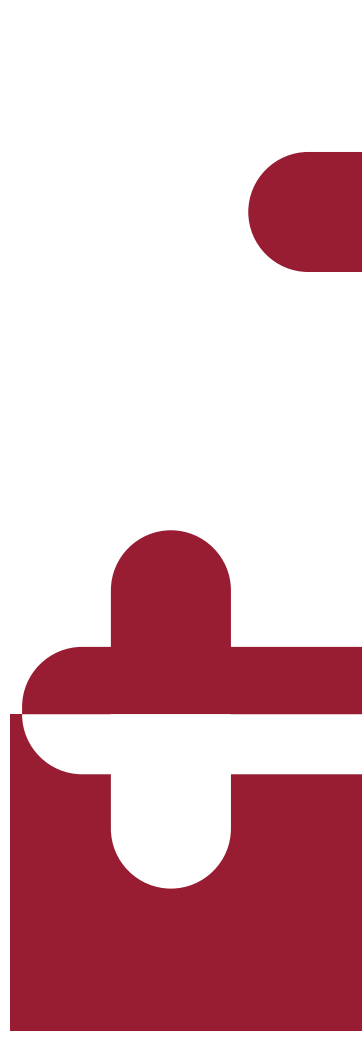


Annual Comprehensive Financial Report

For the year ended
June 30,
2022

Board of Education of Frederick County, Maryland
A Component Unit of Frederick County, Maryland

191 S. East Street • Frederick, MD 21701
www.fcps.org





Frederick County Public Schools

Board of Education of Frederick County, Maryland

A Component Unit of Frederick County, Maryland

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

Prepared by:

**Frederick County Public Schools
Financial Reporting Department
Fiscal Services Division**

**Melissa Rollison, MBA
Financial Reporting Manager**

**Leslie R. Pellegrino, CPA
Chief Financial Officer**



FREDERICK COUNTY PUBLIC SCHOOLS

Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2022

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FREDERICK COUNTY PUBLIC SCHOOLS

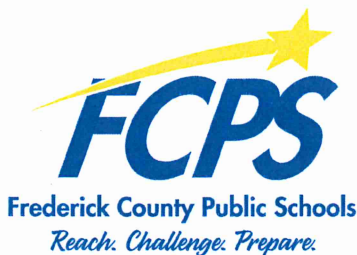
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INTRODUCTORY SECTION

OFFICE OF THE SUPERINTENDENT
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September 23, 2022

Members of the Board of Education and Citizens of Frederick County, Maryland:

Maryland State law requires that local education agencies publish at the close of each year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. In compliance with that requirement, the Financial Reporting Department publishes the Annual Comprehensive Financial Report (ACFR) of the Frederick County Public School System (FCPS). This ACFR is a thorough and detailed presentation of FCPS' financial position, activities and balances for the fiscal year (FY) ended June 30, 2022.

This report has been prepared pursuant to Education Article Section 5-109 of the Annotated Code of Maryland. The report consists of management's representations concerning the finances of FCPS. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Internal accounting controls are designed to provide reasonable assurance that assets are safeguarded and accounted for properly and to ensure the reliability of accounting information for preparing financial statements in conformity with U.S. GAAP. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The FCPS financial statements have been audited by SB & Company, LLC, an independent firm of licensed certified public accountants. The independent auditor's report is located at the front of the financial section of this report.

Generally Accepted Accounting Principles requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. FCPS' MD&A can be found at the beginning of the Financial Section after the report of independent public accountants.

All funds and accounts of the Board are included in this ACFR. For financial reporting purposes, FCPS is defined as a component unit of the Frederick County Government. Therefore, FCPS is included in the Annual Comprehensive Financial Report of Frederick County.

FCPS is also required to undergo a federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. In addition to reporting on the fair presentation of the financial statements, the Single Audit places special emphasis on internal controls and legal requirements involved in the administration of federal awards. The Single Audit is available separately from the ACFR.

FCPS Profile

The Board of Education of Frederick County is the elected body, corporate and politic, established under Maryland law to provide public education to children in pre-kindergarten through grade 12 residing within the borders of Frederick County, Maryland. The Board is composed of seven at-large members serving four-year terms and one student representative serving a one-year term. The Board determines educational policy and employs a superintendent of schools to administer the school system.

FCPS provided general education, special education and vocational education to 45,220 students during FY 2022 within sixty-nine schools. These schools consist of 39 elementary schools, 13 middle schools, 10 high schools, 3 charter schools, 2 alternative schools, 1 virtual school and 1 career and technology center. Total enrollment for FY 2023 is projected at 46,474 students within sixty-nine schools. However, with the conversion of Sabillasville Elementary School to Sabillasville Environmental Public Charter School, FCPS will have 38 elementary schools and 4 charter schools in FY 2023.

The three charter schools FCPS had during the 2022 school year were Monocacy Valley Montessori Public Charter School (MVMPCS), Carroll Creek Montessori Charter School (CCMCS) and Frederick Classical Public Charter School (FCPCS). In accordance with Maryland Code, the Board of Education shall provide funding to the three charter schools in an amount of county, state, and federal money for elementary and secondary students that is commensurate with the amount disbursed to other public schools in the local jurisdiction. Although the charter schools function as semi-independent schools, with their own governance and instructional design, educational achievement is measured against the same performance standards used by the local and state boards of education. Staff members of the charter schools are FCPS employees, attendance is open to all FCPS students and each school's administration reports to the Superintendent. Sabillasville Environmental Public Charter School, opening for the 2022-2023 school year, will become the fourth charter school. A three-year conditional approval for this charter school was passed by the Board of Education on September 8, 2021.

FCPS is a successful school system in a diverse and growing community. Frederick County bridges rural, suburban, and urban lifestyles near both the Washington, DC and Baltimore metropolitan communities. The racial/ethnic composition of the student body is 52 percent White; 20 percent Hispanic/Latino; 14 percent Black; 7 percent Asian; 7 percent two or more races; and less than 1 percent American Indian/Alaskan Native and Pacific Islander/Native Hawaiian. We serve students with varying needs, including students receiving special education services (11 percent), English learners (7 percent), and students receiving Free and/or Reduced-Price Meal services (28 percent).

With over 6,900 full-time equivalent employee positions, including over 3,200 teachers, FCPS is one of the largest single employers in Frederick County. Our buses travel an estimated 7.6 million miles of city, suburban, and rural roadways annually. We operate and maintain over 6.8 million square feet under roof and more than 1,500 acres of property.

Factors Affecting Financial Condition

Local Economy. Frederick County, Maryland, founded in 1748, originally included the present Maryland counties of Garrett, Allegany, Washington, Carroll and Montgomery. It is located in the north central part of Maryland, is 664 square miles in area, and serves a population over 279,000. Frederick County is bordered on the north by the Commonwealth of Pennsylvania, on the west by Washington County, Maryland, on the east by Howard and Carroll Counties, both in Maryland, and on the south by Montgomery County, Maryland and the Commonwealth of Virginia.

Frederick County has a diverse economy and is well positioned for business growth and development. Location, upscale business and employment parks, available infrastructure, business friendly programs, a highly skilled and educated workforce and room to grow are all key factors for businesses looking to locate or expand in Frederick County.

Frederick County Government and the State of Maryland are the primary sources of revenue for Frederick County Public Schools. These two funding sources are significantly affected by property assessments and personal income. FCPS receives more than 87 percent of its governmental fund revenues from the Frederick County Government and the State of Maryland; and, therefore, the economic condition of these entities bears heavily on the financial condition of FCPS. Frederick County's unemployment rate decreased from 5.8 percent in 2021 to 3.2 percent as of June 2022. This was less than the state unemployment rate of 4.0 percent and national rate of 3.6 percent for the same time period. According to the most recent data, Frederick County's per capita income remains in the top third of Maryland counties.

The adopted FY 2023 operating budget totals \$822.8 million, an increase of \$57.8 million or 7.5 percent over the original FY 2022 operating budget. State funding showed an increase due to additional funding for compensatory education, special education and early childhood and pre-kindergarten programs. Together, state revenues and the local county appropriation account for nearly 88.8 percent of the total operating budget funding. State revenues of \$365.7 million are \$46.5 million or 14.6 percent higher than FY 2022. Frederick County revenue of \$365.3 million is \$35.0 million or 10.6 percent more than the prior year. Also, FCPS continues to receive additional restricted funding from the federal government as part of the various COVID-19 relief bills.

Capital funding continues to be strained; as schools continue to age and enrollment growth continues, FCPS will need to construct, renovate and repair schools, as well as identify and allocate funds for those purposes. With the age of many FCPS school buildings, major building systems such as boilers, chillers and roofs are approaching or exceeding normal life expectancies. The average age of school buildings varies from 33.7 years for high schools, 40.7 years for middle schools to 41.4 years for elementary schools. Forty-six, or 70 percent, of the county's schools are in part at least twenty-five years old.

Long-term Financial Planning. Based on 10-year enrollment projections, the Board of Education's goals and objectives (as delineated in the Strategic Plan), as well as state and county plans and programs, the Facilities Division annually updates an Educational Facilities Master Plan (EFMP). This plan assesses the age and capacity of school facilities and generates a list of proposed capacity and renovation projects. This also serves as the basis for the six-year Capital Improvement Plan budget.

Another factor affecting the financial condition and long-term financial planning of FCPS is the funding of the other post-employment benefits (OPEB) liability. Although FCPS has made annual contributions to the OPEB Trust, the net OPEB liability continues to be a significant liability required under GASB Statement 75 to be recorded in the financial statements. FCPS relies on a third-party actuary to calculate the net OPEB liability. In FY 2022, the net OPEB liability decreased \$172.7 million for a reported net OPEB liability of \$563.3 million, with increases in the discount rate and bond rate assumptions applied being the contributing components. As of June 30, 2022, the net OPEB liability is 20.6 percent funded as a percentage of the total OPEB liability.

FCPS completed construction of a new central office facility in FY 2010, which consolidated personnel from four locations into one. This move, which has afforded economies of scale in operating costs, was financed through a lease-leaseback transaction. In FY 2013, due to the low interest rate environment, the Board negotiated to refinance the lease and lower the interest rate from 4.62 percent to 3.10 percent. After the sale of the final surplus property and vacant lot in FY 2019 the net proceeds were applied to the principal of the lease. In FY 2020, the Board again took advantage of a decreasing interest rate environment and refinanced the lease lowering the interest rate from 3.10 percent to 1.98 percent with projected savings of \$493 thousand. The new lease agreement for the central office retained the original maturity date of September 1, 2032. The amount of the future minimum lease payments, for the fiscal years 2023-2033 is \$9.3 million.

FCPS entered into a new energy performance contract lease in FY 2018, as lessee, to finance various deferred maintenance and facility improvements. The agreement had a 3.39 percent interest rate and a term of fifteen years with payments to commence in FY 2020. At the end of FY 2020, the Board refinanced this lease in order to lower the interest rate from 3.39 percent to 2.08 percent with projected savings of \$917 thousand. The original maturity date of September 1, 2033 remains the same under the new lease agreement. The amount of the future minimum lease payments, for the fiscal years 2023-2034 is \$14.6 million.

Relevant Financial Policies. Maryland boards of education have no taxing authority or ability to increase the budget, so our public-school systems depend extensively on state and local governments for revenue. State funding is established primarily during the annual January-April legislative session of the General Assembly and funds are administered through the Maryland State Department of Education (MSDE).

Pursuant to state law, Frederick County Government provides significant fiscal support to FCPS. Due to this fiscal reliance, much of the budget process is built around the County budget timeline. Preparing the operating budget involves school system staff, as well as citizen participation. In the fall, requests are submitted and reviewed by the Superintendent and other school officials. In January, after consideration, the Superintendent recommends to the Board of Education an operating budget for the coming fiscal year that is aligned with our strategic plan. Board members review the proposal, make changes if they desire, take it to public hearing in February, and then reevaluate and modify it accordingly before forwarding it to the Frederick County Government. The County Executive recommends and the County Council must approve the allocation to the Board of Education (BOE). By statute, the County Council must approve the county's budget by May 31st. Then the BOE adopts the detailed school system budget that takes effect July 1.

The annual budget is prepared in legal conformance with Maryland state law. The general budget is adopted by state-mandated categories of expenditures. Formal budgetary integration, including encumbrance accounting, is employed as a management control device during the year for the governmental fund types. Management is allowed to transfer funds

within the state-mandated categories of expenditures but transfers between the categories must be approved by both the Board of Education and the Frederick County Council.

By Maryland statute, each county must appropriate to the Board of Education an amount equal to, or greater than, the prior year per pupil appropriation. This is referred to as the "maintenance of effort" (MOE) calculation. The county, by law, is allowed to appropriate above the maintenance of effort. The FY 2023 budget reflects an additional \$33.2 million over the FY 2022 appropriation or \$33.4 million above Maintenance of Effort (MOE) from the County. This was the eighth consecutive year of funding from the County exceeding MOE requirements.

Capital projects are primarily funded by Frederick County Government and the State of Maryland. The Board of Education has no authority to issue debt. Funds are budgeted and appropriated on both a project and an annual basis. Capital project funds carry forward at the end of each year and are available until the completion of the project. Budget transfers between projects require the same approvals as transfers between major expenditure categories-approval by both the Board of Education and the County Council.

Blueprint for Maryland's Future. The Blueprint for Maryland's Future Act is a landmark, generational piece of legislation intended to enhance and improve the state and local investment in Maryland's public-school systems. This legislation is based on the recommendations of the Commission on Innovation and Excellence in Education (commonly referred to as the Kirwan Commission) and centers around five policy areas: early childhood education; high quality diverse teachers and school leaders in every school; an instructional system that is based on world-class standards and fully aligns with a college and career readiness standard; a system that meets the needs of all students including students with disabilities, students from low-income families, and students where English is not a primary language; and a strong system of accountability. Initial funding for the Blueprint implementation began in FY 2020 with funding for pre-kindergarten expansion, concentration of poverty funding, teacher salary incentives, additional special education funding and targeted intervention funding. This funding continued in FY 2021 and expanded in FY 2022. FY 2023 is the first year of funding based on the revised state funding formulas prescribed in the Blueprint legislation. Based on these revised funding formulas FY 2023 state funding increased \$46.5 million over FY 2022 state funding.

Novel Coronavirus Disease 2019 (COVID-19). FCPS opened its doors for the 2021-2022 school year on August 18, 2021 welcoming back students for five-days a week in-person instruction. A small group of students self-selected to participate in a fully virtual program offered. As FCPS prepared for the return of students to in-person learning, educators acknowledged the need to address the challenges of interrupted or unfinished learning. To meet these challenges, additional staffing to address academic recovery and support student's mental health were included in the operating budget. These resources included additional academic support teachers, school counselors, trauma therapy specialists, school psychologists, and additional funding for virtual school programming.

All school systems received a significant infusion of federal funds to support the recovery from COVID-19. The FY 2023 budget reflects a total of \$43.3 million which includes unspent funds from previous years in federal funding from Elementary and Secondary Student Emergency Relief (ESSER) II funds, CARES (Coronavirus Aid, Relief, and Economic Security) Act, CRRSA (Coronavirus Response and Relief Supplemental Appropriations) Act and ARP (American Rescue Plan). These funds are being used for expanded summer school programs, before and after school tutoring, technology, replacement of materials of instruction, projects to improve air handling conditions in schools, cleaning and sanitizing of schools, and mental health supports.

Major Facilities Initiatives. Frederick County continues to experience population growth. Over the last several years, the capital budget has included new schools and replacement schools to relieve overcrowding throughout the county. In FY 2022, the Waverley Elementary Replacement School, which had cumulative costs of \$44.0 million as of June 30, 2022, was completed and opened for the 2022-2023 school year. In addition, the FY 2022 capital budget included funding for the construction of the Brunswick Elementary Replacement School and has incurred costs as of June 30, 2022 of \$5.9 million and is scheduled to open in the 2023-2024 school year. Included in the Capital Improvement Program for FY 2023 is additional funding for the construction of the Brunswick Elementary Replacement School, and the design of the Crestwood Middle School Addition, the Green Valley Elementary Replacement School, the Valley Elementary Replacement School as well as funding for feasibility studies of the Yellow Springs Elementary School and the Middletown Campus. The systemic improvements funded in FY 2023 include a roof replacement, playground replacements, a limited renovation, an artificial turf field and five additional buses.

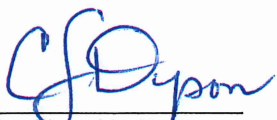
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to FCPS for its ACFR for the fiscal year ended June 30, 2021. This was the thirteenth year that FCPS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and demonstrates a constructive "spirit of full disclosure," reflection of FCPS' financial health. FCPS intends to submit the 2022 ACFR to the GFOA to determine its eligibility for another certificate. Our 2021 GFOA Certificate of Achievement can be found on page 7 of this ACFR.

FCPS has also received for the fourteenth consecutive year the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting for its 2021 ACFR. This award, valid for one year, is granted only after an intensive review of the ACFR by an expert panel of certified public accountants and practicing school business officials. FCPS plans to submit the 2022 ACFR to ASBO and believes the report continues to meet ASBO's certificate program requirements. The 2021 ASBO Certificate of Excellence in Financial Reporting can be found on page 8 of this ACFR.

The preparation of this report could not have been accomplished without the skilled and dedicated services of the entire staff of the Financial Reporting Department and our external auditors SB & Company, LLC. Our appreciation is also extended to the Accounting Department and the Budget Department, as well as all who assisted in the timely closing of the school system's financial records. Many other departments in the system contributed to this report, including the photographs and student artwork published throughout this document. The high standard of conformity of this report reflects the professional competence of all individuals responsible for its preparation. We would also like to recognize the Board of Education for their continuing support for maintaining the highest standards of professionalism in the management of FCPS' finances.

Respectfully submitted,



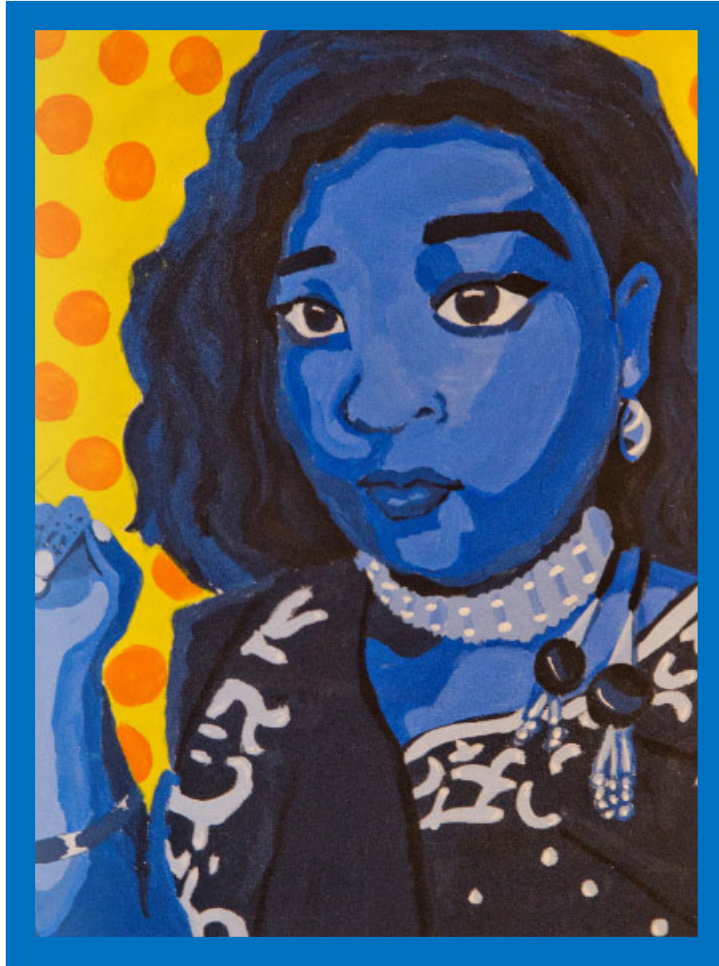
Dr. Cheryl L. Dyson
Superintendent of Schools



Leslie Pellegrino, CPA
Chief Financial Officer
Fiscal Services Division



Melissa Rollison, MBA
Financial Reporting Manager
Fiscal Services Division



Student: Giovanna T.

Urbana High School

11th Grade



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Frederick County Public Schools
Maryland**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Frederick County Public Schools

for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2021.

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.



A handwritten signature in black ink, reading 'William A. Sutter'.

