual Money Weighted Rate of Return, Net of Investment Expense</u>
2017	10.10 %
2018	6.80 %
2019	6.52 %
2020	2.88 %

NOTES TO THE REQUIRED SCHEDULES

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

Changes of assumptions:

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

NOTE 3 METHODS AND ASSUMPTIONS

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market value of assets
Inflation	2.5%
Healthcare Cost Trend Rates	4.7% initial/ 4.0% ultimate (not applicable to life insurance)
Salary Increases	Years of service based 5.00% - 10.00%
Investment Rate of Return	7.5% per year compounded annually
Retirement Age	In the 2020 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experiences
Mortality	In the 2020 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the Pub-2010 Teachers Headcount-Weighted Mortality table.

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
REVENUES				
State of Maryland	\$ 196,774,014	\$ 196,774,014	\$ 196,784,911	\$ 10,897
Federal Government	970,000	970,000	964,611	(5,389)
Other Sources	1,419,080	1,419,080	1,764,704	345,624
Local Sources	191,621,800	192,074,000	192,074,000	-
Total Revenues	<u>390,784,894</u>	<u>391,237,094</u>	<u>391,588,226</u>	<u>351,132</u>
EXPENDITURES				
Administration	11,866,217	14,616,217	14,173,400	442,817
Mid-Level Administration	25,459,511	25,183,594	24,244,660	938,934
Instructional Salaries	147,257,138	142,568,018	141,683,266	884,752
Materials of Instruction	4,494,888	7,494,888	6,254,436	1,240,452
Other Costs of Instruction	2,393,090	2,393,090	1,499,489	893,601
Special Education	40,412,708	40,412,708	38,472,678	1,940,030
Student Personnel Services	3,925,810	4,015,810	3,849,271	166,539
Health Service	3,984,500	3,984,500	3,510,068	474,432
Transportation	30,976,645	31,076,645	30,015,632	1,061,013
Operations	28,245,672	33,745,672	32,681,263	1,064,409
Maintenance	8,865,443	8,865,443	8,419,542	445,901
Community Service	1,010,501	1,210,501	1,013,126	197,375
Capital Outlay	2,316,913	3,816,913	3,753,523	63,390
Fixed Charges	81,776,944	77,554,181	71,093,436	6,460,745
Total Expenditures	<u>392,985,980</u>	<u>396,938,180</u>	<u>380,663,790</u>	<u>16,274,390</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,201,086)	(5,701,086)	10,924,436	16,625,522
OTHER FINANCING SOURCES				
Use of Prior Year Fund Balance	2,201,086	5,701,086	-	(5,701,086)
Total Other Financing Sources	<u>2,201,086</u>	<u>5,701,086</u>	<u>-</u>	<u>(5,701,086)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	10,924,436	<u>\$ 10,924,436</u>
Use of Budgetary Fund Balance			-	
Fund Balance - June 30, 2019			<u>20,252,737</u>	
FUND BALANCE - JUNE 30, 2020			<u>\$ 31,177,173</u>	

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
GENERAL FUND – RECONCILIATION OF REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2020**

General Fund - Reconciliation of Revenues and Expenditures

Actual Revenues (Non-GAAP Budgetary Basis)	\$ 391,588,226
Pension Contribution by the State of Maryland on Behalf of the Board	<u>21,574,821</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 413,163,047</u>
Actual Expenditures (Non-GAAP Budgetary Basis)	\$ 380,663,790
Encumbrance Adjustment, Net	(7,898,580)
Pension Contribution by the State of Maryland on Behalf of the Board	<u>21,574,821</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 394,340,031</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
State of Maryland				
State - Foundation	\$ 115,861,320	\$ 115,861,320	\$ 115,861,320	\$ -
Compensatory Aid	35,504,708	35,504,708	35,504,708	-
Transportation	11,968,026	11,968,026	11,968,026	-
Handicapped Children	9,307,021	9,189,021	9,189,021	-
Tuition - Handicapped	1,194,373	1,191,000	1,238,733	47,733
Other (LEP Grant)	3,392,610	3,392,610	3,392,610	-
Out of County Living	-	3,394	49,933	46,539
Guaranteed Tax Base	2,137,264	2,137,264	2,137,264	-
CGEI	3,812,445	3,812,445	3,812,445	-
Medicaid Revenues	890,000	1,008,000	1,008,000	-
Net Taxable Income	6,402,288	6,402,288	6,402,288	-
Kirwan Teacher Incentive Eligibility	2,819,200	2,819,200	2,819,158	(42)
Kirwan Special Education Formula	2,239,026	2,239,026	2,239,026	-
Kirwan Pre-Kindergarten	1,162,400	1,162,379	1,162,379	-
Kirwan Mental Health Coordinator	83,333	83,333	-	(83,333)
Total	<u>196,774,014</u>	<u>196,774,014</u>	<u>196,784,911</u>	<u>10,897</u>
Federal Government				
Impact Aid	476,000	476,000	389,570	(86,430)
ROTC	430,000	430,000	533,982	103,982
Impact Aid Special Education	64,000	64,000	41,059	(22,941)
Total	<u>970,000</u>	<u>970,000</u>	<u>964,611</u>	<u>(5,389)</u>
Other Sources				
Tuition - Summer School	92,296	92,296	123,700	31,404
Tuition - Nonresident	313,904	313,904	468,851	154,947
Tuition - Novel	15,269	15,269	4,458	(10,811)
Tuition - Parents Payments	89,100	89,100	41,899	(47,201)
Summer Youth Camp	25,000	25,000	23,930	(1,070)
Rent from School Facilities	191,200	191,200	175,547	(15,653)
Sale of Property	6,000	6,000	2,482	(3,518)
Interest Income	436,680	436,680	555,316	118,636
Restitution	10,000	10,000	24,805	14,805
Vending Commissions	100,000	100,000	100,000	-
Payroll Transfers	73,000	73,000	14,099	(58,901)
Other	12,200	12,200	168,163	155,963
Rebates	54,431	54,431	61,454	7,023
Total	<u>1,419,080</u>	<u>1,419,080</u>	<u>1,764,704</u>	<u>345,624</u>
Local Sources				
Operational Budget	<u>191,621,800</u>	<u>192,074,000</u>	<u>192,074,000</u>	<u>-</u>
Total Revenues	<u>\$ 390,784,894</u>	<u>\$ 391,237,094</u>	<u>\$ 391,588,226</u>	<u>\$ 351,132</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
Administration				
Salaries and Wages	\$ 8,124,798	\$ 8,124,798	\$ 7,805,729	\$ 319,069
Contracted Services	3,040,463	5,700,493	5,563,653	136,840
Supplies and Materials	591,315	651,215	654,398	(3,183)
Other Charges	303,132	303,202	224,729	78,473
Equipment	46,215	76,215	74,025	2,190
Transfers In	(239,706)	(239,706)	(149,134)	(90,572)
Total	11,866,217	14,616,217	14,173,400	442,817
Mid-Level Administration				
Salaries and Wages	23,732,441	23,328,127	22,591,085	737,042
Contracted Services	373,930	492,425	469,513	22,912
Supplies and Materials	1,068,804	1,039,895	975,398	64,497
Other Charges	284,336	317,920	203,437	114,483
Equipment	-	5,227	5,227	-
Total	25,459,511	25,183,594	24,244,660	938,934
Instruction Salaries				
Salaries and Wages	147,257,138	142,568,018	141,683,266	884,752
Materials of Instruction				
Supplies and Materials	4,494,888	7,494,888	6,254,436	1,240,452
Other Costs of Instruction				
Contracted Services	1,607,601	1,609,101	1,214,942	394,159
Other Charges	490,830	489,330	129,540	359,790
Equipment	194,659	194,659	55,400	139,259
Outgoing Transfers	100,000	100,000	99,607	393
Total	2,393,090	2,393,090	1,499,489	893,601
Special Education				
Salaries and Wages	32,890,162	32,830,162	31,001,583	1,828,579
Contracted Services	3,661,972	3,821,972	3,848,662	(26,690)
Supplies and Materials	91,944	91,944	35,203	56,741
Other Charges	68,330	68,330	66,570	1,760
Outgoing Transfers	3,700,300	3,600,300	3,520,660	79,640
Total	40,412,708	40,412,708	38,472,678	1,940,030
Student Personnel Services				
Salaries and Wages	3,673,760	3,808,760	3,742,791	65,969
Contracted Services	234,543	179,602	89,746	89,856
Supplies and Materials	10,908	12,408	8,057	4,351
Other Charges	6,599	15,040	8,677	6,363
Total	3,925,810	4,015,810	3,849,271	166,539