William A. Sutter
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis
Executive Director

Frederick County Public Schools

Elected Officials

Board of Education of Frederick County



Brad Young
President



Sue Johnson
Vice President



Liz Barrett



David Bass



Jason Johnson



Jay Mason



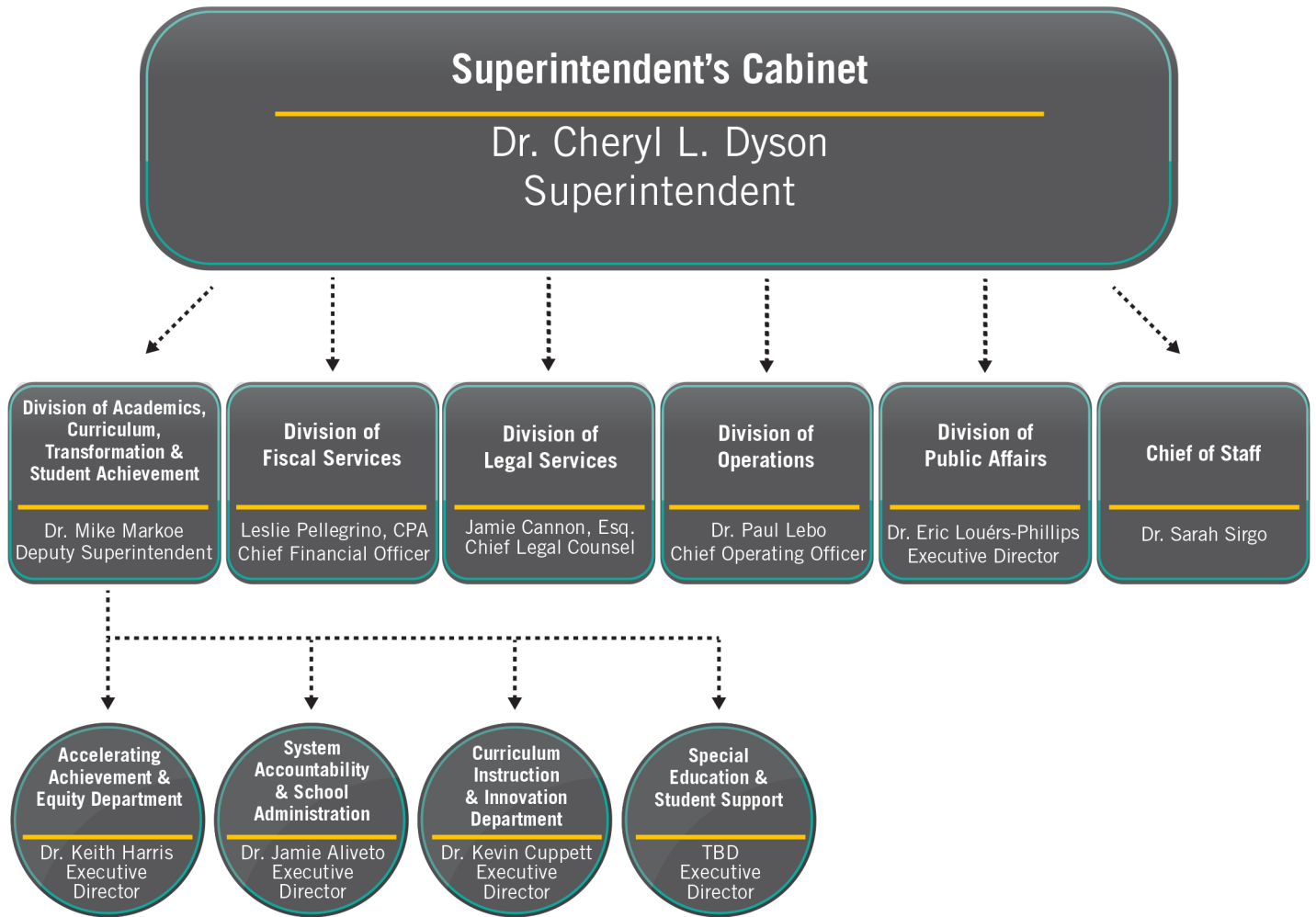
Karen Yoho



Lucas Tessarollo
Student Member



Dr. Cheryl L. Dyson
Secretary-Treasurer



FINANCIAL SECTION



SB & COMPANY, LLC
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Frederick County, Maryland (the Board), a component unit of Frederick County, Maryland, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The Board's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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



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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and Schedule of Investment Returns for the Post-Employment Retiree Health Benefit Plan, and Schedule of Changes in the Board's Net OPEB Liability and Related Ratios, Schedule of Contributions Related to Pension and Schedule of Proportionate Share of Net Pension Liability, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying supplementary information for the school construction fund and food nutrition services fund, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information for the school construction fund and food nutrition services fund 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.



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Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the financial statements and our independent public accountant's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated.

If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2022 on our consideration of the Board's internal controls 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal controls 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 controls over financial reporting and compliance.

Owings Mills, Maryland
September 23, 2022

S B & Company, LLC

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

This section of Frederick County Public Schools' (FCPS) Annual Comprehensive Financial Report presents the discussion and analysis of its financial performance during the fiscal year ended June 30, 2022, with selected comparative data for the year ended June 30, 2021. We encourage readers to consider the discussion and analysis in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

In this section we have provided an overview of the basic financial statements, selected condensed data and highlights, and analysis of FCPS' financial position and changes in financial position. Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (hereinafter GASB).

The goal of MD&A is for the FCPS financial managers to present an objective and easily readable analysis of its financial activities based on currently known facts, decisions or conditions.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of FCPS exceeded its liabilities and deferred inflows as of June 30, 2022 by \$31.0 million which represents its net position.
- FCPS' change in net position increased \$8.0 million per the Statement of Activities for the year ended June 30, 2022.
- As of June 30, 2022, non-current liabilities relating to the net other post-employment benefits (OPEB) liability and the net pension liability decreased \$172.7 million and \$12.6 million, respectively over prior year. The significant decrease in liabilities offset by the increased deferred outflows constitutes a net change of \$(8.0) million.
- Costs of \$36.5 million were incurred by FCPS on major construction projects. The construction phase began on the Brunswick Elementary replacement incurring \$5.2 million in costs. The following projects commenced in prior years but were still under construction during fiscal year 2022, incurring project costs of; \$2.7 million on the Rock Creek replacement, \$5.0 million on the new Blue Heron Elementary, \$22.6 million on the Waverley Elementary replacement, \$0.8 million on the Oakdale Middle addition, and \$0.2 million on the Urbana Elementary replacement.

OVERVIEW OF THE FINANCIAL STATEMENTS

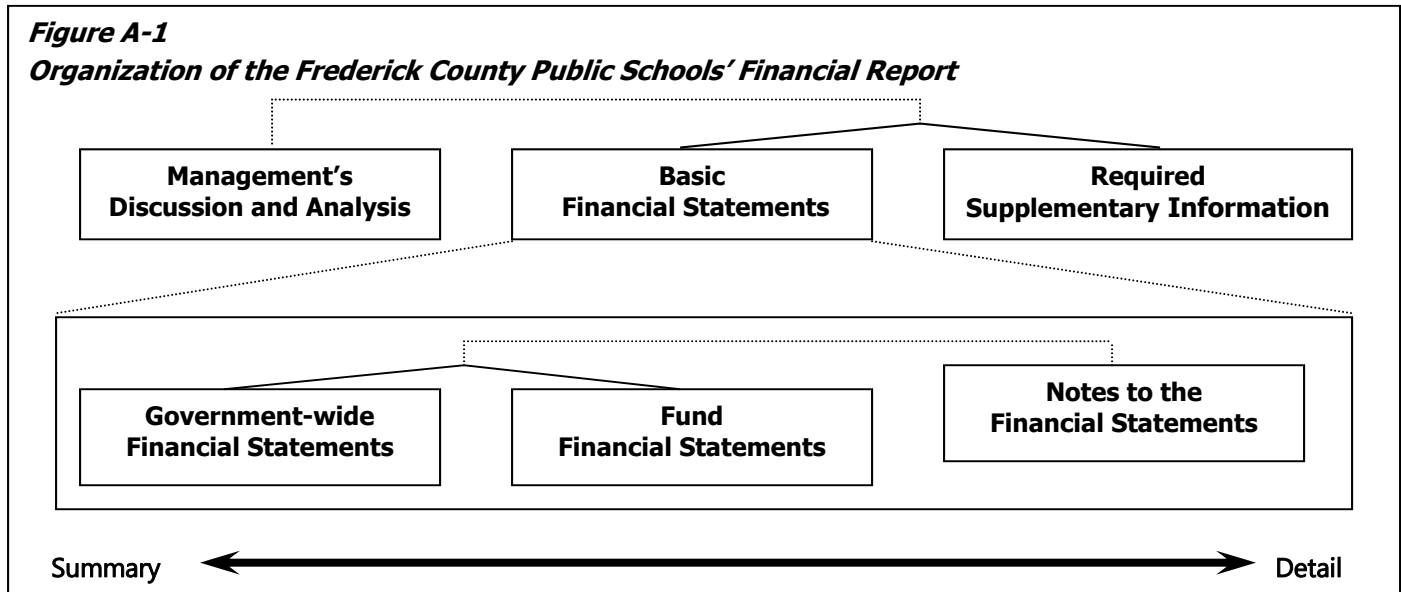
This discussion and analysis is intended to serve as an introduction to FCPS' financial statements. There are three parts to the basic financial statements: government-wide financial statements, fund financial statements, and notes to the financial statements. The report also contains other supplementary information. The management's discussion and analysis, although presented before the basic financial statements, is required supplementary information. The government-wide and the fund financial statements present two different views of FCPS.

- The first two statements are *government-wide financial statements* that provide both *short-term and long-term* information about FCPS' *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of FCPS, reporting FCPS' operations in *more detail* than the government-wide financial statements. Fund Financial Statements include governmental, proprietary, and fiduciary funds. These statements provide a greater level of detail of revenues and expenditures, and indicate how well FCPS has performed in the short term in the most significant funds.
 - The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-term and long-term* financial information about the activities FCPS operates *like a business*, such as the Self-Insurance Fund.
 - *Fiduciary fund* statements provide information about the financial relationships in which FCPS acts solely as a *trustee* for the benefit of others, such as the Post-Employment Retiree Health Benefit Plan.
- The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of FCPS' finances. These statements include all assets, liabilities, and deferred outflows/inflows of the school system using the accrual basis of accounting. This method of accounting is similar to how private sector companies report the results of their operations. These statements take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The first of the government-wide statements is the *Statement of Net Position*. The *Statement of Net Position* presents balance sheet information for the entire FCPS operations at a given point in time (June 30, 2022). The assets include all cash and investments, receivables, materials inventory, prepaid items, and capital assets reduced by accumulated depreciation. Liabilities include accounts payable, accrued payroll earnings, and noncurrent liabilities. The difference between the assets, liabilities, and deferred inflows/outflows of resources is reported as net position. The statement encompasses the entire operations of FCPS. The ending net position segregated into three components: net investment in capital assets, restricted, and unrestricted net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of FCPS is improving or deteriorating.

The second of the government-wide financial statements is the *Statement of Activities*. This statement shows the results of operations that caused net position to change from the prior year to the amount reported on the *Statement of Net Position* as of June 30, 2022. This statement answers the question, "How did we do financially during fiscal year 2022?" This change in net position is important because it tells the reader whether, for FCPS as a whole, the financial position has improved or diminished in the most recent fiscal year. The causes of this change may be the result of many factors. To assess FCPS' overall health, consideration should be given to additional non-financial factors such as building improvements, number of students served, and staffing levels.

In the government-wide financial statements, governmental activities include most of FCPS' basic services such as regular and special education, transportation, and administration. State formula aid and local revenues finance most of these activities.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

The *Statement of Activities* classifies expenses by functional area. The report also shows corresponding charges for services and restricted grants for each function that help support the expenses. The resulting *Net (Expenses) Revenue and Changes in Net Position* shows the remaining expenses not supported by charges for services and restricted grants. General revenues are then applied to the remaining expenses resulting in the total change in net position for the year.

The government-wide perspective is unrelated to budget and accordingly, budget comparisons are not provided. The government-wide financial statements can be found on pages 28-29 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about FCPS' funds, not FCPS as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. FCPS, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of FCPS can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- ***Governmental funds:*** Most of FCPS' basic services are included in governmental funds comprised of the General Fund, School Construction Fund, Food and Nutrition Services Fund, and Artificial Turf Fund. Governmental funds statements generally focus on (1) cash and other financial assets that can readily be converted to cash and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance FCPS' programs. 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. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic governmental funds financial statements can be found on pages 30-34 of this report.

- ***Proprietary funds:*** Services for which FCPS charges a fee are generally reported in proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. FCPS uses an *internal service fund* to report activities that provide dental and health insurance services to its other funds. FCPS' internal service fund is the Self-Insurance Fund.

The basic proprietary fund financial statements can be found on pages 35-37 of this report.

- ***Fiduciary funds:*** FCPS is the trustee, or *fiduciary*, for assets that belong to others, such as the Post-Employment Retiree Health Benefits Plan. FCPS is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. FCPS excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The basic fiduciary fund financial statements can be found on pages 38-39 of this report.

- ***Notes to the financial statements:*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 40-69 of this report.

FREDERICK COUNTY PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

FINANCIAL ANALYSIS OF FCPS AS A WHOLE

FCPS' net position (the difference between assets, liabilities and deferred inflows/outflows of resources) increased as of June 30, 2022 in comparison to the year prior. The net position increased \$8.0 million resulting in a net position of \$31.0 million. The following are major components of FCPS' net position:

Condensed Statements of Net Position (in millions of dollars)

	Governmental	
	Activities	
	2022	2021
Current and Other Assets	\$ 97.0	\$ 101.4
Capital Assets	873.0	865.3
Total Assets	970.0	966.7
Deferred Outflows of Resources		
Related to Pensions	15.6	8.8
Related to OPEB	147.3	157.4
Total Deferred Outflows	162.9	166.2
Other Liabilities	41.4	49.1
Long-term Liabilities	656.7	842.1
Total Liabilities	698.1	891.2
Deferred Inflows of Resources		
Related to Pensions	18.9	2.7
Related to OPEB	384.9	216.0
Total Deferred Inflows	403.8	218.7
Net Position		
Net Investment in Capital Assets	851.8	843.3
Unrestricted Deficit	(820.8)	(820.3)
Total Net Position	\$ 31.0	\$ 23.0

The \$8.0 million increase in the net position of FCPS' governmental activities is mainly due to a decrease in liabilities of \$193.1 million offset by an increase in deferred inflows of resources of \$185.1 million, resulting in a net change in total liabilities and deferred inflows of \$(8.0) million. The most significant changes noted in the decrease of non-current liabilities relates to the net OPEB liability and the net pension liability. Changes in assumptions, specifically increases in the discount rate and bond rate were the driving components contributing to a net \$172.7 million decrease in the net OPEB liability. The net pension liability also had a notable decrease of \$12.6 million whereby changes in assumption and economic market fluctuations.

FCPS' net position of \$31.0 million consists of a \$851.8 million net investment in capital assets, less an unrestricted deficit of \$820.8 million. Last year FCPS had a combined net position of \$23.0 million consisting of a \$843.3 million net investment in capital assets, less an unrestricted deficit of \$820.3 million. FCPS uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

Frederick County and the State of Maryland fund FCPS' school construction projects through the issuance of general obligation bonds. These bonds are not reflected in the Board's net investment in capital assets, as the resources needed to repay these bonds must be provided by Frederick County and the State of Maryland.

The unrestricted deficit of \$820.8 million as of June 30, 2022 includes leases payable, vacation leave payable, terminal benefits payable, the net OPEB liability and the net pension liability.

Funding for the lump sum total of leases payable, vacation leave payable, termination benefits payable, the net OPEB liability and the net pension liability has not occurred since they would become due and payable only in the event that FCPS no longer existed as a legal entity. The annual expected payout for leases payable, vacation leave, termination benefits, "pay-as-you-go" retiree medical costs and pension costs are reflected in the current operating budget of the General Fund.

The total governmental activities cost of all programs and services were \$800.1 million. The following table shows the breakdown as a percentage of total costs by functional areas as follows:

Governmental Activities Expense:	2022 Percentage of Total	2021 Percentage of Total
	<hr/>	<hr/>
Instruction:		
Regular Instruction	56.33%	56.90%
Special Education Instruction	13.45%	13.39%
Total Instruction	<hr/> 69.78%	<hr/> 70.29%
Support Services:		
Administration	2.37%	2.57%
Mid-level Administration	7.53%	8.11%
Pupil Personnel Services	0.61%	0.57%
Health	1.15%	0.86%
Pupil Transportation	4.49%	3.60%
Operations	6.76%	7.04%
Maintenance	2.44%	2.55%
Food and Nutrition Services	2.20%	1.36%
Community Services	0.16%	0.09%
Student Activities	0.52%	0.25%
Interest on Long-term Liabilities	0.05%	0.07%
Intergovernmental Payment	1.94%	2.64%
Total Support Services	<hr/> 30.22%	<hr/> 29.71%

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

Total revenues surpassed expenses increasing net position by \$8.0 million during fiscal year 2022. The key elements of FCPS' increase in net position were as follows:

Changes in Net Position from Operating Results (in millions of dollars)

	Governmental Activities 2022	Governmental Activities 2021
Revenues		
Program Revenues		
Charges for Services	\$ 4.5	\$ 0.8
Operating Grants and Contributions	246.9	194.8
Capital Grants and Contributions	61.6	116.9
General Revenues		
Federal Aid	0.1	0.4
State Aid	177.3	176.6
Local Aid	316.6	296.6
Investment Earnings	0.4	0.3
Other	0.7	1.5
Total Revenues	808.1	787.9
Expenses		
Instruction:		
Regular Instruction	450.7	432.3
Special Education Instruction	107.6	101.7
Total Instruction	558.3	534.0
Support Services:		
Administration	18.9	19.5
Mid-level Administration	60.2	61.6
Pupil Personnel Services	4.9	4.4
Health	9.2	6.5
Pupil Transportation	35.9	27.4
Operations	54.1	53.5
Maintenance	19.6	19.3
Food and Nutrition Services	17.6	10.3
Community Services	1.3	0.7
Student Activities	4.2	1.9
Interest on Leases Payable	0.4	0.6
Intergovernmental Payment	15.5	20.0
Total Support Services	241.8	225.7
Total Expenses	800.1	759.7
Change in Net Position	8.0	28.2
Net Position - Beginning	23.0	(5.2)
Net Position - Ending	\$ 31.0	\$ 23.0

The table shown above details FCPS' changes in net position. FCPS' total revenues for 2022 shows \$808.1 million compared to total revenues of \$787.9 million for the previous year. In 2022, local aid increased \$20.0 million over the prior year due to appropriation increases. For the seventh year in a row, local aid included an amount over Maintenance of Effort. Federal, state, and local aid and other revenue not restricted to programs (general revenues) accounted for 61.3% of FCPS' total revenue in 2022, a slight increase compared to 60.3% of total revenue in 2021. Local aid was also the component contributing to the overall increase in revenue compared to the prior year. Similarly, just not to the extent of revenues, FCPS' total expenditures increased from \$759.7 million in 2021 to \$800.1 million in 2022. Regular instruction accounts for \$18.4 million of the \$40.4 million increase with another \$5.9 million increase attributed to special education instruction. Support services added another \$16.1 million increase in expenses with pupil transportation increasing \$8.5 million and Food and Nutrition Services increasing \$7.3 million. In 2022, pupil transportation returned to pre COVID-19 levels of spending as in-school instruction resumed. Food and Nutrition Services received additional federal aid in 2022 to provide meals free of charge for all students which consequently increased expenses as more students were served.

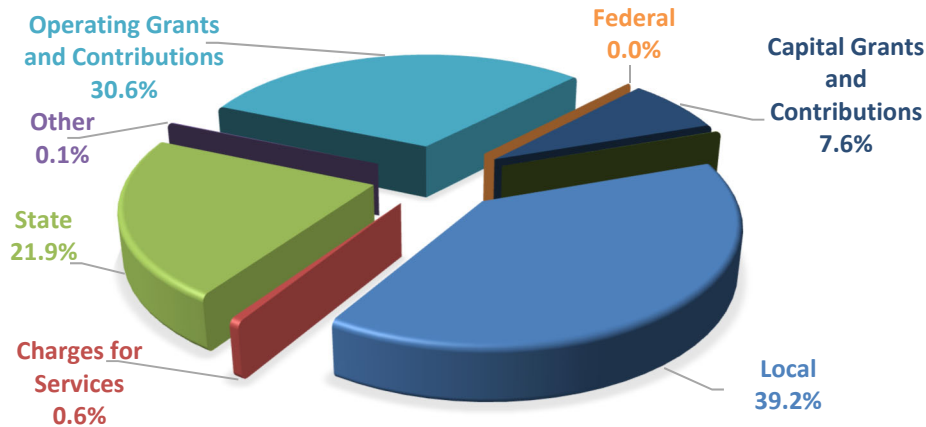
FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

Governmental Activities

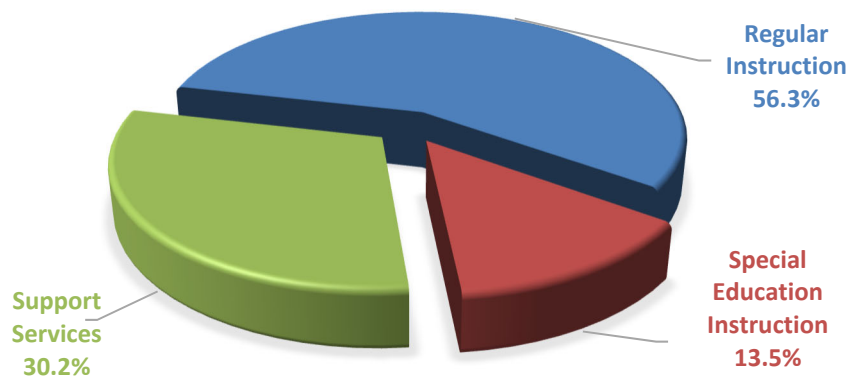
Charts 1 and 2 display government-wide revenues and expenses, respectively, for the current year. Total revenues for the FCPS combined activities (which include program revenues and general revenues) were \$808.1 million which was an increase of \$20.2 million over prior year. County appropriations and State formula aid accounted for approximately 61.1% of the FCPS revenue, while the remaining 38.9% came from operating and capital grants for specific programs, fees charged for services and other miscellaneous revenues. Costs of \$4.5 million were financed by users of FCPS' programs, while operating and capital grants and contributions subsidized certain programs totaling \$308.5 million. FCPS' programs were financed by \$495.1 million consisting of unrestricted federal aid \$0.1 million, state aid of \$177.3 million, local aid of \$316.6 million, investment earnings of \$0.4 million, and other revenues of \$0.7 million.