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
Health Service				
Contracted Services	\$ 3,956,800	\$ 3,956,800	\$ 3,487,609	\$ 469,191
Supplies and Materials	27,700	27,186	21,945	5,241
Other Charges	-	514	514	-
Total	<u>3,984,500</u>	<u>3,984,500</u>	<u>3,510,068</u>	<u>474,432</u>
Transportation				
Salaries and Wages	1,569,078	1,569,078	1,477,010	92,068
Contracted Services	28,602,272	28,692,272	28,448,255	244,017
Supplies and Materials	132,125	132,125	22,446	109,679
Other Charges	2,170	12,170	10,192	1,978
Equipment	671,000	671,000	57,729	613,271
Total	<u>30,976,645</u>	<u>31,076,645</u>	<u>30,015,632</u>	<u>1,061,013</u>
Operations				
Salaries and Wages	13,019,704	13,019,704	12,993,801	25,903
Contracted Services	2,981,306	3,045,306	2,579,911	465,395
Supplies and Materials	1,492,508	7,434,360	7,227,180	207,180
Other Charges	10,553,534	8,226,034	7,893,382	332,652
Equipment	198,620	2,020,268	1,986,989	33,279
Total	<u>28,245,672</u>	<u>33,745,672</u>	<u>32,681,263</u>	<u>1,064,409</u>
Maintenance				
Salaries and Wages	4,511,061	4,581,061	4,390,135	190,926
Contracted Services	2,415,282	1,283,782	1,165,810	117,972
Supplies and Materials	1,649,904	1,655,404	1,525,005	130,399
Other Charges	3,320	3,320	3,067	253
Equipment	285,876	1,341,876	1,335,525	6,351
Total	<u>8,865,443</u>	<u>8,865,443</u>	<u>8,419,542</u>	<u>445,901</u>
Community Service				
Salaries and Wages	144,000	345,000	184,121	160,879
Contracted Services	859,911	859,757	823,261	36,496
Supplies and Materials	6,590	5,744	5,744	-
Total	<u>1,010,501</u>	<u>1,210,501</u>	<u>1,013,126</u>	<u>197,375</u>
Capital Outlay				
Salaries and Wages	640,913	640,913	640,903	10
Contracted Services	1,548,692	718,292	702,220	16,072
Supplies and Materials	3,508	64,734	24,357	40,377
Other Charges	4,800	4,800	2,257	2,543
Equipment	119,000	2,388,174	2,383,786	4,388
Total	<u>2,316,913</u>	<u>3,816,913</u>	<u>3,753,523</u>	<u>63,390</u>
Fixed Charges				
Other Charges	<u>81,776,944</u>	<u>77,554,181</u>	<u>71,093,436</u>	<u>6,460,745</u>
Total Expenditures	<u><u>\$ 392,985,980</u></u>	<u><u>\$ 396,938,180</u></u>	<u><u>\$ 380,663,790</u></u>	<u><u>\$ 16,274,390</u></u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
COMBINING BALANCE SHEET
CAPITAL PROJECTS SUB-FUNDS
JUNE 30, 2020**

	<u>Capital Improvement Programs</u>	<u>School Construction</u>	<u>Total</u>
ASSETS			
Cash and Short-Term Investments	\$ -	\$ 22,381	\$ 22,381
Accounts Receivable			
State	-	2,757,935	2,757,935
Other Sources	<u>4,790,054</u>	<u>5</u>	<u>4,790,059</u>
Total Assets	<u>\$ 4,790,054</u>	<u>\$ 2,780,321</u>	<u>\$ 7,570,375</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 2,914,445	\$ 1,478,664	\$ 4,393,109
Due to Other Funds	<u>2,058,438</u>	<u>1,273,867</u>	<u>3,332,305</u>
Total Liabilities	4,972,883	2,752,531	7,725,414
FUND BALANCES (DEFICIT)			
Unassigned	<u>(182,829)</u>	<u>27,790</u>	<u>(155,039)</u>
Total Liabilities and Fund Balances	<u>\$ 4,790,054</u>	<u>\$ 2,780,321</u>	<u>\$ 7,570,375</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS SUB-FUNDS
 YEAR ENDED JUNE 30, 2020**

	Capital Improvement Programs	School Construction	Total
REVENUES			
State of Maryland	\$ -	\$ 4,953,808	\$ 4,953,808
Local Sources	19,923,103	-	19,923,103
Other Sources	-	330	330
Total Revenues	19,923,103	4,954,138	24,877,241
EXPENDITURES			
Capital Outlay:			
Contracted Services	15,384,822	4,681,459	20,066,281
Materials	2,315,384	253,592	2,568,976
Computers and Equipment	2,221,597	-	2,221,597
Total Expenditures	19,921,803	4,935,051	24,856,854
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,300	19,087	20,387
Fund Balance (Deficit) - Beginning of Year	(184,129)	8,703	(175,426)
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (182,829)	\$ 27,790	\$ (155,039)

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES —
NON-GAAP BASIS
SPECIAL REVENUE — RESTRICTED PROGRAMS FUND
YEAR ENDED JUNE 30, 2020**

	<u>Restricted Programs Fund</u>
REVENUES	
State of Maryland	\$ 2,445,476
Federal Government	15,519,639
Other Sources	1,603,778
Local Government	<u>325,449</u>
Total Revenues	<u>19,894,342</u>
 EXPENDITURES	
Administration	160,712
Mid-Level Administration	665,970
Instructional Salaries	3,399,601
Materials of Instruction	4,754,984
Other Costs of Instruction	986,576
Special Education	5,063,131
Student Personnel Service	300
Transportation	84,305
Operations	361,146
Maintenance	129,331
Food Service	12,277
Community Service	808,924
Capital Outlay	793,577
Fixed Charges	<u>2,673,508</u>
Total Expenditures	<u>19,894,342</u>
 Excess of Revenues Over Expenditures	 <u><u>\$ -</u></u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES
BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS
SPECIAL REVENUE — FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>As Amended Budget</u>	<u>Actual</u>	<u>Variances Positive (Negative)</u>
REVENUES				
State of Maryland	\$ 410,000	\$ 435,000	\$ 543,218	\$ 108,218
Federal Government	7,677,904	8,027,300	6,924,498	(1,102,802)
Local Sources	5,955,633	6,285,609	3,552,362	(2,733,247)
Total Revenues	<u>14,043,537</u>	<u>14,747,909</u>	<u>11,020,078</u>	<u>(3,727,831)</u>
EXPENDITURES				
Food Service				
Salaries and Wages	5,313,660	5,203,596	5,094,196	109,400
Contracted Services	194,000	190,000	174,303	15,697
Supplies and Materials	6,508,270	7,474,000	5,698,570	1,775,430
Other Charges	43,500	42,500	20,797	21,703
Equipment	70,000	33,513	32,513	1,000
Total Food Service	<u>12,129,430</u>	<u>12,943,609</u>	<u>11,020,379</u>	<u>1,923,230</u>
Fixed Charges	<u>1,914,107</u>	<u>1,804,300</u>	<u>1,707,791</u>	<u>96,509</u>
Total Expenditures	<u>14,043,537</u>	<u>14,747,909</u>	<u>12,728,170</u>	<u>2,019,739</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	(1,708,092)	(1,708,092)
OTHER FINANCING SOURCES				
Use of Prior Year Fund Balance	<u>378,322</u>	<u>1,140,609</u>	<u>1,708,092</u>	<u>567,483</u>
Total Other Financing Sources	<u>378,322</u>	<u>1,140,609</u>	<u>1,708,092</u>	<u>567,483</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ 378,322</u>	<u>\$ 1,140,609</u>	<u>\$ -</u>	<u>\$ (1,140,609)</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF CHANGES IN NET POSITION
STUDENT ACTIVITIES FUND — AGENCY FUND
YEAR ENDED JUNE 30, 2020