CHART 1: SOURCE OF REVENUES – FISCAL YEAR 2022



The total cost of all programs and services rose to \$800.1 million. The majority of FCPS expenses are related to instruction, both regular and special education. Total instructional costs were \$558.3 million or 69.8% of all school system expenditures, while support services costs were \$241.8 million or 30.2% of total expenditures.

CHART 2: EXPENSES BY FUNCTION – FISCAL YEAR 2022



FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

The table below represents the cost of FCPS' activities for the year. 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 financial burden placed on taxpayers by each of these functions. The total net cost of services for 2022 is \$487.1 million, a \$40.0 million increase from the 2021 total of \$447.1 million.

Net Cost of Governmental Activities (in millions of dollars)

Expense Functions	Total Cost of Services 2022	Net Cost of Services 2022	Total Cost of Services 2021	Net Cost of Services 2021	Total Change in Net Cost of Services 2022-2021
Instruction:					
Regular Instruction	\$ 450.7	\$ 263.6	\$ 432.3	\$ 242.8	\$ 20.8
Special Education Instruction	107.6	57.8	101.7	25.7	32.1
Total Instruction	558.3	321.4	534.0	268.5	52.9
Support Services:					
Administration	18.9	15.6	19.5	19.0	(3.4)
Mid-level Administration	60.2	57.0	61.6	58.8	(1.8)
Pupil Personnel Services	4.9	2.3	4.4	2.2	0.1
Health	9.2	0.5	6.5	0.5	-
Pupil Transportation	35.9	18.1	27.4	12.1	6.0
Operations	54.1	48.6	53.5	48.0	0.6
Maintenance	19.6	17.5	19.3	18.5	(1.0)
Food and Nutrition Services	17.6	(9.4)	10.3	(1.2)	(8.2)
Community Services	1.3	0.2	0.7	(0.1)	0.3
Student Activities	4.2	(0.6)	1.9	0.2	(0.8)
Interest on Leases Payable	0.4	0.4	0.6	0.6	(0.2)
Intergovernmental Payment	15.5	15.5	20.0	20.0	(4.5)
Total Support Services	241.8	165.7	225.7	178.6	(12.9)
Total	\$ 800.1	\$ 487.1	\$ 759.7	\$ 447.1	\$ 40.0

The \$40.0 million increase in net costs from 2021 to 2022 was due to increases in regular instruction, special education instruction and pupil transportation, offset by decreases in food and nutrition services, intergovernmental payments and administration. Both, a \$24.3 million increase in instruction expenses and a \$28.6 million decrease in related instruction program revenues were factors in the overall \$52.9 million increase in the 2022 total instruction net cost over 2021. In addition to salary increases, special education expenditures increased as vacant instructor positions were filled with contracted professionals. Returning to a full year of in-school instruction and rising fuel prices resulted in increased pupil transportation expenditures. The decrease in instruction program revenues was due to a \$55.3 million decrease in capital grants offset with a \$26.2 million increase in operating grants revenue and \$0.5 million increase in charges for services revenue. The increased operating grants were COVID-19 recovery funds from the American Rescue Plan Act and other supplemental aid grants. The intergovernmental payment net cost which decreased \$4.5 million is a function of the "pay-back" amount to Frederick County Government for forward funding major project construction costs.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

FINANCIAL ANALYSIS OF FCPS' FUNDS

As FCPS completed the year, its governmental funds (General Fund, School Construction Fund, Food and Nutrition Services Fund, and Artificial Turf Fund) reported combined fund balances of \$47.6 million; an increase of \$6.5 million from last year's ending fund balances of \$41.1 million. The net increase of \$6.5 million consists of a \$2.9 million fund balance decrease in the General Fund, a \$0.6 million decrease in the School Construction fund balance due to incurring expenditures in fiscal year 2022 on funds recognized but unspent as of June 30, 2021; a \$9.6 million increase in the Food and Nutrition Services fund balance due to USDA waivers that remained intact for fiscal year 2022 that provided meals to all students at no charge which resulted in a greater number of meals served and an increase in corresponding federal meal reimbursement and a \$0.4 million increase in the Artificial Turf Fund due to a budgeted general fund transfer and other revenue comprised from cell towers and community user groups, with no expenditures in fiscal year 2022.

Likewise, as in 2021, state and local aid were the primary sources of operating funds for FCPS' governmental funds for fiscal year 2022. In 2022, both funding sources combined accounted for 87.6% of total revenues, a decrease from that of 93.6% in 2021. In 2022, state aid contributed 41.3% and local aid contributed 46.3% of the combined revenues. In 2021, state aid contributed 42.5% and local aid contributed 51.1% of the combined restated revenues. The federal government contributed 11.0% and 5.6% of governmental revenues for 2022 and 2021, respectively. Most of these federal government revenues supported food and nutrition service activities and restricted grants or projects. Restricted Fund activities and programs are accounted for in the General Fund. This year, FCPS' General Fund spent \$722.4 million with the largest share spent on instructional programs, both regular and special education, in the amount of \$379.3 million. In comparison, last year, \$335.0 million was spent on instructional programs out of \$650.4 million total expenditures. In 2022, School Construction Fund expenditures exceeded revenues by \$0.6 million, as the revenues recognized last fiscal year for the Governor Thomas Johnson High School turf field were expended in fiscal year 2022. School Construction Fund revenues from state and local sources were \$16.4 and \$42.3 million, respectively. The nonmajor governmental fund received \$0.3 million in other funding for cell tower land rental agreements and the rental of artificial turf fields to outside community user groups. The redirection of the cell tower land rental income was budgeted and recognized as revenue in the Artificial Turf fund beginning in 2021 as historically this revenue was accounted for in the General Fund. During fiscal year 2021, the game field at Middletown High and the game and practice fields at Oakdale High were replaced and FCPS incurred expenses of \$1.3 million. These replacements caused a deficit as of June 30, 2021 however, the fund balance for the Artificial Turf fund recovered in fiscal year 2022 and ended with a \$0.3 million positive fund balance.

General Fund Budgetary Summary

Over the course of fiscal year 2022, the Board and the County Government approved various budget transfers which moved budget funding between the various major revenue and expenditure categories. The overall General Fund budget, increased \$3.9 million in fiscal year 2022 as the result of increased federal funding passed through from Frederick County Government.

Budgeted revenues for the General Fund for 2022 totaled \$769.0 million while actual revenues equaled \$733.4 million, a difference of \$35.6 million. This \$35.6 million budgeted but not received during 2022 represents mostly COVID-19 relief grant allocations budgeted whereby program revenues were not yet recognizable. Grant balance activities remaining at fiscal year-end will be carried forward to 2023. This activity was approved for grant periods that extend beyond 2022 and overlap fiscal years.

Comprised of unrestricted and restricted funds, the General Fund budgeted expenditures allocated for 2022 totaled \$768.9 million while actual expenditures equaled \$717.8 million, a difference of \$51.1 million. Of the \$51.1 million budgeted expenditures, approximately \$35.2 million relate to grant awards that budgeted for the total allocation but allow for spending over a multiple year period. The \$35.2 million is restricted for program activities as approved by the grantors. Collectively, the \$51.1 million variance is mainly attributable to salary and fringe savings from staff vacancies and turnover in the instructional and special education classifications, in both the unrestricted and restricted funds. In addition to the savings mentioned, the restricted fund also had significant savings within the administration and maintenance categories for grant funded technology infrastructure upgrades and quality air enhancements. These activities were budgeted for but unspent as of June 30, 2022. Restricted fund grant balance activities remaining at fiscal year-end will be carried forward to 2023. There were no expenditure classes with a negative budget variance in 2022.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

For the General Fund, the ending fund balance on a budgetary basis as of June 30, 2022 is a surplus of \$26.6 million of which \$14.5 million is budgeted for use in fiscal year 2023, \$2.3 million is committed to Charter Schools, \$2.7 million assigned for restricted projects where revenue earned exceeded expenditures, and \$3.8 million assigned for student activities, leaving \$3.3 million as unassigned.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of the end of fiscal year 2022, FCPS had invested \$873.0 million (net of accumulated depreciation) in a broad range of capital assets including school buildings, athletic facilities, technology upgrades, equipment, mechanical systems, and administrative offices. FCPS increased its net capital assets by \$7.7 million during 2022. (More detailed information about capital assets can be found in Note 3.B to the financial statements.) Total depreciation expense for the year was \$36.4 million. Depreciation expense is allocated to the fund and category in which the capital asset has been recorded. Total amortization expense for the right-to-use buildings and improvements for the year was \$2.6 million.

Capital Assets (net of depreciation, in millions of dollars)

	Governmental Activities		Total
	2022	2021	Percentage Change 2022-2021
Land	\$ 53.2	\$ 52.3	1.7%
Construction in Progress	12.7	59.5	(78.7)%
Buildings and Improvements	760.6	706.6 ¹	7.6%
Furniture and Equipment	25.2	23.0	9.6%
Right-to-Use Buildings and Improvements	21.3	23.9 ¹	(10.9)%
Total	\$ 873.0	\$ 865.3	0.9%

¹ Fiscal year 2021 was reclassified to reflect the adoption of GASB 87.

The most significant changes that occurred in capital assets for the period ended June 30, 2022 was in construction in progress and furniture and equipment. The cumulative costs of the Blue Heron Elementary School facility (opened in August 2021), the Waverley Elementary Replacement School facility (opening in August 2022), and the Oakdale Middle School Addition facility (opened in August 2021) were reclassified out of construction in progress and into building and improvements. The construction in progress decreased during the fiscal year 2022 largely due to those major construction projects mentioned, in addition to several smaller systemic projects that were closed out. The enrollment figure, as reported to the Maryland State Department of Education for fiscal year 2022, was 45,220 students; resulting in a utilization of 95% of school capacity.

The 2023 Capital Budget has projected spending of \$63.7 million for capital projects.

- \$43.4 million in major projects; which includes \$28.1 million for the construction of Brunswick Elementary School replacement, \$6.8 million for the design of Green Valley Elementary School replacement, \$4.2 million for the design of Valley Elementary School replacement, \$3.0 million for an Eastern Frederick Area Elementary School site, \$0.7 million for the design of the Crestwood Middle School addition, \$0.4 million for the feasibility study of the Middletown Campus and \$0.2 million for the feasibility study at Yellow Springs Elementary School.
- \$20.3 million in systemic repairs and renovations to existing facilities, of which some of the projects include; \$10.4 million for limited renovations at Monocacy Elementary, a \$2.8 million roof project at Ballenger Creek Middle, \$0.4 million for replacement of playground equipment at two schools, a \$1.5 million artificial turf project at Tuscarora High; and \$1.2 million for systemic portable relocations.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

Long-term Debt

School boards in Maryland have no authority to incur bonded debt. FCPS does, however, have long-term liabilities consisting of two leases payable, unused vacation leave, termination benefits, net OPEB liability and net pension liability. (More detailed information about FCPS' long-term liabilities is presented in Note 3.D to the financial statements.)

Long-term Liabilities (in millions of dollars)

	Governmental		Total
	Activities		Percentage
	2022	2021	Change
	2022	2021	2022-2021
Leases Payable	\$ 21.2	\$ 22.0	(3.6)%
Vacation Leave Payable	10.2	9.9	3.0%
Termination Benefits Payable	27.9	27.5	1.5%
Net OPEB Liability	563.3	736.0	(23.5)%
Net Pension Liability	34.1	46.7	(27.0)%
Total	<u>\$ 656.7</u>	<u>\$ 842.1</u>	<u>(22.0)%</u>

FCPS has had a long-term lease since 2007, for the consolidated central office building. This lease was refinanced in June 2020 with a new lessor at an interest rate of 1.98%. The original maturity date of September 1, 2032 remained intact and is contingent upon yearly appropriations. In June 2018, FCPS entered into an energy performance contract lease agreement to finance a variety of energy conservation improvements in FCPS facilities across the county. This lease was also refinanced in June 2020 with a new lessor at an interest rate of 2.08%. This lease retained the original 15-year term and is also contingent upon yearly appropriations. In fiscal year 2022, the reduction in leases payable represents scheduled principal payments, with outstanding obligations as of June 30, 2022, of \$8.4 million and \$12.8 million for the central office and energy performance contract, respectively. Beginning in fiscal year 2022, under GASB Statement No. 87, all leases with a term greater than one-year needed to be considered for recognizing a right-to-use asset and related lease liability at the net present value of future payments. The Board evaluated all of its leases and the adoption of the standard was immaterial.

FCPS recognizes its contractual obligations to employees for vacation and termination benefits payable. As of June 30, 2022, FCPS had accumulated obligations totaling \$10.2 million for unpaid vacation leave and \$27.9 million for termination benefits payable. Funding for these liabilities has not occurred since they are not currently payable. The annual expected payout of vacation leave and termination benefits is reflected in the current operating budget of the General Fund.

FCPS provides post-employment benefits other than pensions such as health, dental, and life insurance to their retirees. The current year change in the net OPEB liability decreased by \$172.7 million or (23.5%) as of June 30, 2022, for a net OPEB liability of \$563.3 million. The decrease of \$172.7 million was a combination of changes in service cost, interest, contributions, net investment income, assumptions, benefit payments and a change in the applied experience factor, calculated by a third-party actuary. The most significant impact to the decrease in the net OPEB liability was the change in the discount rate applied, increasing from 2.35% in fiscal year 2021 to 3.99% in fiscal year 2022. The increase in the discount rate accounted for roughly a \$243.0 million decrease to the plan's liability with the other factors aforementioned offsetting or contributing to the net decrease. FCPS contributed \$14.8 million for the year (\$1.5 million was contributed to the OPEB Trust and \$13.3 million was FCPS' share of the retiree premiums [pay-as-you-go]).

FCPS recognizes a net pension liability of \$34.1 million as of June 30, 2022. This is a decrease of \$12.6 million or (27.0%) from the fiscal year 2021 net pension liability of \$46.7 million. The decrease of \$12.6 million is due to changes in assumptions and other variances, such as market fluctuations.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

Future Challenges

The school system must consider a multitude of factors as it prepares future budgets. School systems across the nation, including Frederick County Public Schools are seeing lasting effects of the Coronavirus pandemic, most notably with concerns around increased costs for social and emotional supports and instructional recovery services for students as well as a nationwide teacher staffing shortage. In Maryland, school systems have begun the implementation of the requirements of the Blueprint for Maryland's Future legislation which will greatly impact FCPS' operating budget both from a revenue and an expenditure perspective. When looking forward and planning financially for the future, FCPS has to take into consideration the following challenges: economic uncertainties, growing capital needs, continued higher than average student enrollment, staffing challenges, and diminishing federal stimulus funding over the next two years. These next few years will be very challenging budgetarily as the Board strives to meet the varying needs of the school system while balancing continued revenue resource constraints.

CONTACTING FCPS' FINANCIAL MANAGEMENT

This financial report is designed to provide Frederick County's citizens, taxpayers, customers, investors, creditors, parents, and students with a general overview of FCPS' finances and to demonstrate FCPS' accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the Frederick County Public Schools Financial Reporting Department, 191 South East Street, Frederick, Maryland 21701.

BASIC FINANCIAL STATEMENTS



FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Net Position June 30, 2022

	Governmental Activities
ASSETS	
Cash and Investments	\$ 58,104,912
Due From Other Units of Government	29,906,734
Accounts Receivable	6,646,630
Inventories, at Cost	1,582,624
Prepaid Items	789,645
Capital Assets not being Depreciated:	
Land	53,210,034
Construction in Progress	12,705,540
Capital Assets, Net of Accumulated Depreciation:	
Buildings and Improvements	760,643,869
Furniture and Equipment	25,194,601
Right-to-Use Leased Assets, Net of Amortization:	
Building and Improvements	21,301,499
Total Assets	970,086,088
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pension	15,617,776
Related to OPEB	147,295,640
Total Deferred Outflows of Resources	162,913,416
LIABILITIES	
Accounts Payable	24,703,812
Accrued Interest Payable	77,327
Salaries and Wages Payable	14,884,383
Payroll Taxes and Deductions Payable	1,829,330
Noncurrent Liabilities:	
Due Within One Year	11,091,039
Due in More than One Year	645,566,670
Total Liabilities	698,152,561
DEFERRED INFLOWS OF RESOURCES	
Related to Pension	18,942,277
Related to OPEB	384,856,684
Total Deferred Inflows of Resources	403,798,961
NET POSITION	
Net Investment in Capital Assets	851,822,760
Unrestricted Deficit	(820,774,778)
Total Net Position	\$ 31,047,982

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Activities For the Year Ended June 30, 2022

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular Instruction	\$ 450,714,463	\$ 915,937	\$ 127,294,187	\$ 58,864,194	\$ (263,640,145)
Special Education Instruction	107,630,337	-	47,130,710	2,728,155	(57,771,472)
Total Instruction	558,344,800	915,937	174,424,897	61,592,349	(321,411,617)
Support Services:					
Administration	18,928,857	-	3,322,589	-	(15,606,268)
Mid-level Administration	60,244,715	-	3,225,100	-	(57,019,615)
Pupil Personnel Services	4,850,780	-	2,502,668	-	(2,348,112)
Health	9,226,784	-	8,740,393	-	(486,391)
Pupil Transportation	35,940,099	-	17,833,051	-	(18,107,048)
Operations	54,125,163	730,924	4,771,842	-	(48,622,397)
Maintenance	19,552,667	-	2,068,536	-	(17,484,131)
Food and Nutrition Services	17,596,631	1,702,459	25,286,294	-	9,392,122
Community Services	1,308,240	-	1,124,646	-	(183,594)
Student Activities	4,182,779	1,168,742	3,601,371	-	587,334
Interest on Lease Payable	357,977	-	-	-	(357,977)
Intergovernmental Payment	15,499,635	-	-	-	(15,499,635)
Total Support Services	241,814,327	3,602,125	72,476,490	-	(165,735,712)
Total Governmental Activities	\$ 800,159,127	\$ 4,518,062	\$ 246,901,387	\$ 61,592,349	(487,147,329)
General Revenues:					
Federal Aid Not Restricted to Specific Purposes					102,877
State Aid Not Restricted to Specific Purposes					177,345,744
Local Aid Not Restricted to Specific Purposes					316,598,012
Interest and Investment Earnings					377,434
Other Revenue					727,083
Total General Revenues					495,151,150
Change in Net Position					8,003,821
Net Position - Beginning					23,044,161
Net Position - Ending					\$ 31,047,982

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Balance Sheet Governmental Funds June 30, 2022

	Major			Nonmajor	Total Governmental Funds
	General	School Construction	Food and Nutrition Services	Artificial Turf	
ASSETS					
Cash and Investments	\$ 39,066,618	\$ 2,421,044	\$ 4,246,883	\$ -	\$ 45,734,545
Due From:					
Federal Government	11,719,317	-	7,402,390	-	19,121,707
State of Maryland	6,136,071	50,000	-	-	6,186,071
Frederick County	95,577	4,764,396	-	-	4,859,973
Other Funds	9,442	-	-	271,951	281,393
Accounts Receivable	648,775	3,731	51,375	17,950	721,831
Inventories, at Cost	758,503	-	824,121	-	1,582,624
Prepaid Items	776,332	-	-	-	776,332
Total Assets	\$ 59,210,635	\$ 7,239,171	\$ 12,524,769	\$ 289,901	\$ 79,264,476
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 6,793,815	\$ 7,228,079	\$ 407,679	\$ -	\$ 14,429,573
Accrued Liabilities:					
Salaries and Wages	14,804,749	6,471	73,163	-	14,884,383
Payroll Taxes and Deductions	1,823,733	-	5,597	-	1,829,330
Due To:					
State of Maryland	108,518	-	-	-	108,518
Frederick County	147,900	4,599	-	-	152,499
Other Funds	285,222	22	9,420	-	294,664
Total Liabilities	23,963,937	7,239,171	495,859	-	31,698,967
Fund Balances:					
Nonspendable:					
Inventories	758,503	-	824,121	-	1,582,624
Prepaid Items	776,332	-	-	-	776,332
Committed:					
Charter Schools	2,271,069	-	-	-	2,271,069
Assigned:					
Administration	3,082,171	-	-	-	3,082,171
Instructional	5,859,418	-	-	-	5,859,418
Maintenance and Operations	4,364,803	-	-	-	4,364,803
Transportation	8,362,936	-	-	-	8,362,936
Artificial Turf	-	-	-	289,901	289,901
Food and Nutrition Services	-	-	11,204,789	-	11,204,789
Grants	2,668,208	-	-	-	2,668,208
Student Activities	3,766,285	-	-	-	3,766,285
Unassigned:	3,336,973	-	-	-	3,336,973
Total Fund Balances	35,246,698	-	12,028,910	289,901	47,565,509
Total Liabilities and Fund Balances	\$ 59,210,635	\$ 7,239,171	\$ 12,524,769	\$ 289,901	\$ 79,264,476

The notes to the financial statements are an integral part of this balance sheet.

FREDERICK COUNTY PUBLIC SCHOOLS

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2022

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds		\$ 47,565,509
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The cost of capital assets (land, buildings, construction in progress, and equipment) purchased or constructed, is reported as an expenditure in the governmental funds. The Statement of Net Position includes those capital assets among the assets of FCPS as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$ 1,391,190,933		
Accumulated depreciation and amortization	<u>(518,135,390)</u>		873,055,543

Long-term liabilities applicable to FCPS' governmental activities are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. Interest payable on debt and other long-term obligations are also not recorded in the governmental funds but is reported in the Statement of Net Position. All liabilities, both current and long-term, are reported in the Statement of Net Position.

Long-term liabilities (including internal service fund) at year-end consist of:

Leases payable	(21,232,783)		
Accrued interest payable on leases	(77,327)		
Vacation leave payable	(10,180,591)		
Termination benefits payable	(27,864,609)		
Net OPEB Liability	(563,323,006)		
Net Pension Liability	<u>(34,056,720)</u>		(656,735,036)

Deferred outflows of resources:

Related to Pension	15,617,776		
Related to OPEB	<u>147,295,640</u>		162,913,416

Deferred inflows of resources:

Related to Pension	(18,942,277)		
Related to OPEB	<u>(384,856,684)</u>		(403,798,961)

An internal service fund is used by FCPS to charge the costs of the health and dental insurance program to the individual funds. The assets and liabilities of the internal service fund, net of vacation leave liability, terminal leave liability, and net pension liability are included in governmental activities in the Statement of Net Position.

8,047,511

Net Position of Governmental Activities		<u>\$ 31,047,982</u>
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The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2022

	Major			Nonmajor	Total Governmental Funds
	General	School Construction	Food and Nutrition Services	Artificial Turf	
Revenues:					
Federal	\$ 63,761,372	\$ -	\$ 24,567,474	\$ -	\$ 88,328,846
State	315,412,628	16,388,265	363,927	-	332,164,820
Local	330,557,079	42,329,673	-	-	372,886,752
Charges for Services	1,168,742	-	1,617,395	-	2,786,137
Other	8,744,318	-	85,064	289,789	9,119,171
Total Revenues	719,644,139	58,717,938	26,633,860	289,789	805,285,726
Expenditures:					
Current:					
Administration	12,791,043	-	-	-	12,791,043
Mid-level Administration	42,256,215	-	-	-	42,256,215
Instructional Salaries	268,894,279	-	-	-	268,894,279
Instructional Supplies	25,872,611	-	-	-	25,872,611
Instruction - Other	3,390,648	-	-	-	3,390,648
Special Education	81,100,100	-	-	-	81,100,100
Pupil Personnel	3,357,760	-	-	-	3,357,760
Health	9,087,521	-	-	-	9,087,521
Pupil Transportation	25,548,198	-	-	-	25,548,198
Operations	44,808,702	-	-	-	44,808,702
Maintenance	15,642,503	-	-	-	15,642,503
Fixed Charges	183,017,745	-	-	-	183,017,745
Food and Nutrition Services	277,017	-	17,041,188	-	17,318,205
Community Services	1,029,018	-	-	-	1,029,018
Student Activities	4,182,779	-	-	-	4,182,779
Capital Outlay:					
Land	-	2,014,397	-	-	2,014,397
Buildings and Improvements	-	37,443,054	-	-	37,443,054
Equipment	-	4,360,852	-	-	4,360,852
Debt Service:					
Lease Principal	740,311	-	-	-	740,311
Lease Interest	440,727	-	-	-	440,727
Intergovernmental Payment	-	15,499,635	-	-	15,499,635
Total Expenditures	722,437,177	59,317,938	17,041,188	-	798,796,303
Excess (Deficiency) of Revenues over Expenditures	(2,793,038)	(600,000)	9,592,672	289,789	6,489,423
Other Financing Sources (Uses)					
Transfers In From:					
General Fund	-	-	-	150,000	150,000
Transfers Out To:					
Artificial Turf Fund	(150,000)	-	-	-	(150,000)
Total Other Financing Sources (Uses)	(150,000)	-	-	150,000	-
Net Change in Fund Balances	(2,943,038)	(600,000)	9,592,672	439,789	6,489,423
Fund Balances - Beginning	38,189,736	600,000	2,436,238	(149,888)	41,076,086
Fund Balances - Ending	\$ 35,246,698	\$ -	\$ 12,028,910	\$ 289,901	\$ 47,565,509

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities For the Year Ended June 30, 2022

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

Total net change in fund balances - governmental funds	\$	6,489,423
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Governmental funds report capital outlays as expenditures. However in the Statement of Activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized capital outlay (\$46,957,531) exceeds depreciation / amortization expense (\$38,941,857) and retirements/reclassifications (\$264,817).

		7,750,857
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Right-to-use assets under lease arrangements are shown as an expenditure in the governmental funds. Principal payments are applied to the lease payable; interest expense on the leases is recognized as it accrues.

Principal payments on leases payable	\$	740,311	
Interest expense on leases payable		82,750	823,061

An internal service fund is used by FCPS to charge the costs of the health and dental insurance program to the individual funds. The change in net position of the internal service fund, net of compensated absences expenses, is reported with governmental activities. The change in net position was (\$3,361,872) of which \$28,543 was included in the calculation below.

		(3,390,415)
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In the Statement of Activities, certain operating expenses 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. (Internal service fund activity is included.)

Vacation leave accrued		(239,208)	
Termination benefits accrued		(351,141)	
Changes in OPEB liabilities and related deferred outflows and inflows of resources		(6,349,489)	
Changes in pension liabilities and related deferred outflows and inflows of resources		3,270,733	(3,669,105)

Change in Net Position of Governmental Activities	\$	8,003,821
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The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	Budgetary Basis	
Revenues:				
Federal	\$ 92,576,585	\$ 96,462,335	\$ 63,761,372	\$ (32,700,963)
State	319,167,629	319,167,629	315,412,628	(3,755,001)
Frederick County	330,327,308	330,327,308	330,557,079	229,771
Other Revenue	4,321,400	4,321,400	5,142,947	821,547
Fund Balance	18,690,368	18,690,368	18,489,818	(200,550)
Total Revenues	765,083,290	768,969,040	733,363,844	(35,605,196)
Expenditures:				
Administration	15,485,271	15,503,298	12,659,547	2,843,751
Mid-level Administration	44,877,765	44,858,643	42,657,489	2,201,154
Instructional Salaries	272,109,098	279,895,282	268,894,279	11,001,003
Instructional Supplies	36,603,958	27,653,223	26,264,952	1,388,271
Instructional - Other	5,407,007	5,715,722	3,422,262	2,293,460
Special Education	87,959,448	88,614,448	81,091,596	7,522,852
Pupil Personnel Services	3,293,225	3,545,725	3,361,742	183,983
Health	9,971,767	9,475,231	9,087,521	387,710
Pupil Transportation	26,850,406	27,894,206	25,257,256	2,636,950
Operations	45,976,694	45,756,283	43,218,713	2,537,570
Maintenance	18,166,019	22,376,008	15,138,174	7,237,834
Fixed Charges	193,488,130	192,109,397	183,608,474	8,500,923
Food and Nutrition Services	898,180	898,180	277,017	621,163
Community Services	1,761,556	1,966,056	1,061,001	905,055
Capital Outlay	2,234,766	2,707,338	1,838,785	868,553
Total Expenditures	765,083,290	768,969,040	717,838,808	51,130,232
Excess of Revenues over Expenditures	\$ -	\$ -	15,525,036	\$ 15,525,036
Fund Balance - Beginning			28,482,552	
Net Decrease in Nonspendable Fund Balance				
Inventories and Prepaids			722,269	
Net Change in Student Activities			347,288	
Prior Year Surplus Funded			(18,489,818)	
Fund Balance - Ending			\$ 26,587,327	

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Net Position Proprietary Fund June 30, 2022

	Governmental Activity: Internal Service Fund Self-Insurance
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 12,370,367
Due from Other Funds	13,271
Other Receivables	5,924,799
Prepaid Items	13,313
Total Current Assets	18,321,750
 LIABILITIES	
Current Liabilities:	
Accounts Payable	141,869
Accrued Claim Liabilities	10,132,370
Current Portion of Long-term Obligations	23,749
Total Current Liabilities	10,297,988
Noncurrent Liabilities:	
Noncurrent Portion of Long-term Obligations	41,123
Total Liabilities	10,339,111
 NET POSITION	
Unrestricted	7,982,639
Total Net Position	\$ 7,982,639

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund For the Year Ended June 30, 2022

	Governmental Activity: Internal Service Fund Self-Insurance
Operating Revenues:	
Contributions from Employer	\$ 71,249,601
Contributions from Employees	16,528,026
Federal Government - Medicare Part D	38,563
Total Operating Revenues	87,816,190
Operating Expenses:	
Salaries and Wages	367,860
Professional and Contracted Services	4,523,949
Insurance Claims and Related Expenses	86,152,692
Payment to Federal Government	24,102
Other Charges	112,270
Total Operating Expenses	91,180,873
Operating Loss	(3,364,683)
Nonoperating Revenues:	
Investment Earnings	2,811
Total Nonoperating Revenues	2,811
Change in Net Position	(3,361,872)
Total Net Position - Beginning	11,344,511
Total Net Position - Ending	\$ 7,982,639

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Cash Flows Proprietary Fund For the Year Ended June 30, 2022

	Governmental Activity: Internal Service Fund Self-Insurance
Cash Flows From Operating Activities	
Receipts from User Charges	\$ 16,528,026
Receipts from Interfund Services	71,398,009
Payments to Employees	(508,673)
Payments for Insurance Claims	(85,363,709)
Payments for Contracted Services	(5,383,813)
Net Cash From Operating Activities	(3,330,160)
Cash Flows From Investing Activities	
Interest Received on Investments	2,811
Net Cash from Investing Activities	2,811
Net Decrease in Cash and Cash Equivalents	(3,327,349)
Cash and Cash Equivalents - Beginning	15,697,716
Cash and Cash Equivalents - Ending	\$ 12,370,367
Reconciliation of Operating Loss to	
Net Cash From Operating Activities:	
Operating Loss	\$ (3,364,683)
Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:	
Effect of Changes in Non-cash Operating Assets and Liabilities:	
Receivables	109,845
Prepays	1,837
Accounts Payable	(837,599)
Accrued Liabilities and Compensated Absences	760,440
Net Cash From Operating Activities	\$ (3,330,160)

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Net Position Fiduciary Fund June 30, 2022

	Post-Employment Retiree Health Benefit Plan
ASSETS	
Cash and Cash Equivalents	\$ 43,547
Investments at Fair Value	
Fixed Income Securities	47,751,062
Equity Securities	98,576,480
Accounts Receivable	42,596
Total Assets	<u>146,413,685</u>
LIABILITIES	
Accounts Payable	6,136
Total Liabilities	<u>6,136</u>
NET POSITION	
Net Position Restricted for OPEB	<u>\$ 146,407,549</u>

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Changes in Net Position Fiduciary Fund For the Year Ended June 30, 2022

	Post-Employment Retiree Health Benefit Plan
ADDITIONS	
Contributions	
Employer	\$ 14,849,723
Plan Members	9,424,912
Federal Government - Retiree Subsidy	4,355,725
Total Contributions	28,630,360
Investment Income	
Interest and Other Investment Income	17,101,640
Net Decrease in Fair Value of Investments	(39,924,425)
Total Net Investment Income	(22,822,785)
Total Additions	5,807,575
DEDUCTIONS	
Claims Incurred	25,383,280
Administrative Expenses	1,740,557
Total Deductions	27,123,837
Change in Net Position	(21,316,262)
Net Position - Beginning	167,723,811
Net Position - Ending	\$ 146,407,549

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Frederick County Public Schools (FCPS) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of FCPS are described below.

A. Reporting Entity

In Maryland, public schools are part of a statewide system of county school boards. The school boards' political boundaries conform to the county boundaries. The purpose of the Board of Education of Frederick County, Maryland (hereinafter the "Board") is to operate the local public school system in accordance with state and community standards.

The Board consists of seven members who set broad policy guidelines. Within these policy guidelines, the Superintendent is responsible for management of the school system.

The function of the Board is to offer a full curriculum which includes advanced courses, along with music, art, and sports in local schools. The Board has an extensive career and technology program with training in 24 occupational fields. The Board, subject to the provisions of Maryland public school laws, prescribes on the written recommendation of the Frederick County Superintendent of Schools curriculum guides and courses of study.

The Board does not have the authority to levy taxes or incur bonded debt. Schools are funded with local, state, and federal revenues.

Under governmental accounting and financial reporting standards, the Board is considered to be a financial reporting entity consisting of a primary government and any other organizations for which the Board is (1) financially accountable or (2) not financially accountable but for which the nature and significance of the other organization's relationship to the Board are such that exclusion would cause the Board's financial statements to be misleading or incomplete. There were no other such organizations. Frederick County (hereinafter the "County") approves and partially funds the Board's operating budget. The Board is included as a component unit in the County's financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements, which include the Statement of Net Position and the Statement of Activities, report information on all of the nonfiduciary activities of FCPS as a whole. The activities of the General Fund (Current Expense Fund), Special Revenue Funds (Food Service Fund and Artificial Turf Fund), and Capital Projects Fund (School Construction Fund) have been presented as governmental activities in the government-wide financial statements. For the most part, the effect of interfund activity has been removed from these statements. An exception to this general rule is that interfund services provided or used between functions have not been eliminated in the statement of activities because to do so would distort the net cost data for functional activities as reported in the total column of that statement.

The Statement of Net Position – The Statement of Net Position displays the financial position of FCPS as of fiscal year-end. Governmental activities are reported on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets, including infrastructure, as well as long-term debt and obligations. FCPS' net position is reported in three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The Statement of Activities - The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Items which are not classified as program revenues are presented as general revenues of FCPS.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

General revenues represent the revenues available to FCPS to finance the net cost of services not funded by program revenues, such as federal, state, and local aid not restricted to specific purposes.

Fund Financial Statements - Separate financial statements are provided for governmental funds, the proprietary fund, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds are often aggregated and reported as nonmajor funds. FCPS has only one nonmajor fund that is reported as a separate column clearly indicating nonmajor status in accordance with authoritative accounting standards.

Budgetary Comparison Statements - Demonstrating compliance with the adopted budgets is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the financial progress of their governments over the course of the year. For this reason and because Maryland statutes require that the operating budget be legally adopted, FCPS has chosen to make its General Fund budget-to-actual comparison statement part of the basic financial statements. Budgetary comparison statements illustrate the Board's original budget to the final budget and the actual results. FCPS revises its original budgets over the course of the year for a variety of reasons; such revisions are reflected in a separate column in these statements.

The Food and Nutrition Services budget is not required to be legally adopted and therefore, a budget to actual presentation is not included in the basic statements. The Food and Nutrition Services budget is developed internally by the school system for management purposes. The comparison of the Food and Nutrition Services Fund budget to actual revenues and expenditures is presented as other supplementary information.

C. 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 proprietary fund and 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. Local appropriations and state and federal aid are recognized as revenues in the year for which they were approved by the provider. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, FCPS considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; except for principal and interest on leases, and expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Right-to-use leased assets are reported as expenditures in governmental funds. When applicable, proceeds from leases are reported as other financing sources.

Local appropriations and state and federal aid associated with the current fiscal period are considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal year. Entitlements and shared revenues are 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 grant requirements have been met. Commitments such as purchase orders and contracts are not recorded as expenditures until a liability is incurred for goods received or services rendered. However, these outstanding commitments, if any, are assigned in the fund balance of the General Fund. The Food and Nutrition Services Fund, the Artificial Turf Fund, and the School Construction Fund do not assign their fund balances for their outstanding purchase orders and contracts. In the Food and Nutrition Services Fund, commodity revenues are recorded as commodities are received.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Governmental Funds

FCPS reports the following major governmental funds, in the fund financial statements:

The General Fund also referred to as the Current Expense Fund, is the general operating fund of the school system. It accounts for all financial resources applicable to the general operation of the Board, except those required to be accounted for in another fund. Special state and federal programs are included in the restricted portion of this fund.

The School Construction Fund (Capital Projects Fund) is used to account for all financial resources related to the construction of school sites and buildings and other major capital facilities.

The Food and Nutrition Services Fund (Special Revenue Fund) is used to account for the activities of the school food and nutrition services program. The Food and Nutrition Services Fund is treated as a major fund by election.

FCPS reports the following nonmajor governmental fund, in the fund financial statements:

The Artificial Turf Fund (Special Revenue Fund) is used to account for the rentals of the Board's artificial turf fields. Upkeep and major repairs to the fields are also recorded in this fund.

Proprietary Fund

Proprietary fund financial statements are reported using the accrual basis of accounting and employ the economic resources measurement focus, used in the government-wide financial statements. Under the accrual basis, all revenues and costs of providing services are reported, not just those received or paid in the current year or soon thereafter.

FCPS reports the following proprietary fund:

The Self-Insurance Fund (Internal Service Fund) is used to account for the costs of maintaining FCPS' self-insured health and dental programs for its employees.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of FCPS' internal service fund are the premium contributions to the health and dental self-insurance fund. Operating expenses for the internal service fund include the costs of providing these services, including administrative and claim expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in assets and liabilities and is accounted for on the accrual basis. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are used to account for assets held by FCPS under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support FCPS' own programs.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

FCPS has one fiduciary fund reported in the accompanying financial statements:

The Other Post-Employment Retiree Health Benefit Plan (Pension and Other Employee Benefit Trust Fund) is used to account for the Frederick County Public Schools Retiree Health Benefit Plan. This plan provides health and welfare benefits to eligible retirees and in certain instances, their dependents. It consists of contributions of the Board to establish a reserve to pay health and welfare benefits of future retirees. Contributions to the Trust qualify as contributions and are reported as additions using the economic resource measurement focus and the actual basis of accounting, under which expenses (deductions) are recorded when the liability is incurred or the benefits are paid. This plan is also commonly referred to as the Other Post-employment Benefits (OPEB) Plan.

By definition, Fiduciary Fund assets are being held for the benefit of a third party and cannot be used to satisfy obligations of the Board, and therefore are not included in the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is FCPS' policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Cash Equivalents

Amounts in demand deposits and short-term investments with a maturity date of three months or less when purchased are considered cash and cash equivalents.

E. Due from Other Units of Government and Other Receivables

Due from other units of government consists primarily of amounts due for local and state appropriations under the operating budget and capital projects, and expenditures in excess of amounts received under grant agreements. Other receivables include amounts due from other local education agencies for out-of-county tuition.

Accounts receivable are primarily with other governmental units and related agencies which are generally collected within ninety days of the end of the fiscal year. These entities rarely default on their obligations and management of the Board considers all amounts collectible as of June 30, 2022. Therefore, no valuation allowance is provided against the amounts due.

F. Inventories and Prepaid Items

Inventory of the General Fund consists of expendable supplies held for consumption and is recorded at cost. Inventory in the General Fund consists of parts, fuel and supplies maintained at the transportation and the warehouse facilities. As inventory is consumed, the cost is charged to expenditures. The fund balance of the General Fund is restored for the value of the inventory on hand at year-end and is reflected as nonspendable in the fund balance which indicates that it is unavailable for spending.

The inventory of the Food and Nutrition Services Fund is recorded on the basis of cost for purchased items and fair market value for commodities donated by the federal government which approximates a first-in, first-out cost basis. Inventory in the Food and Nutrition Services Fund is maintained in the warehouse and at school locations, and consists of expendable food and supplies held for consumption. The commodities that are donated by the federal government are reflected as revenues when they are received and expenditures when they are consumed.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Inventories and Prepaid Items (continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepayments are expended in future periods and are accounted for in accordance with the consumption method. Prepaid items are reflected as nonspendable in the fund balance and are unavailable for spending.