	Balance June 30, 2019	Additions/ Receipts	Reduction/ Distributions	Balance June 30, 2020
Cash by Schools				
Elementary Schools:				
C. Paul Barnhart	\$ 15,995	\$ 40,478	\$ 37,840	\$ 18,633
Berry	77,474	41,939	67,745	51,668
Billingsley	-	51,512	32,397	19,115
Dr. Gustavus Brown	13,694	20,046	18,152	15,588
Dr. Samuel A. Mudd	23,255	26,011	30,369	18,897
J.C. Parks	33,752	50,567	43,989	40,330
J.P. Ryon	12,268	45,502	34,834	22,936
Eva Turner	12,180	22,091	24,900	9,371
Dr. Thomas L. Higdon	34,963	70,699	70,357	35,305
Daniel of St. Thomas Jenifer	11,758	43,074	37,874	16,958
Dr. James Craik	28,322	55,736	56,255	27,803
Gale-Bailey	11,223	42,138	35,984	17,377
Indian Head	21,793	23,214	35,599	9,408
Malcolm	62,218	29,739	39,861	52,096
T.C. Martin	26,510	61,364	68,097	19,777
Arthur H. Middleton	22,233	27,330	27,489	22,074
Walter J. Mitchell	51,252	47,463	53,801	44,914
Mt. Hope/Nanjemoy	27,029	28,746	32,220	23,555
William B. Wade	54,811	69,429	75,199	49,041
Mary H. Matula	60,549	79,582	73,805	66,326
William Diggs	33,515	44,403	35,867	42,051
Mary B. Neal	40,722	71,522	57,521	54,723
Middle Schools:				
John Hanson	36,104	85,007	82,513	38,598
Matthew Henson	70,474	95,487	97,914	68,047
Piccowaxen	53,706	67,085	68,753	52,038
General Smallwood	21,110	48,070	41,929	27,251
Milton Somers	73,383	74,313	85,823	61,873
Benjamin Stoddert	25,038	36,730	42,354	19,414
Mattawoman	123,478	70,079	78,575	114,982
Theodore G. Davis	56,057	74,861	77,702	53,216
High Schools:				
La Plata	197,837	643,074	625,812	215,099
Lackey	288,417	264,668	260,308	292,777
Maurice J. McDonough	198,951	345,836	349,952	194,835
Thomas Stone	118,040	264,028	265,609	116,459
Westlake	209,281	475,658	482,934	202,005
North Point	413,295	841,360	759,340	495,315
St. Charles	199,674	373,655	374,751	198,578
Centers:				
F.B. Gwynn	18,308	3,917	4,338	17,887
Robert Stethem				
Education Center	13,546	215,704	151,575	77,675
Due to Student Groups	<u>\$ 2,792,215</u>	<u>\$ 4,972,117</u>	<u>\$ 4,840,337</u>	<u>\$ 2,923,995</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION —
 RETIREE HEALTH AND PENSION TRUST FUNDS
 YEAR ENDED JUNE 30, 2020**

	Retiree Health Trust Fund	Pension Trust Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 2,351,598	\$ 2,351,598
Investments	67,096,529	113,646,325	180,742,854
Contribution Receivable	6,000,000	-	6,000,000
Due from General Fund	23,669	-	23,669
	<u>\$ 73,120,198</u>	<u>\$ 115,997,923</u>	<u>\$ 189,118,121</u>
Total Assets	<u>\$ 73,120,198</u>	<u>\$ 115,997,923</u>	<u>\$ 189,118,121</u>
NET POSITION			
Held in Trust for Retiree Health/Pension Benefits	<u>\$ 73,120,198</u>	<u>\$ 115,997,923</u>	<u>\$ 189,118,121</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION —
RETIREE HEALTH AND PENSION TRUST FUNDS
YEAR ENDED JUNE 30, 2020**

	Retiree Health Trust Fund	Pension Trust Fund	Total
ADDITIONS			
Contributions:			
Employer	\$ 15,768,691	\$ 2,889,301	\$ 18,657,992
Plan Members	<u>2,727,687</u>	<u>1,287,681</u>	<u>4,015,368</u>
Total Contributions	18,496,378	4,176,982	22,673,360
Investment Earnings:			
Interest and Dividends	-	3,078,197	3,078,197
Net Increase in Fair Value of Investments	<u>2,058,706</u>	<u>(1,076,820)</u>	<u>981,886</u>
Total Investment Earnings	2,058,706	2,001,377	4,060,083
Less: Investment Expense	<u>-</u>	<u>231,599</u>	<u>231,599</u>
Net Investment Gain	<u>2,058,706</u>	<u>1,769,778</u>	<u>3,828,484</u>
Total Additions	20,555,084	5,946,760	26,501,844
DEDUCTIONS			
Benefits Paid to Members	12,496,378	5,661,781	18,158,159
Administrative Expenses	<u>176,070</u>	<u>-</u>	<u>176,070</u>
Total Deductions	<u>12,672,448</u>	<u>5,661,781</u>	<u>18,334,229</u>
CHANGE IN NET POSITION	7,882,636	284,979	8,167,615
Net Position - Beginning of Year	<u>65,237,562</u>	<u>115,712,944</u>	<u>180,950,506</u>
NET POSITION - END OF YEAR	<u><u>\$ 73,120,198</u></u>	<u><u>\$ 115,997,923</u></u>	<u><u>\$ 189,118,121</u></u>