G. Capital Assets

Capital assets, which include property, plant, equipment, and right-to-use assets are reported in the government-wide financial statements. Capital assets are defined by FCPS as assets with an initial, individual cost of more than \$5,000 and an expected useful life of greater than one year. FCPS' capital assets are recorded at historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value on the date donated. Right-to-use assets are recorded at the net present value of the lease payments. The costs of normal maintenance and repairs that do not add to the value of the asset or do not materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of FCPS are depreciated using the straight-line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Buildings and Improvements	7-40
Furniture and Equipment	4-15

Assets which have been acquired with funds received through federal grants must be used in accordance with the terms of the grant. Federal regulations require, in some cases, that the Board must reimburse the federal government for any assets which the Board retains for its own use after the termination of the grant unless otherwise provided by the grantor.

H. Leases

FCPS as Lessee. FCPS may enter into lease agreements for noncancelable leases of equipment, office space and land. FCPS is a lessee for buildings and improvements and recognizes lease liabilities and right-to-use leased assets (leased assets) in the government-wide financial statements.

At the commencement of a lease, FCPS initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, adjusted for leases payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Key estimates and judgments related to leases include how FCPS determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- FCPS uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, FCPS generally uses its estimated incremental borrowing rate as the discount rate.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that FCPS is reasonably certain to exercise. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Leases (continued)

periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

FCPS monitors changes in circumstances that would require a remeasurement of its leases and will remeasure recorded leased asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Leased assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Payments due under recorded lease contracts are at fixed payment amounts.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by FCPS under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects FCPS exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined FCPS' incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Should FCPS enter into lease agreements that have variable payment that depend on an index or a rate (such as the Consumer Price index of a market interest rate), they will be initially measured using the index or rate as of the commencement of the lease term.

FCPS as Lessor. At the commencement of a lease, FCPS initially measures the lease receivable at the present value of payments expected to be received during the lease at the commencement date. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how FCPS determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- FCPS uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.
- Lease receipts include in the measurement of the lease receivable is composed of fixed payments for the lessee.

FCPS monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the recorded lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

I. Deferred Outflows/Inflows of Resources

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

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Deferred Outflows/Inflows of Resources (continued)

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

The Board has two items that meet the criterion described above. These are the deferrals of pension and OPEB expenses that result from the timing of when the deferred expenses are recognized.

J. Compensated Absences

Under the terms of the various employee collective bargaining agreements, FCPS employees are granted vacation and sick leave in varying amounts. In the event of termination, all 12-month employees are paid for accumulated vacation days (annual leave) up to the maximum of 40 or 60 days. Full-time classified and certified personnel accumulate sick leave at a maximum rate of 10 to 12 days per year. For employees to vest their unused sick leave and be paid for their unused sick leave at their termination from FCPS, they must retire with at least ten (10) years of service. At the time of official retirement (or at time of death, said beneficiary) shall receive forty percent (40%) or sixty percent (60%) of the accumulated sick leave at the final rate of pay. Upon death, employees' beneficiaries are paid this benefit regardless of years of service. FCPS used the vesting method, pursuant to GAAP, to calculate the sick pay liability as of June 30, 2022. All annual and sick leave is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only at the time of employee resignations and retirements.

K. Pension

Certain employees of the Board are members of the Maryland State Retirement and Pension System (hereinafter the "MSRPS"). Employees are members of either the Teachers' Pension System of the State of Maryland (hereinafter the "TPS") or the Employees' Retirement System of the State of Maryland (hereinafter the "ERS"). TPS and ERS are part of the MSRPS which is considered a single, multiple-employer cost sharing plan.

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

L. Post-Employment 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 Frederick County Public Schools Post-Employment Retiree Health Benefit Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan 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.

M. Net Position / Fund Balance

The government-wide financial statements utilize a net position presentation. Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. In the government-wide statement, net position includes net investment in capital assets and amounts restricted for debt service. Net investment in capital assets

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Position / Fund Balance (continued)

consists of leased assets, net of accumulated depreciation and lease payable. Under state law, the School System is prohibited from incurring debt to finance the acquisition of capital assets, except for those capital assets with a right-to-use under lease arrangements. Major capital projects are financed through local and state aid with applicable debt recorded by Frederick County and the State of Maryland.

Governmental funds, in the fund financial statements, report fund balances according to classifications that provide an understanding of the nature of resources available for specific purposes and the extent of constraints that determine how funds can be spent. FCPS' governmental fund balances are classified as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Not in spendable form includes items that are not expected to be converted to cash. In the governmental funds, FCPS reports inventories and prepaid items in the nonspendable fund balance classification.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes as determined by a formal action of the Board, the highest level of decision-making authority for the School System. Formal action of the Board would be those items which are voted on at public Board meetings that are in compliance with Maryland law. Commitments may be established, modified, or rescinded only through formal actions consisting of resolutions approved by the Board. In the governmental funds, FCPS reports the fund balance for the charter schools as committed fund balance.

The charter school fund balances of \$2,271,069 consists of: \$954,555 for Monocacy Valley Montessori Public Charter School and \$1,316,514 for Carroll Creek Montessori Public Charter School. Frederick Classical Charter School's fund balance is not shown within Frederick County Public School's financial statements; rather reflected within the charter school's governing body's financial statements.

Assigned – Amounts that do not meet the criteria to be classified as restricted nor committed but that are intended to be used for specific purposes. This intent can be expressed by the Board or through their delegating this responsibility to the Superintendent's budgetary process. In the governmental funds, FCPS reports subsequent years' expenditures and encumbrances are shown in the assigned fund balance. These portions of the fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. FCPS also reports an assigned fund balance for grants and student activities, for instances where revenue has been earned but not yet expended.

As stated in Section 20, 205.1, Operating and Capital Budgets, in the Board's Policy for Fiscal Procedures, "allocations to schools and administration of the budget are responsibilities of the superintendent and her staff." For assigned fund balances, FCPS' superintendent and her staff are authorized to assign amounts to a specific purpose and are the highest level of decision-making for the assigned fund balances.

Unassigned – All other spendable amounts. This is the residual classification for the General Fund and other governmental funds. In the General Fund, the unassigned fund balance indicates the portion of fund balance that is available for appropriation in future periods. The General Fund is the only fund that reports a positive unassigned fund balance amount.

In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Position / Fund Balance (continued)

If FCPS has more revenues than expenditures in a prior year, the excess revenue will accumulate in the fund balance. In subsequent years, it will be available for re-appropriation.

When expenditures are incurred for which committed, assigned, and unassigned fund balances are available, the order of spending will be committed, assigned, and then unassigned.

The restricted and unrestricted amounts are to be considered spent when expenditures are incurred for purposes for which both a restricted and unrestricted fund balance is available. The committed, assigned, or unassigned amounts are considered to have been spent when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The General Fund shows a total of \$28,103,821 in its assigned fund balance, which is comprised of the following; \$2,668,208 of grant revenue in excess of expenditures; \$3,766,285 of student activity revenues in excess of expenditures; \$14,544,792 for subsequent year's expenditures in fiscal year 2022, and \$7,124,536 of encumbrances as of June 30, 2022. Some of the more significant General Fund encumbrances as of June 30, 2022, are \$3,789,934 for buses, \$318,614 for software/technology, \$115,197 for capital outlay for the Tuscarora High School concession stand, and \$863,406 for network infrastructure upgrades.

N. Use of Estimates in Preparing Financial Statements

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

Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Maryland statutes require that an operating budget be legally adopted for the General Fund and a capital budget be legally adopted for the School Construction Fund.

The Superintendent and staff members meet during November and December to establish priorities for the operating budget. In January the Superintendent's Recommended Operating Budget is presented to the Board and the community. This budget is subject to revisions and changes by the Board. The Board holds a public hearing in February to receive comments from the community. After meeting in February, the Board approves a budget for submission to the County Executive and County Council. Additional public hearings on the operating budget are held by the County Executive and later by the County Council. In April, the County Executive submits the budget to the County Council for approval. By statute, the County Council must approve the appropriation for the Board of Education by May 31st. In early June, the Board adopts the Operating and Capital budgets along with the Food and Nutrition Services Fund, Self-Insurance Fund, and Artificial Turf Fund budgets. The Board approved budgets must be submitted to MSDE seven days after Board approval.

Transfers between categories in the General Fund cannot legally be executed without County Council approval; transfers within a category do not require County Council approval.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Legally adopted governmental budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when they become measurable and available. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by FCPS for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations lapse at year-end except for, capital project funds which are carried forward until such time as the project is completed or terminated and certain federal and state grants that do not have a June 30 year-end date. Encumbrances are reported as expenditures in the current year's budgetary presentation and are included by function in the assigned fund balances in the governmental fund financial statements prepared in conformity with accounting principles generally accepted in the United States of America. Accordingly, the actual expenditure data presented in the budgetary comparison statements is different than the data presented in the governmental fund financial statements prepared in conformity with accounting principles generally accepted in the United States of America.

School Construction is budgeted on a project basis with funds primarily provided by Frederick County and the State of Maryland. State funds are approved by the State's Interagency Commission on School Construction. Thus, annual budgetary comparisons to actual expenditures are not presented in the financial statements for the School Construction Fund.

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund has been prepared on a legally prescribed budgetary basis of accounting which differs from generally accepted accounting principles (GAAP) as shown on the governmental fund financial statements. The budgetary basis of accounting is used to demonstrate compliance with the legal requirements of the County, the state of Maryland, and special federal and state grant programs. The reconciliation between the two methods is set forth below.

	Revenues	Expenditures and Other Financing Uses	Net Change in Fund Balance
Reported on the Basis of GAAP	\$ 719,644,139	\$ 722,587,177	\$ (2,943,038)
Effect of Encumbrances	-	(565,590)	565,590
Effect of Prior Year Surplus	18,489,818	-	18,489,818
Effect of Student Activities	(4,770,113)	(4,182,779)	(587,334)
Reported on the Budgetary Basis of Accounting	<u>\$ 733,363,844</u>	<u>\$ 717,838,808</u>	<u>\$ 15,525,036</u>

A legal operating budget is not required for the Food and Nutrition Services Fund, School Activity Fund, Self-Insurance Fund, Artificial Turf Fund, or the Post-Employment Retiree Health Benefit Plan. Spending in funds which are not subject to the legal operating or capital budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by FCPS.

During the fiscal year ended June 30, 2022, the Board and the County Council approved the following supplemental appropriations/transfers for the General Fund:

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Supplemental Appropriations/Transfers

	<u>To</u>	<u>From</u>	<u>Net Change</u>
Revenues:			
Federal	\$ 3,885,750	\$ -	\$ 3,885,750
State	-	-	-
Frederick County	-	-	-
Other	-	-	-
Fund Balance	-	-	-
	<hr/>	<hr/>	<hr/>
Total Increase (Decrease) to Revenues	<u>\$ 3,885,750</u>	<u>\$ -</u>	<u>\$ 3,885,750</u>
	<hr/>	<hr/>	<hr/>
	<u>To</u>	<u>From</u>	<u>Net Change</u>
Expenditures:			
Administration	\$ 50,500	\$ (32,473)	\$ 18,027
Mid-level Administration	280,878	(300,000)	(19,122)
Instructional Salaries	7,786,184	-	7,786,184
Instructional Supplies	-	(8,950,735)	(8,950,735)
Instructional – Other	330,000	(21,285)	308,715
Special Education	655,000	-	655,000
Pupil Personnel Services	252,500	-	252,500
Health	3,464	(500,000)	(496,536)
Pupil Transportation	1,043,800	-	1,043,800
Operations	529,589	(750,000)	(220,411)
Maintenance	4,263,000	(53,011)	4,209,989
Fixed Charges	353,250	(1,731,983)	(1,378,733)
Food Service	-	-	-
Community Services	204,500	-	204,500
Capital Outlay	472,572	-	472,572
	<hr/>	<hr/>	<hr/>
Total Increase (Decrease) to Expenditures	<u>\$ 16,225,237</u>	<u>\$ (12,339,487)</u>	<u>\$ 3,885,750</u>
	<hr/>	<hr/>	<hr/>
Total	<u>\$ (12,339,487)</u>	<u>\$ 12,339,487</u>	<u>\$ -</u>

The Operating Budget, in total, increased by \$3,885,750 in fiscal year 2022. The budget increase was due to the Frederick County Government federal passthrough for the Workforce Retention Incentive funded by the American Rescue Plan. Changes within the budgetary categories of the General Fund during fiscal year 2022 were approved by action of the Board and the County Council. For the year ended June 30, 2022, there were no expenditure categories that exceeded their budgets. Overall expenditures were under budget by \$51.1 million. Of the \$51.1 million budgeted expenditures, approximately \$35.2 million relate to grant awards that budgeted for the total allocation but allow for spending over a multiple year period. The \$35.2 million is restricted for program activities as approved by the grantors. Collectively, the \$51.1 million variance is mainly attributable to salary and fringe savings from staff vacancies and turnover in the instructional and special education classifications, in both the unrestricted and restricted funds. In addition to the savings mentioned, the restricted fund also had significant savings within the administration and maintenance categories for grant funded technology infrastructure upgrades and quality air enhancements. These activities were budgeted for but unspent as of June 30, 2022. Restricted fund grant balance activities remaining at fiscal year-end will be carried forward to 2023.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash on Hand

As of year-end, cash on hand for petty cash was \$100.

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Board may not be able to recover the deposits. The Annotated Code of Maryland requires that funds on deposit with a financial institution be fully secured by deposit insurance, surety bonds, obligations of the United States or its agencies, obligations of the State of Maryland or any of its agencies, or obligations of a county, other governmental authority, or municipal corporation in the State of Maryland. As of June 30, 2022, all of the Board's deposits were either covered by FDIC insurance or collateral held by the financial institution in the Board's name. As of year-end, the carrying amount of FCPS' deposits were \$23,672,484 and the bank balance was \$31,366,549.

Investments

As of June 30, 2022, FCPS' investment balances by type and maturity were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	6-10
Maryland Local Gov. Investment Pool	\$34,427,734	\$34,427,734	\$ -	\$ -
Money Market	43,547	43,547	-	-
Certificates of Deposit	4,594	4,594	-	-
Fixed Income Securities	47,751,062	47,751,062	-	-
Equity Securities	98,576,480	98,576,480	-	-
	<u>\$180,803,417</u>	<u>\$180,803,417</u>	<u>\$ -</u>	<u>\$ -</u>

FCPS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets.

FCPS has recurring fair value investments as of June 30, 2022, of \$146,327,542, that include Fixed Income Securities and Equity Securities. These investments were valued using quoted market prices (Level 1 inputs).

Maryland Local Government Investment Pool (MLGIP) of \$34,427,734, Money Market of \$43,547 and Certificates of Deposit of \$4,594 are valued using the amortized cost method, which estimates fair value.

Reconciliation of cash and investments as shown on the Statement of Net Position:

Cash on Hand	\$ 100
Carrying Amounts of Deposits	23,672,484
Carrying Amounts of Investments (above)	<u>180,803,417</u>
Total Cash and Investments	204,476,001
Less: Amounts in Fiduciary Fund	<u>146,371,089</u>
Total Cash and Investments per Statement of Net Position	<u>\$ 58,104,912</u>
Cash and Cash Equivalents	\$ 23,672,584
Investments	<u>34,432,328</u>
Total Cash and Investments per Statement of Net Position	<u>\$ 58,104,912</u>

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

Interest Rate Risk. Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. State statute governs FCPS' investment policies. The Maryland Annotated Code Section 6-222 outlines the permissible investments and investment standards which FCPS follows.

Credit Risk. FCPS invests in the MLGIP, which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAAM by Standard and Poors, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net position of the pool, mark to market, is calculated and maintained on a daily basis to ensure a \$1.00 per unit constant value.

Assets in the Post-Employment Retiree Health Benefit Plan are invested in accordance with Article 95, Section 22 of the Annotated Code of Maryland as well as the Investment Plan Statement. As of June 30, 2022, the deposits of the Post-Employment Retiree Health Benefit Plan were held in a securities grade money market account, a domestic equity index fund, an international equity fund, and a fixed income bond fund.

The Post-Employment Retiree Health Plan had fixed-income investments with the following credit risk characteristics at June 30, 2022:

<u>Allocations by Credit Rating</u>	<u>Percent of Fixed Income Securities</u>	<u>Fair Value</u>
AAA	49.04%	\$ 23,417,121
AA	4.95%	2,363,677
A	8.66%	4,135,242
BBB	25.83%	12,334,099
BB	9.66%	4,612,753
B	0.64%	305,607
CCC	0.12%	57,301
<CCC/NR	1.10%	525,262
	<u>100.00%</u>	<u>\$ 47,751,062</u>

State statute governs FCPS' investment policies. The Maryland Annotated Code Section 6-222 outlines the permissible investments and investment standards which FCPS follows.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, FCPS will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2022, all of FCPS' investments were insured or registered, or the securities were held by FCPS or its agent in FCPS' name or were invested in the MLGIP.

As noted above, state statute governs FCPS' investment policies. The Maryland Annotated Code Section 6-222 outlines the permissible investments and investment standards which FCPS follows.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

Foreign Currency Risk. The Post-Employment Retiree Health Benefit Plan's exposure to foreign currency risk derives from its investment in foreign currency or instruments denominated in foreign currency. The Plan recognizes the value of global diversification and retains one investment manager for global and international equity investments. To minimize risk, the Plan's investment policy establishes a maximum asset allocation of 15% investment in international equity. The Plan also includes a manager for a fixed income investment fund which may invest up to 20% of the fund's assets in non-U.S. dollar denominated securities.

B. Capital Assets

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

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements Reclassifications</u>	<u>Balance June 30, 2022</u>
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	\$ 52,312,535	\$ 897,499	\$ -	\$ 53,210,034
Construction in Progress	59,455,295	43,766,285	90,516,040	12,705,540
Total Nondepreciable Capital Assets	<u>111,767,830</u>	<u>44,663,784</u>	<u>90,516,040</u>	<u>65,915,574</u>
Depreciable Capital Assets:				
Buildings and Improvements	1,144,253,554 *	86,544,724	567,797	1,230,230,481
Furniture and Equipment	60,546,049	6,265,063	3,129,440	63,681,672
Total Depreciable Capital Assets	<u>1,204,799,603</u>	<u>92,809,787</u>	<u>3,697,237</u>	<u>1,293,912,153</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	437,608,504 *	32,545,905	567,797	469,586,612
Furniture and Equipment	37,507,921	3,843,773	2,864,623	38,487,071
Total Accumulated Depreciation	<u>475,116,425</u>	<u>36,389,678</u>	<u>3,432,420</u>	<u>508,073,683</u>
Total Depreciable Capital Assets, Net	<u>729,683,178</u>	<u>56,420,109</u>	<u>264,817</u>	<u>785,838,470</u>
Right-to-Use Leased Assets				
Buildings and Improvements	31,363,206 *	-	-	31,363,206
Less Amortization for Right-to-Use Leased Assets:				
Buildings and Improvements	7,509,528 *	2,552,179	-	10,061,707
Governmental Activities Capital Assets, Net	<u>\$ 865,304,686</u>	<u>\$ 98,531,714</u>	<u>\$ 90,780,857</u>	<u>\$ 873,055,543</u>

* FCPS implemented GASB Statement No. 87, effective July 1, 2021. As a result, the beginning balances were reclassified for the right-to-use leased assets for qualifying leases that were in place at that date.

Depreciation/Amortization expense was charged to governmental activities as follows:

Governmental Activities:	
Administration	\$ 1,372,909
Mid-level Administration	112,707
Instruction - Other	34,300,463
Special Education	8,051
Pupil Transportation	2,539,577
Operations	140,555
Maintenance	272,938
Community Services	813
Food and Nutrition Services	193,844
Total Depreciation Expense - Governmental Activities	<u>\$ 38,941,857</u>

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

C. Construction Commitments

FCPS has active construction projects as of June 30, 2022. The projects include major and systemic school construction. As of year-end, FCPS' major commitments with contractors were as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Blue Heron Elementary - New	\$ 39,201,982	\$ 34,957
Brunswick Elementary - Replacement	5,981,559	12,119,674
Governor Thomas Johnson High - Track Repair	496,586	146,570
Orchard Grove Elementary - Fire Alarm Replacement	-	249,494
Rock Creek School - Replacement	48,186,494	220,320
Thurmont Elementary Limited Renovations	3,053,658	3,495,859
Waverley Elementary - Replacement	44,114,097	6,746,822
Other Projects	494,938	1,711,993
Total	<u>\$ 141,529,314</u>	<u>\$ 24,725,689</u>

D. Non-Current Liabilities

Non-current liability balances and activities for the year ended June 30, 2022 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Leases Payable	\$ 21,973,094	\$ -	\$ 740,311	\$ 21,232,783	\$ 1,497,912
Vacation Leave Payable	9,941,383	6,640,868	6,401,660	10,180,591	6,721,743
Termination Benefits Payable	27,513,468	6,048,473	5,697,332	27,864,609	2,871,384
Net OPEB Liability	735,997,197	91,409,873	264,084,064	563,323,006	-
Net Pension Liability	46,690,240	-	12,633,520	34,056,720	-
	<u>\$ 842,115,382</u>	<u>\$ 104,099,214</u>	<u>\$ 289,556,887</u>	<u>\$ 656,657,709</u>	<u>\$ 11,091,039</u>

FCPS does not have the authority to incur bonded debt. Liabilities for leases, vacation leave, termination benefits, and other post-employment benefits have typically been liquidated in the General Fund in prior years. Net pension liabilities are liquidated by each fund which has applicable salaries reported.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

E. Lease Obligations

FCPS has entered into lease arrangements as a lessee to finance the right-to-use asset of the central office building and energy performance enhancements for facility improvements throughout the county that expire in fiscal year 2033 and 2034, respectively.

The lease arrangement entered into for the central office building (December 2007), for approximately \$16.0 million has a refinanced interest rate of 1.98% and maturity date of September 1, 2032. In fiscal year 2022, payments including interest for the lease were \$623,787. Current year amortization expense for the central office right-to-use leased asset was \$409,029.

FCPS entered into a lease agreement for an energy performance contract to finance facility improvements in the approximate amount of \$15.0 million in June, 2018. The lease arrangement has a refinanced interest rate of 2.08% and maturity date of September 1, 2033. Payments, including interest, during fiscal year 2022 were \$557,251. Current year amortization expense for the energy performance contract lease assets was \$2,143,150.

The right-to-use assets under lease arrangements were as follows:

	Governmental Activities
Right-to-Use Leased Assets:	
Buildings and Improvements	\$ 31,363,206
Less: Amortization	10,061,707
Total	<u>\$ 21,301,499</u>

As of June 30, 2022, the minimum obligations under the leases were as follows:

Years Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 1,497,912	\$ 418,032	\$ 1,915,944
2024	1,559,909	386,949	1,946,858
2025	1,624,593	354,561	1,979,154
2026	1,692,098	320,815	2,012,913
2027	1,761,126	285,663	2,046,789
2028-2032	9,937,037	848,307	10,785,344
2033-2034	3,160,108	57,214	3,217,322
Total	<u>\$ 21,232,783</u>	<u>\$ 2,671,541</u>	<u>\$ 23,904,324</u>

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

F. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2022 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	School Construction Fund	Advances of cash for operating needs	\$ 22
General Fund	Food and Nutrition Services Fund	Food and nutrition expenses	9,420
Artificial Turf Fund	General Fund	Future upkeep and major repair needs	271,951
Self-Insurance Fund	General Fund	Insurance expenses	13,271
		Total	<u>\$ 294,664</u>

These interfund balances are presented in the accompanying financial statements as follows:

	<u>Due from</u>	<u>Due to</u>
Balance Sheet - Governmental Funds	\$ 281,393	\$ 294,664
Statement of Net Position - Proprietary Fund	13,271	-
Totals	<u>\$ 294,664</u>	<u>\$ 294,664</u>

Activity between funds represents expenditures paid by the General Fund on behalf of another fund or amounts received by the General Fund on behalf of another fund.

Interfund transfers for the year ended June 30, 2022, consisted of the following:

<u>Transfers Out Fund</u>	<u>Transfers In Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Artificial Turf Fund	Budgeted transfer for future upkeep and major repair needs	150,000
		Total	<u>\$ 150,000</u>

Transfer activity from major governmental fund (General Fund) to nonmajor governmental fund (Artificial Turf Fund) represents a budgeted transfer that will be used for future upkeep and major repair needs. Because the transfer activity occurred within the governmental funds, the net effect presented on the Statement of Revenues, Expenditures, and Changes in Fund Balances, is zero and does not reflect an other financing source.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 4. OTHER INFORMATION

A. Retirement and Pension Systems of the State of Maryland

Plan Description

The employees of FCPS are covered by the Teachers' Retirement System (hereinafter the "TRS"), the TPS, the ERS, or the Employees' Pension System (hereinafter the EPS). These systems are part of the MSRPS, and are cost-sharing multiple-employer public employee retirement systems. The MSRPS provides pension, death, and disability benefits to plan members and beneficiaries. The plan is administered by the State Retirement Agency (hereinafter the "Agency"). Responsibility for the administration and operation of the MSRPS is vested in a 12-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland, (hereinafter the "Article"). The Article grants the authority to establish and amend the benefit terms and funding policy of TRS, TPS, ERS and EPS to the MSRPS Board of Trustees. MSRPS issues a publicly available financial report that can be obtained at www.sra.maryland.gov/annual-financial-reports.

The Article requires active members to contribute to the MSRPS, a percentage of their covered salary depending upon the retirement option selected. FCPS is required to contribute at an actuarially determined rate. The state's contributions on behalf of FCPS for the years ended June 30, 2022, 2021, and 2020, were \$34,387,294, \$32,855,984 and \$32,893,353, respectively, which were equal to the required contributions for each year. These on-behalf payments were recognized as revenues and expenditures during the period. FCPS' contributions for the years ended June 30, 2022, 2021, and 2020, were \$18,403,741, \$17,930,986 and \$16,860,886, respectively, which were equal to the required contributions for each year.

The Governmental Accounting Standards Board has issued GASB Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and GASB Statement No. 71, entitled *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which was adopted by the Board during the fiscal year ending June 30, 2015. As part of the adoption of these pronouncements, entities that participate in a multi-employer cost-sharing defined benefit retirement plan are required to record their proportionate share of the net unfunded pension liability of the entire Plan. The entity's share of the Plan's total unfunded pension liability is calculated by multiplying its share of the total pension plan contributions to the Plan for the year by the total unfunded liability of the Plan as of year-end. Because the state of Maryland contributes the prior service cost and any cost related to actuarial adjustments for the teachers and certain other employees, the Board does not need to record a liability related to those employees. The Board records an unfunded pension liability related to those employees for whom the Board must contribute the entire employer's contribution. The Board's total contribution for which it must pay the total employer's contribution was \$5,258,841 for the year ended June 30, 2022.

Benefits Provided. A member of either the TRS or the ERS is generally eligible to receive 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 (hereinafter the "AFC") multiplied by the number of years of accumulated creditable service.

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

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 4. OTHER INFORMATION (continued)

A. Retirement and Pension Systems of the State of Maryland (continued)

Plan Description (continued)

For most individuals who retired from either the TPS or EPS on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the TPS or the EPS 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 creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the TPS or the EPS shall earn 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 TPS or the EPS.

Exceptions to these benefit formulas apply to members of the EPS, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level (hereinafter the "SSIL"), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

Early Service Retirement

A member of either the TRS or the ERS may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a TRS or ERS member is 30%.

An individual who is a member of either the TPS or the EPS on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the TPS or the EPS is 42%. An individual who becomes a member of either the TPS or the EPS on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the TPS or the EPS is 30%.

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Contributions. (ERS) The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The Board's contractually required contribution rate for ERS for the year ended June 30, 2022, was approximately \$5.3 million, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to ERS from the Board were approximately \$5.3 million for the year ended June 30, 2022.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 4. OTHER INFORMATION (continued)

A. Retirement and Pension Systems of the State of Maryland (continued)

Disability and Death Benefits (continued)

Contributions. (TPS) The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The State is responsible for the net pension liability of TPS. The Board's required contribution is for the normal cost and does not include any contribution for past service cost. As such, the State is responsible for 100% of the net pension liability related to TPS and qualifies as a special funding situation. The State's contribution on behalf of the Board for the year ended June 30, 2022 was approximately \$34.4 million. The Board's contractually required contribution rate for TPS for the year ended June 30, 2022, was approximately \$13.1 million, actuarially determined as an amount that, when combined with the State and employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (State only).

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

As of June 30, 2022, the Board reported a liability of approximately \$34.1 million for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the ERS net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. The Board's proportion for the ERS was 0.227% as of June 30, 2022 as compared to 0.207% as of June 30, 2021, a change of 0.02%.

For the year ended June 30, 2022, the Board recognized pension expense for ERS of approximately \$5.3 million. As of June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022 Contributions	\$ 5,258,841	\$ -
Changes in assumptions	6,578,533	672,916
Projected/actual investments	-	15,759,817
Actual/expected experience	-	2,509,544
Change in proportionate share	3,780,402	-
Total	\$ 15,617,776	\$ 18,942,277

Deferred outflows of resources in the amount of \$5,258,841, related to ERS resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the ERS net pension liability in the year ending June 30, 2023. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	<u>Pension Expense Amount</u>
2023	\$ (2,608,075)
2024	(2,189,169)
2025	(2,029,824)
2026	(2,751,786)
2027	995,512
	\$ (8,583,342)

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 4. OTHER INFORMATION (continued)

A. Retirement and Pension Systems of the State of Maryland (continued)

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

As of June 30, 2022, the State of Maryland's proportionate share of the TPS net pension liability associated with the Board was \$311,717,419. The TPS net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportionate share of the TPS net pension liability associated with the Board was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined.

Detailed information regarding the actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are included in the MSRPS financial statements and are available at www.sra.maryland.gov/annual-financial-reports.

Actuarial Assumptions. The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% general, 2.75% wage
Salary increases	2.75% to 9.25% including wage inflation
Investment rate of return	6.80%
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females.

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 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 as of June 30, 2021, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Public Equity	37%	4.7%
Private Equity	13%	6.5%
Rate Sensitive	19%	(0.4)%
Credit Opportunity	9%	2.6%
Real Assets	14%	4.2%
Absolute Return	8%	2.0%
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, 2021.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 4. OTHER INFORMATION (continued)

A. Retirement and Pension Systems of the State of Maryland (continued)

Actuarial Assumptions. (continued)

For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense, was 26.69% and 3.50%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. A single discount rate of 6.80% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate. Regarding the sensitivity of the Board's proportionate share of the ERS net pension liability to changes in the single discount rate, the following presents the Board's net pension liability, calculated using a discount rate of 6.80%, as well as what the Board's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1- percentage-point higher:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Board's proportionate share of the net pension liability	\$58,003,367	\$34,056,720	\$14,193,134

B. Risk Management

FCPS 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; and employee health benefits. FCPS believes it is more economical to manage its employee health risks internally and set aside assets for health and dental claim settlements in an internal service fund. The Self-Insurance Fund accounts for all school system employees' health and dental expenses and related administrative costs by charging a premium to employees, retirees, and other funds. Costs are offset by interest income earned from investing receipts until they are paid out in the form of claims or expenses.

In the fund statements, interfund charges are accounted for as expenditures of the insured fund and as revenues of the Self-Insurance Fund in accordance with Governmental Accounting Standards Board Statement No. 10. In the government-wide Statement of Activities, eliminations are made to remove the "doubling-up" effect of the Self-Insurance Fund activity. Contributions from employees are treated as revenues of the Self-Insurance Fund since the employees' exposure is limited to the amount of their contributions in any one fiscal year. Processing of claims and other administrative matters are performed by an independent third party administrator for a fee. In addition, an insurance policy for coverage in excess of an agreed upon specific self-insured amount is purchased from an insurance company. The salary and benefits of FCPS personnel, who are partially engaged in providing internal claims coordination and handling of employee inquiries, are charged to the Self-Insurance Fund along with the above-mentioned costs. In addition, any other administrative costs directly relating to the benefits program such as legal, printing, etc. are charged to the Self-Insurance Fund.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 4. OTHER INFORMATION (continued)

B. Risk Management (continued)

The accrued liabilities reported in the Self-Insurance Fund include an estimate of claims that have been reported but not settled and an estimate in accordance with standard insurance industry reserve practices of claims that have been incurred but not reported prior to June 30, 2022. This aggregate unpaid claim liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Calculations provided by third party administrators and the Self-Insurance Fund's historical performance were used to estimate the claims liability.

Changes in the claims liability for self-insurance claims during 2022 and 2021 were as follows:

June 30, 2020 Liability Balance	\$ 8,744,185
Claims and Changes in Estimates	82,124,069
Claims Paid	<u>(81,524,867)</u>
June 30, 2021 Liability Balance	9,343,387
Claims and Changes in Estimates	86,152,692
Claims Paid	<u>(85,363,709)</u>
June 30, 2022 Liability Balance	<u><u>\$ 10,132,370</u></u>

In accordance with FCPS' policy, FCPS makes a contribution toward the costs of health benefits for those retirees who elect to participate in FCPS' health benefits programs following retirement. Currently 2,495 retirees meet the health eligibility requirements. FCPS funds a percentage of the premium rate for retirees who participate in FCPS' health indemnity plan. The rates are 65% for retirees with 10 to 24 years of service and 80% for retirees with 25 or more years of service. FCPS pays 18% for retiree dependents under age 65 and 21% for retiree dependents over age 65.

Retirees may participate in FCPS' dental benefit program, but the retiree contributes the entire premium. There is no Board contribution.

FCPS participates with sixteen other school districts in the State of Maryland in the Maryland Association of Boards of Education Workers' Compensation Group Self-Insurance Fund (hereinafter the "Fund"). This Fund was established to provide workers' compensation coverage for participating school boards. The Fund is operated under regulations promulgated by the State's Workers' Compensation Commission (COMAR 14.09.02). Each Fund member pays an annual premium calculated on its payroll according to the standard classifications, with an experience modification applied. The Trustees will annually review the results of the most recently completed fund year based upon the audited financial statement as of June 30 of each fund year and declare surplus in accordance with their policy. The Fund carries an excess insurance policy providing specific excess and employer liability protection coverages, thus reducing the potential of assessment against Fund members.

FCPS purchases commercial insurance for various coverages including but not limited to property, automobile, general liability, life and other miscellaneous type coverages such as builders risk and contractors equipment. The cost of the above coverages is included in the fixed charges and operations categories of the General Fund. There have been no significant reductions in insurance coverage from the prior year.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 4. OTHER INFORMATION (continued)

C. Frederick County Public Schools Defined Contribution Plan

FCPS administers the Frederick County Public Schools Defined Contribution Plan (the "Defined Contribution Plan"). The Defined Contribution Plan is designed to afford eligible employees an opportunity to increase their security at retirement through employer contributions during their periods of active employment while this Defined Contribution Plan remains in effect. The Board has the right to amend the plan at any time per the FCPS Defined Contribution Plan Document. In fiscal year 2022, the former FCPS Superintendent of Schools was the only participant in the Defined Contribution Plan. Contribution requirements are a negotiated part of the former and incoming Superintendent's contract. The Defined Contribution Plan has received a favorable determination letter from the Internal Revenue Service indicating that it qualifies as a tax-qualified "profit-sharing" plan. It is intended to be a "governmental plan" within the meaning of Internal Revenue Code Section 414. During fiscal year 2022, a \$40,000 contribution was made to the Defined Contribution Plan by the Board. The Defined Contribution Plan is similar to other deferred compensation plans such as 403(b), 401(k), and 457 plans, and therefore is not reported in FCPS' financial statements.

D. Post-employment Healthcare Plan

Plan Description

Plan administration. The Frederick County Public Schools Post-Employment Retiree Health Benefit Plan (the "Plan") is a single-employer defined benefit health plan administered by the Board. The defined benefit plan is used to provide post-employment benefits other than pensions (OPEB) for retirees of the Board and their dependents. The Board has the authority to establish and amend post-employment benefits.

Benefits provided. The Plan provides medical, dental, vision, and life insurance benefits to eligible participants (covered retirees, covered survivors and, with respect to certain benefits, their eligible dependents).

Plan membership. As of June 30, 2022, the Plan membership consisted of the following:

Retirees (of which 656 had dependent coverage) receiving benefits	2,495
Active Plan members	<u>5,413</u>
Total	<u>7,908</u>

The Plan is included in this financial report as a fiduciary fund. A separate, audited GAAP-basis post-employment benefit plan report is not available.

Contributions

The Board negotiates the contribution percentage between FCPS and the employees through union contracts and personnel policy. The required contribution for participants is based on projected "pay-as-you-go" financing requirements. For fiscal year 2022, FCPS contributed \$14,849,723 to the Plan. Of this amount, \$13,295,223 was for FCPS' share of retiree premiums, \$54,500 was contributed toward trust investment fees and \$1,500,000 was put into a 115 Trust account (the "Trust") which was established on May 29, 2008 for the purpose of pre-funding a portion of retiree health benefits in the future. Retiree plan members receiving benefits contributed \$9,424,912 or approximately 39% of combined contributions from the employer and plan members.

The rates for fiscal year 2022 were based on the length of service of the retiree (two tiers), the age of the retiree (non-Medicare eligible or Medicare eligible), and the type of insurance (medical Choice Advantage, which includes out-of-network medical PPO and prescription, and/or Dental). Rates paid by retirees varied for medical coverage from \$105.85 per month to \$1,032.23 per month, and dental coverage varied from \$33.84 per month to \$97.12 per month.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 4. OTHER INFORMATION (continued)

D. Post-employment Healthcare Plan (continued)

Contributions (continued)

Prior to the implementation of GASB Statement No. 75, in fiscal year 2018, the Board began to discuss funding policy options as it relates to the actuarially determined contribution. Previously the funding of the OPEB Trust was a budgetary consideration through the normal operating budget cycle. In November 2021, the Board approved an OPEB funding plan through Board Resolution. The funding plan outlines a strategy to incrementally increase the general fund annual contribution until the annual contribution amount equals the recommended annual contribution, above normal pay-go contributions, as derived from a bi-annual contribution study conducted by an independent professional actuarial company.

Investments

Investment policy. The Frederick County Public Schools Post-Employment Retiree Health Benefit Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. It is the responsibility of the Committee to ensure investments shall be made with the care, skill, prudence and diligence under circumstances then prevailing that a prudent investor would use in the administration of a trust of like character and with like aims. Construction of the Public Schools OPEB Trust's asset allocation policy is based upon current capital market expectations and the Public Schools OPEB Trust's investment horizon, liquidity needs, risk tolerance and investment objectives. The Public Schools OPEB Trust will be diversified among various asset classes in an effort to reduce the risk of loss. The assets of Frederick County Public Schools OPEB Trust will be invested in accordance with Section 17-102 of the Annotated Code of Maryland. The trust is intended to be exempt from federal income tax in accordance with Section 115 of the Internal Revenue Code or any other applicable federal statute.

The Plan's investment policy includes an asset allocation plan for investments. The broad asset target allocation percentage for the Plan's OPEB Trust by asset class are as follows; U.S. Equity 55%, International Equity 15%, U.S. Fixed Income 30%.

Rate of return. For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of the OPEB plan expense was (13.48)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2022, 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 as of June 30, 2022, were as follows (dollar amounts in thousands):

Total OPEB liability	\$ 709,731
Less plan fiduciary net position	<u>146,408</u>
Net OPEB liability	<u>\$ 563,323</u>
Plan fiduciary net position as a percentage of the total OPEB liability	20.63%

Actuarial Assumptions. The total OPEB liability as of June 30, 2022 is based on an actuarial valuation dated August 24, 2022, utilizing valuation data as of January 1, 2021. The valuation used the Entry Age Normal Funding Method calculated on an individual basis with level percentage of payroll. The Plan's liability was rolled forward to the measurement date June 30, 2022. The methods, assumptions, participant data, and plan provisions used were detailed in the fiscal year 2021 actuarial valuation dated August 31, 2021, unless otherwise specified.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 4. OTHER INFORMATION (continued)

D. Post-employment Healthcare Plan (continued)

Net OPEB Liability (continued)

Actuarial assumptions used in the latest actuarial valuation were:

Inflation rate	2.50%
Salary increases	3.20% to 8.70%, including inflation; depends on age and service
Investment rate of return	6.50%, including inflation
Discount rate	3.99% as of 6/30/22
Bond rate	3.69% as of 6/30/22
Healthcare cost trend rate	5.10% in 2022 5.10% - 4.10% between 2022 and 2074 4.00% in 2075+

The medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in October 2010 and updated in September 2019.

Mortality Healthy Teachers (Pre-Retirement and Post-Retirement): PubT. H-2010 Mortality Table (teacher, headcount-weighted), Fully Generational, Projected using Scale MP-2018 and base year 2010.

Health Non-Teachers (Pre-Retirement and Post-Retirement): RP 2014 Blue Collar Mortality Table, Fully Generational, Projected using Scale MP-2018 (Projected from base year 2006)

Disabled: RP 2014 Disabled Annuitant Mortality Tables, Not Generational, Set forward 1 year for Males.

The demographic assumptions are based on those used by the Maryland State Teachers Retirement and Pension System for its actuarial valuation.

Long Term Expected Rate of Return. The long term expected rate of return on OPEB plan investments was determined using a building block approach. The target allocation and best estimates of the geometric rates of return for each asset class is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>20-Year Arithmetic Nominal Rate of Return</u>	<u>20-Year Arithmetic Real Rate of Return</u>	<u>Weighted Average Rate 20-Year Arithmetic Real Rate of Return</u>
U.S. Large Cap Equity	45.00%	8.36%	6.06%	2.73%
U.S. Small/Mid Cap Equity	10.00%	9.54%	7.21%	0.72%
International Equity	10.00%	9.09%	6.77%	0.68%
U.S. Fixed Income	35.00%	3.74%	1.54%	0.54%
	<u>100.00%</u>			

The 20-year arithmetic nominal rates of return for the asset classes were taken from the Horizon capital market survey for 2020. The real rates of return were determined by excluding the 2.17% inflation assumption in the Horizon survey (page 13) from the nominal rates of return. The weighted average arithmetic real rate of return is determined using the real rates of return and the target allocations. To determine the portfolio nominal rate of return, the inflation assumption used by the long-term medical trend is applied to the weighted average real rate of return (rounded to the 25 basis points) resulting in a portfolio arithmetic nominal rate of return of 7.25%. The portfolio geometric return is determined by reducing the portfolio arithmetic nominal rate of return by half of the portfolio variance of 1.24%. The resulting rate of 6.63% was reduced 13 basis points to 6.50% to provide a margin for adverse experience.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 4. OTHER INFORMATION (continued)

D. Post-employment Healthcare Plan (continued)

Discount rate. A Single Discount Rate of 3.99% was used to measure the total OPEB liability as of June 30, 2022. The benefit payment stream for the Plan is discounted based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher for years when the projected benefit payouts are expected to be unfunded and 6.50% for years when the projected benefit payouts are expected to be funded. The Single Discount Rate was based on an expected rate of return on OPEB plan investments of 6.50% and a 20-year AA municipal bond rate of 3.69%. The projection of cash flows used to determine the Single Discount Rate assumed the employer contributions will be made at rates equal to the actuarially determined contribution rates. The calculations assume that the members and the Board will continue to make the current contribution levels increasing 3.0% per annum. The GASB requires that we first allocate these contributions to the normal cost for future hires. The actuary has determined present value of payments through 2040, using the expected rate of return on investments as the discount rate, and present value of benefit payments after 2040 using the municipal bond rate to determine the total OPEB liability. The Single Discount Rate as of June 30, 2022, was 3.99%, based on the blending of an expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.69%.

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance as of June 30, 2021	\$ 903,721,008	\$ 167,723,811	\$ 735,997,197
Changes for the year:			
Service cost	45,165,198	-	45,165,198
Interest	21,057,266	-	21,057,266
Experience losses/(gains)	2,364,624	-	2,364,624
Contribution – Employer	-	14,849,723	(14,849,723)
Contribution - Retiree Subsidy	-	4,355,725	(4,355,725)
Net investment income/(loss)	-	(22,822,785)	22,822,785
Changes in assumptions	(244,878,616)	-	(244,878,616)
Claims Incurred	(25,383,280)	(25,383,280)	-
Contributions – Plan Members	9,424,912	9,424,912	-
Administrative Expenses	(1,740,557)	(1,740,557)	-
Net Changes	(193,990,453)	(21,316,262)	(172,674,191)
Balance as of June 30, 2022	\$ 709,730,555	\$ 146,407,549	\$ 563,323,006

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.99%) or 1-percentage-point higher (4.99%) than the current discount rate:

	1% Decrease (2.99%)	Discount Rate (3.99%)	1% Increase (4.99%)
Net OPEB Liability	\$ 700,770,811	\$ 563,323,006	\$ 454,888,806

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 4. OTHER INFORMATION (continued)

D. Post-employment Healthcare Plan (continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (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	\$ 439,247,628	\$ 563,323,006	\$ 729,507,590

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available on pages 38 and 39 of the basic financial statements.

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2022, the Board recognized OPEB expense of \$25,554,937. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,113,025	\$ 158,160,731
Changes in assumptions	134,451,987	226,695,953
Net difference between projected and actual earnings on OPEB plan investments	10,730,628	-
Total	\$ 147,295,640	\$ 384,856,684

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

Years Ending June 30,	OPEB Expense Amount
2023	\$ (29,425,032)
2024	(29,436,706)
2025	(29,751,270)
2026	(24,108,207)
2027	(28,609,226)
Thereafter	(96,230,603)
Total	\$ (237,561,044)

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 5. CONTINGENCIES

FCPS, in the course of its operations, is a party to legal proceedings. The legal opinion of FCPS is that the ultimate disposition of these claims and legal proceedings will not have a material effect on the financial condition of FCPS.

FCPS, as grantee or sub-grantee, participates in numerous federal and state grant programs, which are subject to financial and compliance audits. FCPS believes it has complied, in all material respects, with applicable grant requirements and the amount of expenditures that may be disallowed by the granting agencies, if any, would be immaterial.

Note 6. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

The Board has adopted the following GASB Statements and have determined they do not have a material effect on the financial statements.

Statement No. 87, Leases

The objective of this Statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. This GASB Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. A lease is defined as a contract that conveys control of the right-to-use another entity's non-financial asset as specified in the contract for a period of time in exchange or exchange-like transaction. The Standard was effective for the year ended June 30, 2022. The required changes are reflected in the financial statements and notes to those statements. Management evaluated the statement noting the adoption was not material to the financial statements and had no impact to the beginning net position.

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

This Statement provides guidance regarding the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The Statement will also enhance (1) information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Paragraphs 4 and 5 of the Statement were effective immediately whereas the remaining requirements of this Statement are effective for periods beginning after June 15, 2021 (FY 2022). Management evaluated the statement noting the adoption was not material to the financial statements and had no impact on the financial statements.

Note 7. PENDING PRONOUNCEMENTS

GASB routinely issues standards that will become effective in future years. The following is a list of standards that have been issued that the Board has determined may have an impact on future financial statements.

Statement No. 96, Subscription-Based Information Technology Arrangements

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

Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 (FY 2024), and all reporting periods thereafter. The Board is currently evaluating the effect of implementation of this Statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2022

Note 7. PENDING PRONOUNCEMENTS (continued)

Statement No. 101, *Compensated Absences*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023 (FY 2025), and all reporting periods thereafter. The Board is currently evaluating the effect of implementation of this Statement.



REQUIRED SUPPLEMENTARY INFORMATION



FREDERICK COUNTY PUBLIC SCHOOLS
 Required Supplementary Information
 Schedule of Investment Returns for the Post-Employment Retiree Health Benefit Plan
 Last Ten Fiscal Years

	Fiscal Years									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return net of investment expense	-13.48%	28.94%	5.60%	8.02%	8.60%	12.06%	2.70%	4.29%	17.21%	12.19%

This schedule is presented to illustrate the requirement to show information for 10 years.

FREDERICK COUNTY PUBLIC SCHOOLS

Schedule of Changes in the Board's Net OPEB Liability and Related Ratios Last Ten Fiscal Years (Dollar amounts in thousands)

	Fiscal Years					
	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service Cost	\$ 45,165	\$ 48,407	\$ 42,409	\$ 33,157	\$ 33,298	\$ 39,249
Interest Cost	21,057	25,614	27,712	32,060	29,769	26,304
Differences Between Expected and Actual Experience	2,365	(157,483)	(233)	(63,933)	25	-
Changes in Assumptions	(244,878)	67,448	41,770	97,462	(20,309)	(102,897)
Benefit Payments	(17,699)	(16,620)	(15,240)	(15,151)	(14,088)	(13,097)
Net Change in Total OPEB Liability	(193,990)	(32,634)	96,418	83,595	28,695	(50,441)
Total OPEB liability - Beginning of Year	903,721	936,355	839,937	756,342	727,647	778,088
Total OPEB liability - End of Year	<u>\$ 709,731</u>	<u>\$ 903,721</u>	<u>\$ 936,355</u>	<u>\$ 839,937</u>	<u>\$ 756,342</u>	<u>\$ 727,647</u>
Plan Fiduciary Net Position						
Contributions						
Employer	\$ 14,850	\$ 19,518	\$ 15,431	\$ 13,399	\$ 12,772	\$ 10,730
Plan Members	9,425	8,242	7,305	8,633	7,768	5,761
Federal Government - Retiree Subsidy	4,356	4,211	3,706	3,790	3,362	3,409
Net Investment Income/(Loss)	(22,823)	36,513	7,059	7,768	8,494	9,966
Claims Incurred	(25,383)	(23,369)	(21,126)	(22,385)	(20,450)	(17,429)
Administrative Expenses	(1,741)	(1,493)	(1,419)	(1,398)	(1,406)	(1,429)
Net Change in Fiduciary Net Position	(21,316)	43,622	10,956	9,807	10,540	11,008
Fiduciary Net Position - Beginning of Year	167,724	124,102	113,146	103,339	92,799	81,791
Fiduciary Net Position - End of Year	<u>\$ 146,408</u>	<u>\$ 167,724</u>	<u>\$ 124,102</u>	<u>\$ 113,146</u>	<u>\$ 103,339</u>	<u>\$ 92,799</u>
Net OPEB Liability	\$ 563,323	\$ 735,997	\$ 812,253	\$ 726,791	\$ 653,003	\$ 634,849
Fiduciary Net Position as a % of Total OPEB Liability	20.63%	18.56%	13.25%	13.47%	13.66%	12.75%
Covered Payroll	\$ 382,608	\$ 358,709	\$ 351,559	\$ 332,251	\$ 317,315	\$ 300,358
Net OPEB Liability as a % of Payroll	147%	205%	231%	219%	206%	211%

Notes to Schedule:

Benefit Changes: None

Changes in the fiscal year assumptions included:

Change in Assumption	Fiscal Years					
	2022	2021	2020	2019	2018	2017
Inflation rate	2.50%	2.50%	2.30%	2.30%	2.30%	unknown
Investment Rate of Return	6.50%	6.50%	7.50%	7.50%	7.50%	7.50%
Discount Rate	3.99%	2.35%	2.76%	3.33%	4.28%	4.13%
Bond Rate	3.69%	1.92%	2.45%	3.13%	3.62%	3.58%
Healthcare cost trend rate	5.10%	4.90%	4.70%	5.70%	5.90%	unknown

Medical Trend: The medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in October 2010 and updated in September 2019.

This schedule is presented to illustrate the requirement to show information for 10 years. The Board implemented GASB 74 during fiscal year 2017. As such, information prior to June 30, 2017 is not available.

FREDERICK COUNTY PUBLIC SCHOOLS

Schedule of Contributions Related to Pension Last Ten Fiscal Years

	Fiscal Years							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions (ERS)	\$ 5,258,841	\$ 5,002,218	\$ 4,429,238	\$ 4,102,821	\$ 3,725,167	\$ 3,495,459	\$ 3,982,050	\$ 3,958,359
Contributions in Relation to the Contractually Required Contribution	\$ (5,258,841)	\$ (5,002,218)	\$ (4,429,238)	\$ (4,102,821)	\$ (3,725,167)	\$ (3,495,459)	\$ (3,982,050)	\$ (3,958,359)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's Covered Payroll	\$ 382,607,523	\$ 358,708,872	\$ 351,558,647	\$ 332,250,721	\$ 317,315,367	\$ 300,358,356	\$ 295,080,729	\$ 285,482,518
Contributions as a Percentage of Covered Payroll	1.37%	1.39%	1.26%	1.23%	1.17%	1.16%	1.35%	1.39%

This schedule is presented to illustrate the requirement to show information for 10 years. The Board implemented GASB 68 during fiscal year 2015. As such, information prior to June 30, 2015 is not available.

FREDERICK COUNTY PUBLIC SCHOOLS

Schedule of Proportionate Share of Net Pension Liability Last Ten Fiscal Years

	Fiscal Years							
	2022	2021	2020	2019	2018	2017	2016	2015
Board's Proportionate Share of the ERS Net Pension Liability	0.227%	0.207%	0.200%	0.187%	0.170%	0.179%	0.189%	0.167%
Board's Proportionate Share of the ERS Net Pension Liability	\$ 34,056,720	\$ 46,690,240	\$ 41,209,266	\$ 39,196,080	\$ 36,818,619	\$ 42,334,929	\$ 39,262,057	\$ 30,144,657
State's Proportionate Share of the TPS Net Pension Liability Associated with the Board	<u>311,717,419</u>	<u>477,787,576</u>	<u>427,524,226</u>	<u>454,750,072</u>	<u>471,695,636</u>	<u>527,606,070</u>	<u>417,982,864</u>	<u>300,434,664</u>
TOTAL	<u>\$ 345,774,139</u>	<u>\$ 524,477,816</u>	<u>\$ 468,733,492</u>	<u>\$ 493,946,152</u>	<u>\$ 508,514,255</u>	<u>\$ 569,940,999</u>	<u>\$ 457,244,921</u>	<u>\$ 330,579,321</u>
Board's Covered Payroll	\$ 358,708,872	\$ 351,558,647	\$ 332,250,721	\$ 317,315,367	\$ 300,358,356	\$ 295,080,729	\$ 285,482,518	\$ 283,949,347
Board's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	9.49%	13.28%	12.40%	12.35%	12.26%	14.35%	13.75%	10.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

This schedule is presented to illustrate the requirement to show information for 10 years. The Board implemented GASB 68 during fiscal year 2015. As such, information prior to June 30, 2015 is not available.



Student: Katie X.

Urbana High School

11th Grade

OTHER SUPPLEMENTARY INFORMATION



FREDERICK COUNTY PUBLIC SCHOOLS

School Construction Fund

Schedule of Expenditures by Type of School

For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

	2022	2021
HIGH SCHOOLS		
Land	\$ 1,133,699	\$ 974,453
Buildings and Improvements	773,644	236,498
Furniture and Equipment	133,600	-
TOTAL	\$ 2,040,943	\$ 1,210,951
 MIDDLE SCHOOLS		
Land	\$ 484	\$ 7,813
Buildings and Improvements	1,068,466	6,008,540
Furniture and Equipment	286,703	52,632
TOTAL	\$ 1,355,653	\$ 6,068,985
 ELEMENTARY SCHOOLS		
Land	\$ 852,230	\$ 653,045
Buildings and Improvements	32,912,109	53,806,391
Furniture and Equipment	3,209,316	1,582,157
TOTAL	\$ 36,973,655	\$ 56,041,593
 OTHER		
Land	\$ 27,984	\$ 65,974
Buildings and Improvements	2,688,835	30,677,562
Furniture and Equipment	731,233	1,035,722
TOTAL	\$ 3,448,052	\$ 31,779,258
 TOTAL		
Land	\$ 2,014,397	\$ 1,701,285
Buildings and Improvements	37,443,054	90,728,991
Furniture and Equipment	4,360,852	2,670,511
TOTAL (Excludes Intergovernmental Payment)	\$ 43,818,303	\$ 95,100,787

FREDERICK COUNTY PUBLIC SCHOOLS

School Construction Fund Schedule of Cumulative Expenditures, Encumbrances, and Appropriations Through June 30, 2022

PROJECT	Cumulative Expenditures June 30, 2021	Expenditures Net of Closed Projects Current Fiscal Year	Cumulative Expenditures June 30, 2022	Encumbrances	Cumulative Appropriations June 30, 2022	Unencumbered Balance of Appropriations
7446 Hayward Rd	\$ 72,474	\$ -	\$ 72,474	\$ -	\$ 823,895	\$ 751,421
Ballenger Creek Middle	616,684	(616,684)	-	-	576,000	576,000
Blue Heron Elementary	34,235,655	(34,235,655)	-	34,957	4,524,942	4,489,985
Board of Education - Unallocated	-	-	-	-	4,518,027	4,518,027
Brunswick Elementary	746,647	5,234,912	5,981,559	12,119,674	18,210,672	109,439
Buses	-	-	-	92,046	92,436	390
Carroll Manor Elementary	989,144	(989,144)	-	-	-	-
Chromebook Replacement	-	-	-	1,599,992	1,600,000	8
Design Fees - Future Projects	-	99,551	99,551	-	169,493	69,942
Governor Thomas Johnson High	7,227	489,359	496,586	146,570	643,241	85
Heather Ridge	733,267	(733,267)	-	-	-	-
Kemptown Elementary	-	-	-	-	128,806	128,806
Lewistown Elementary	-	14,610	14,610	-	95,000	80,390
Liberty Elementary	-	16,930	16,930	-	155,000	138,070
Limited Renovations	127,965	(127,965)	-	-	-	-
Lincoln Elementary	234,475	(234,475)	-	-	-	-
Middletown High	1,795	(1,795)	-	-	-	-
Myersville Elementary	1,734	(1,734)	-	-	-	-
Oakdale Middle	-	-	-	-	4,484,415	4,484,415
Orchard Grove Elementary	-	-	-	249,494	299,700	50,206
Portable Classrooms	9,980	24,695	34,675	10,000	653,990	609,315
Rock Creek	2,504	2,728,155	2,730,659	220,320	5,645,327	2,694,348
Sugarloaf Elementary	181,540	59,308	240,848	2,312	2,900,259	2,657,099
Systemic Contingency	-	-	-	-	948,250	948,250
Thurmont Elementary	-	3,053,658	3,053,658	3,495,859	9,455,035	2,905,518
Urbana Elementary	-	-	-	-	4,713,953	4,713,953
Urbana High	-	-	-	-	79,699	79,699
Valley Elementary	-	-	-	-	2,932,142	2,932,142
Walkersville Middle	9,923	(9,923)	-	-	-	-
Waverley Elementary	21,484,281	(21,484,123)	158	6,746,822	8,249,561	1,502,581
Wolfsville Elementary	-	-	-	-	97,965	97,965
Woodsboro Elementary	-	15,850	15,850	7,643	146,662	123,169
Yellow Springs Elementary	-	-	-	-	193,530	193,530
TOTAL	\$ 59,455,295	\$ (46,697,737)	\$ 12,757,558	\$ 24,725,689	\$ 72,338,000	\$ 34,854,753

FREDERICK COUNTY PUBLIC SCHOOLS

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) Food and Nutrition Services Fund For the Year Ended June 30, 2022

	Budgeted Amounts	Actual Amounts	Variance with
	Original & Final	Budgetary Basis	Final Budget
			Positive
			(Negative)
Revenues:			
Federal	\$ 13,856,444	\$ 24,567,474	\$ 10,711,030
State	105,721	363,927	258,206
Charges for Services	1,869,000	1,617,395	(251,605)
Other	20,750	85,064	64,314
Total Revenues	15,851,915	26,633,860	10,781,945
Expenditures:			
Food and Nutrition Services	15,851,915	20,090,988	(4,239,073)
Total Expenditures	15,851,915	20,090,988	(4,239,073)
Excess (Deficiency) of			
Revenues over Expenditures	-	6,542,872	\$ 6,542,872
Net Change	\$ -	6,542,872	\$ 6,542,872
Fund Balance - Beginning		2,375,970	
Fund Balance - Ending		\$ 8,918,842	

STATISTICAL SECTION

FREDERICK COUNTY PUBLIC SCHOOLS

Statistical Section

This part of FCPS' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	83-89
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Debt Capacity	90
<i>This schedule presents information to help the reader assess the affordability of the government's current level of outstanding debt.</i>	
Demographic and Economic Information	91-92
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	94-102
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Board's financial report relates to the services it provides and activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant fiscal years dated June 30, 2013 through June 30, 2022.



Student: Ella E.

Governor Thomas Johnson Middle School

8th Grade

FREDERICK COUNTY PUBLIC SCHOOLS

Net Position by Component Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Years									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities:										
Net Investment in Capital Assets	\$ 629,279,251	\$ 636,220,966	\$ 631,773,163	\$ 650,686,334	\$ 698,147,490	\$ 755,606,761	\$ 745,864,060	\$ 781,632,550	\$ 843,331,592	\$ 851,822,760
Restricted	1,004,071	370,277	9,279	9,280	9,297	10,667,947	2,378,625	-	-	-
Unrestricted	<u>(158,460,397)</u>	<u>(184,879,032)</u>	<u>(250,280,285)</u>	<u>(295,963,443)</u>	<u>(334,457,807)</u>	<u>(713,155,732)</u>	<u>(748,991,048)</u>	<u>(786,846,423)</u>	<u>(820,287,431)</u>	<u>(820,774,778)</u>
Total Governmental Activities Net Position	<u>471,822,925</u>	<u>451,712,211</u>	<u>381,502,157</u>	<u>354,732,171</u>	<u>363,698,980</u>	<u>53,118,976</u>	<u>(748,363)</u>	<u>(5,213,873)</u>	<u>23,044,161</u>	<u>31,047,982</u>
Primary Government:										
Net Investment in Capital Assets	629,279,251	636,220,966	631,773,163	650,686,334	698,147,490	755,606,761	745,864,060	781,632,550	843,331,592	851,822,760
Restricted	1,004,071	370,277	9,279	9,280	9,297	10,667,947	2,378,625	-	-	-
Unrestricted	<u>(158,460,397)</u>	<u>(184,879,032)</u>	<u>(250,280,285)</u>	<u>(295,963,443)</u>	<u>(334,457,807)</u>	<u>(713,155,732)</u>	<u>(748,991,048)</u>	<u>(786,846,423)</u>	<u>(820,287,431)</u>	<u>(820,774,778)</u>
Total Primary Government Net Position	<u>\$ 471,822,925</u>	<u>\$ 451,712,211</u>	<u>\$ 381,502,157</u>	<u>\$ 354,732,171</u>	<u>\$ 363,698,980</u>	<u>\$ 53,118,976</u>	<u>\$ (748,363)</u>	<u>\$ (5,213,873)</u>	<u>\$ 23,044,161</u>	<u>\$ 31,047,982</u>

FREDERICK COUNTY PUBLIC SCHOOLS

Changes in Net Position Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Years									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental Activities										
Instruction										
Regular Instruction	\$ 320,729,204	\$ 333,517,634	\$ 346,599,360	\$ 352,196,897	\$ 354,039,987	\$ 363,567,238	\$ 386,007,871	\$ 406,660,933	\$ 432,271,717	\$ 450,714,463
Special Education Instruction	71,826,374	76,878,032	80,754,673	82,479,537	84,102,569	87,791,944	99,099,495	99,422,202	101,711,158	107,630,337
Total Instruction	<u>392,555,578</u>	<u>410,395,666</u>	<u>427,354,033</u>	<u>434,676,434</u>	<u>438,142,556</u>	<u>451,359,182</u>	<u>485,107,366</u>	<u>506,083,135</u>	<u>533,982,875</u>	<u>558,344,800</u>
Support Services										
Administration	15,139,813	18,024,675	14,401,715	16,417,367	15,915,175	16,866,200	17,282,282	18,779,454	19,564,018	18,928,857
Mid-level Administration	43,970,479	47,151,480	46,929,147	50,483,603	50,848,718	52,276,685	54,709,958	57,816,089	61,608,229	60,244,715
Pupil Personnel Services	3,780,428	4,096,108	4,145,017	4,633,733	4,821,976	4,997,831	2,866,085	3,419,562	4,361,979	4,850,780
Health	5,848,812	6,129,312	6,476,286	6,484,085	6,335,474	6,252,164	6,873,851	6,752,882	6,493,717	9,226,784
Pupil Transportation	28,018,016	27,114,005	28,508,543	28,938,501	30,298,627	32,767,258	34,028,232	34,397,092	27,373,321	35,940,099
Operations	42,398,992	44,319,997	44,287,048	43,044,135	44,009,997	44,282,947	46,518,844	48,582,801	53,505,366	54,125,163
Maintenance	14,329,311	14,846,437	15,230,658	16,423,681	16,990,431	16,507,013	17,796,436	18,094,357	19,337,223	19,552,667
Food and Nutrition Services	11,256,820	11,101,278	11,401,198	12,281,900	12,505,100	12,747,402	13,045,590	11,940,356	10,292,829	17,596,631
Community Services	1,795,927	1,293,017	1,208,880	1,526,228	1,229,372	1,138,316	1,240,872	1,022,336	656,910	1,308,240
Student Activities	-	-	-	-	-	-	-	6,796,800	1,873,015	4,182,779
Interest on Long-term Liabilities	426,252	464,571	411,481	405,741	377,665	327,288	842,056	978,497	568,992	357,977
Intergovernmental Payment	18,179,942	16,751,750	10,031,548	20,457,247	13,871,000	20,342,000	12,737,000	18,629,976	20,038,937	15,499,635
Total Support Services	<u>185,144,792</u>	<u>191,292,630</u>	<u>183,031,521</u>	<u>201,096,221</u>	<u>197,203,535</u>	<u>208,505,104</u>	<u>207,941,206</u>	<u>227,210,202</u>	<u>225,674,536</u>	<u>241,814,327</u>
Total Governmental Activities	<u>\$ 577,700,370</u>	<u>\$ 601,688,296</u>	<u>\$ 610,385,554</u>	<u>\$ 635,772,655</u>	<u>\$ 635,346,091</u>	<u>\$ 659,864,286</u>	<u>\$ 693,048,572</u>	<u>\$ 733,293,337</u>	<u>\$ 759,657,411</u>	<u>\$ 800,159,127</u>
Program Revenues										
Governmental Activities										
Charges for services:										
Regular Instruction	\$ 836,373	\$ 902,138	\$ 910,751	\$ 817,186	\$ 927,982	\$ 908,442	\$ 856,365	\$ 731,969	\$ 362,807	\$ 915,937
Food and Nutrition Services	5,366,963	5,027,144	4,658,705	4,584,610	4,699,487	4,976,681	5,660,046	4,013,873	74,356	1,702,459
Support Services	900,966	803,464	867,971	1,046,012	990,508	1,024,951	1,034,228	828,630	217,488	730,924
Student Activities	-	-	-	-	-	-	-	1,129,158	176,068	1,168,742
Operating Grants and Contributions	135,006,820	147,916,388	151,038,997	150,919,490	144,891,134	146,096,821	154,273,874	173,793,918	194,780,584	246,901,387
Capital Grants and Contributions	24,794,489	47,563,863	31,486,425	64,425,239	88,265,911	101,509,193	37,799,310	86,498,795	116,903,051	61,592,349
Total Gov. Activities Program Revenues	<u>\$ 166,905,611</u>	<u>\$ 202,212,997</u>	<u>\$ 188,962,849</u>	<u>\$ 221,792,537</u>	<u>\$ 239,775,022</u>	<u>\$ 254,516,088</u>	<u>\$ 199,623,823</u>	<u>\$ 266,996,343</u>	<u>\$ 312,514,354</u>	<u>\$ 313,011,798</u>
Net (Expense) Revenue										
Governmental Activities	<u>\$ (410,794,759)</u>	<u>\$ (399,475,299)</u>	<u>\$ (421,422,705)</u>	<u>\$ (413,980,118)</u>	<u>\$ (395,571,069)</u>	<u>\$ (405,348,198)</u>	<u>\$ (493,424,749)</u>	<u>\$ (466,296,994)</u>	<u>\$ (447,143,057)</u>	<u>\$ (487,147,329)</u>

(continued)

FREDERICK COUNTY PUBLIC SCHOOLS

Changes in Net Position Last Ten Fiscal Years (Accrual Basis of Accounting) (continued)

	Fiscal Years									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Federal Aid Not Restricted to Specific Purposes	\$ 80,377	\$ 985	\$ 24,613	\$ 27,603	\$ 264,918	\$ 40,582	\$ 223,630	\$ 345,444	\$ 413,158	\$ 102,877
State Aid Not Restricted to Specific Purposes	154,557,441	156,789,324	157,325,216	157,774,835	156,381,556	160,628,485	165,329,475	171,208,564	176,559,518	177,345,744
Local Aid Not Restricted to Specific Purposes	221,654,363	221,884,100	223,054,977	228,942,030	247,066,477	260,822,220	272,386,838	283,465,005	296,598,012	316,598,012
Interest and Investment Earnings	41,184	20,248	10,572	32,799	237,626	544,643	1,169,840	787,652	299,632	377,434
Other Revenue	1,531,276	669,928	372,346	432,865	587,301	392,108	447,627	2,766,431	1,530,771	727,083
Total General Revenues	<u>377,864,641</u>	<u>379,364,585</u>	<u>380,787,724</u>	<u>387,210,132</u>	<u>404,537,878</u>	<u>422,428,038</u>	<u>439,557,410</u>	<u>458,573,096</u>	<u>475,401,091</u>	<u>495,151,150</u>
Changes in Net Position										
Governmental Activities	<u>\$ (32,930,118)</u>	<u>\$ (20,110,714)</u>	<u>\$ (40,634,981)</u>	<u>\$ (26,769,986)</u>	<u>\$ 8,966,809</u>	<u>\$ 17,079,840</u>	<u>\$ (53,867,339)</u>	<u>\$ (7,723,898)</u>	<u>\$ 28,258,034</u>	<u>\$ 8,003,821</u>
Net Position - Beginning of Year	\$ 504,753,043	\$ 471,822,925	\$ 451,712,211	\$ 381,502,157	\$ 354,732,171	\$ 363,698,980	\$ 53,118,976	\$ (748,363)	\$ (8,630,124)	\$ 23,044,161
Adjustment to Restate Beginning Net Position	-	-	(29,575,073)	-	-	(327,659,844)	-	3,258,388	3,416,251	-
Net Position - Beginning of Year, Restated	<u>504,753,043</u>	<u>471,822,925</u>	<u>422,137,138</u>	<u>381,502,157</u>	<u>354,732,171</u>	<u>36,039,136</u>	<u>53,118,976</u>	<u>2,510,025</u>	<u>(5,213,873)</u>	<u>23,044,161</u>
Net Position - End of Year	<u>\$ 471,822,925</u>	<u>\$ 451,712,211</u>	<u>\$ 381,502,157</u>	<u>\$ 354,732,171</u>	<u>\$ 363,698,980</u>	<u>\$ 53,118,976</u>	<u>\$ (748,363)</u>	<u>\$ (5,213,873)</u>	<u>\$ 23,044,161</u>	<u>\$ 31,047,982</u>

FREDERICK COUNTY PUBLIC SCHOOLS

Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	Fiscal Years									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Nonspendable:										
Inventory	\$ 610,230	\$ 540,581	\$ 501,669	\$ 563,454	\$ 585,347	\$ 602,889	\$ 581,681	\$ 719,103	\$ 1,084,454	\$ 758,503
Prepaid Items	64,743	25,591	63,407	65,628	161,133	844,290	188,265	610,472	1,172,650	776,332
Restricted:										
Lease Reserve	1,004,071	370,277	9,279	9,280	9,297	9,316	-	9,272,085	-	-
Committed:										
Charter Schools Reserve	-	280,240	252,307	347,357	579,752	1,068,728	1,020,144	1,114,017	1,481,773	2,271,069
Assigned:										
Administration	1,256,573	487,228	861,273	441,725	2,743,395	1,775,221	1,739,814	2,171,017	2,451,935	3,082,171
Instructional	3,514,187	5,109,713	4,623,990	2,562,952	2,037,856	3,457,824	2,442,274	4,224,196	6,656,745	5,859,418
Maintenance and Operations	1,368,136	3,449,119	551,937	2,016,688	2,687,389	4,987,762	3,872,277	6,145,886	7,414,892	4,364,803
Transportation	2,574,093	3,523,049	1,934,899	5,505,180	5,952,649	6,274,281	6,068,002	7,204,972	9,106,920	8,362,936
Grants	-	-	-	-	-	-	-	-	1,096,624	2,668,208
Student Activities	-	-	-	-	-	-	-	3,416,251	3,178,951	3,766,285
Unassigned:	643,594	121,035	572,519	2,065,030	2,787,824	1,177,022	3,046,447	3,190,368	4,544,792	3,336,973
Total General Fund	<u>\$ 11,035,627</u>	<u>\$ 13,906,833</u>	<u>\$ 9,371,280</u>	<u>\$ 13,577,294</u>	<u>\$ 17,544,642</u>	<u>\$ 20,197,333</u>	<u>\$ 18,958,904</u>	<u>\$ 38,068,367</u>	<u>\$ 38,189,736</u>	<u>\$ 35,246,698</u>
All other Governmental Funds										
Nonspendable:										
Inventory	\$ 450,421	\$ 440,134	\$ 281,429	\$ 266,577	\$ 383,270	\$ 448,805	\$ 547,682	\$ 1,077,913	\$ 687,325	\$ 824,121
Restricted:										
Unspent Lease Proceeds	-	-	-	-	-	10,658,631	2,378,625	-	-	-
School Construction	-	-	-	-	-	-	-	-	200,000	-
Committed:										
School Construction	-	-	-	-	-	-	-	-	400,000	-
Assigned:										
Artificial Turf	233,292	299,314	367,286	433,850	516,693	582,791	665,968	723,296	-	289,901
Food and Nutrition Services	1,785,888	2,048,875	2,364,119	2,088,345	1,557,933	1,350,297	1,784,483	180,976	1,748,913	11,204,789
Unassigned:										
Artificial Turf	-	-	-	-	-	-	-	-	(149,888)	-
Total All Other Govern- mental Funds	<u>\$ 2,469,601</u>	<u>\$ 2,788,323</u>	<u>\$ 3,012,834</u>	<u>\$ 2,788,772</u>	<u>\$ 2,457,896</u>	<u>\$ 13,040,524</u>	<u>\$ 5,376,758</u>	<u>\$ 1,982,185</u>	<u>\$ 2,886,350</u>	<u>\$ 12,318,811</u>



FREDERICK COUNTY PUBLIC SCHOOLS

Change in Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	Fiscal Years									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Federal	\$ 20,713,422	\$ 22,071,060	\$ 22,801,688	\$ 22,847,024	\$ 23,449,438	\$ 23,552,420	\$ 26,066,112	\$ 24,786,371	\$ 44,331,117	\$ 88,328,846
State	272,893,455	281,360,181	279,013,269	287,394,804	281,857,099	294,490,550	295,831,883	323,558,892	334,349,294	332,164,820
Local	247,229,136	269,589,223	260,461,660	290,135,003	326,158,478	354,745,408	305,983,308	353,915,383	401,484,193	372,886,752
Charges for Services	5,228,250	4,883,435	4,538,212	4,421,391	4,485,877	4,744,567	5,407,402	4,953,730	208,768	2,786,137
Other	4,319,972	4,043,844	3,213,948	3,875,761	4,579,641	4,059,244	6,555,480	13,677,319	5,975,124	9,119,171
Total Revenues	550,384,235	581,947,743	570,028,777	608,673,983	640,530,533	681,592,189	639,844,185	720,891,695	786,348,496	805,285,726
Expenditures										
Current:										
Administration	9,297,216	8,940,752	8,912,766	9,936,218	10,035,223	10,533,695	11,135,941	11,721,221	12,699,145	12,791,043
Mid-level Administration	29,580,340	31,309,475	31,153,803	31,772,500	32,314,112	33,889,690	35,333,435	37,007,206	40,387,727	42,256,215
Instructional Salaries	189,307,903	194,902,037	196,954,569	193,304,177	196,148,568	206,573,539	216,533,524	228,068,154	237,816,410	268,894,279
Instructional Supplies	7,159,468	8,272,208	10,879,760	8,462,236	8,788,484	9,161,076	11,715,229	12,291,941	22,573,877	25,872,611
Instruction - Other	2,584,899	2,468,874	1,773,063	2,130,774	2,292,456	2,527,545	2,451,672	2,617,153	3,783,467	3,390,648
Special Education	51,531,969	54,619,243	56,437,598	55,391,267	57,943,402	61,220,228	68,687,338	69,263,293	70,801,307	81,100,100
Pupil Personnel	2,568,250	2,717,953	2,648,581	2,855,843	3,018,648	3,206,954	1,910,448	2,129,103	2,721,015	3,357,760
Health	5,786,921	6,076,916	6,410,009	6,411,420	6,264,875	6,184,651	6,796,889	6,666,586	6,384,327	9,087,521
Pupil Transportation	20,132,570	18,845,274	19,477,832	18,846,735	20,053,991	22,281,281	22,699,098	22,617,928	17,877,064	25,548,198
Operations	34,298,684	35,497,862	35,644,612	33,353,717	33,780,176	34,570,387	35,893,919	37,487,751	42,306,098	44,808,702
Maintenance	10,697,634	10,915,666	11,103,133	11,409,804	11,949,644	11,708,541	12,910,918	13,039,478	14,315,480	15,642,503
Fixed Charges	138,633,468	139,415,179	145,801,430	149,217,979	152,891,266	155,503,890	159,784,290	167,658,453	174,270,235	183,017,745
Food and Nutrition Services	10,886,328	10,889,282	11,191,543	12,095,153	12,336,594	12,489,845	12,830,735	11,770,377	10,166,754	17,318,205
Community Services	1,498,515	986,228	846,840	1,071,022	839,691	788,754	831,541	695,872	472,187	1,029,018
Student Activities	-	-	-	-	-	-	-	6,796,800	1,873,015	4,182,779
Capital Outlay:										
Land	670,560	48,521	1,616,416	894,712	1,064,877	844,159	2,153,743	2,548,369	1,701,285	2,014,397
Buildings and Improvements	9,192,150	28,154,457	17,908,827	43,055,820	67,254,234	84,833,821	28,111,489	61,867,898	92,041,189	37,443,054
Equipment	4,235,744	5,119,098	4,590,174	1,978,532	5,172,867	6,246,941	5,764,200	1,221,986	2,670,511	4,360,852
Debt Service:										
Lease Principal	456,907	2,336,566	538,588	1,646,212	523,809	539,677	766,159	2,706,864	841,460	740,311
Lease Interest	504,356	488,715	417,047	400,088	349,548	333,064	316,062	1,337,251	309,387	440,727
Lease Issuance Cost	-	-	-	-	-	-	-	104,751	-	-
Lease Refinancing Costs	-	-	-	-	-	-	-	128,726	141,524	-
Intergovernmental Payment	18,179,942	16,751,750	10,031,548	20,457,247	13,871,000	20,342,000	12,737,000	18,629,976	20,038,937	15,499,635
Total Expenditures	547,203,824	578,756,056	574,338,139	604,691,456	636,893,465	683,779,738	649,363,630	718,377,137	776,192,401	798,796,303
Excess (Deficiency) of Revenues Over Expenditures	3,180,411	3,191,687	(4,309,362)	3,982,527	3,637,068	(2,187,549)	(9,519,445)	2,514,558	10,156,095	6,489,423

(continued)

FREDERICK COUNTY PUBLIC SCHOOLS

Change in Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting) (continued)

	Fiscal Years									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Other Financing Sources (Uses)										
Proceeds from Lease	\$ 668,732	\$ -	\$ -	\$ -	\$ -	\$ 15,002,047	\$ -	\$ 9,341,835	\$ -	\$ -
Proceeds from Lease Refinancing	-	-	-	-	-	-	-	13,472,719	-	-
Payments to Retire Debt	-	-	-	-	-	-	-	(12,872,611)	(9,130,561)	-
Transfers In From:										
General Fund	556,900	118,164	115,817	35,546	36,989	-	35,000	-	617,434	150,000
Internal Service Fund	-	-	-	-	-	637,875	617,250	-	-	-
Transfers Out To:										
Internal Service Fund	(8,292)	(1,759)	(1,680)	(575)	(596)	(217,054)	-	-	-	-
Special Revenue Funds	(556,900)	(118,164)	(115,817)	(35,546)	(36,989)	-	(35,000)	-	(217,434)	(150,000)
Capital Projects Fund	-	-	-	-	-	-	-	-	(400,000)	-
Total Other Financing Sources (Uses)	660,440	(1,759)	(1,680)	(575)	(596)	15,422,868	617,250	9,941,943	(9,130,561)	-
Net Change in Fund Balances	3,840,851	3,189,928	(4,311,042)	3,981,952	3,636,472	13,235,319	(8,902,195)	12,456,501	1,025,534	6,489,423
Total Expenditures	\$ 547,203,824	\$ 578,756,056	\$ 574,338,139	\$ 604,691,456	\$ 636,893,465	\$ 683,779,738	\$ 649,363,630	\$ 718,377,137	\$ 776,192,401	\$ 798,796,303
Less Capital Outlay	(14,900,428)	(31,013,568)	(21,756,616)	(44,849,346)	(74,478,273)	(88,416,512)	(33,701,373)	(71,228,131)	(99,288,746)	(46,957,531)
Non-capital Expenditures	<u>\$ 532,303,396</u>	<u>\$ 547,742,488</u>	<u>\$ 552,581,523</u>	<u>\$ 559,842,110</u>	<u>\$ 562,415,192</u>	<u>\$ 595,363,226</u>	<u>\$ 615,662,257</u>	<u>\$ 647,149,006</u>	<u>\$ 676,903,655</u>	<u>\$ 751,838,772</u>
Debt Service	<u>\$ 961,263</u>	<u>\$ 2,825,281</u>	<u>\$ 955,635</u>	<u>\$ 2,046,300</u>	<u>\$ 873,357</u>	<u>\$ 872,741</u>	<u>\$ 1,082,221</u>	<u>\$ 4,148,866</u>	<u>\$ 1,150,847</u>	<u>\$ 1,181,038</u>
Debt Service as a Percentage of Non-capital Expenditures	0.18%	0.52%	0.17%	0.37%	0.16%	0.15%	0.18%	0.64%	0.17%	0.16%

FREDERICK COUNTY PUBLIC SCHOOLS

Ratios of Outstanding Debt Last Ten Fiscal Years

<u>Years</u>	<u>Governmental Activities Leases Payable</u>	<u>Percentage of Personal Income¹</u>	<u>Per Capita¹</u>
2013	\$ 16,059,000	0.13%	67
2014	13,722,434	0.11%	57
2015	13,183,846	0.10%	54
2016	11,537,634	0.08%	47
2017	11,013,825	0.07%	44
2018	25,476,195	0.16%	100
2019	24,710,036	0.15%	95
2020	31,945,115	0.18%	120
2021	21,973,094	N/A	81
2022	21,232,783	N/A	76

¹ See the Schedule of Demographic and Economic Statistics for personal income and population data. Historical data for Percentage of Personal Income, was updated in conjunction with updated information obtained from the U.S. Bureau of Economic Analysis (all data updated as of March 2020).

N/A Information not yet available.

FREDERICK COUNTY PUBLIC SCHOOLS

Demographic and Economic Statistics Last Ten Fiscal Years

Years	Population¹	Personal Income (in thousands of dollars)²	Per Capita Personal Income²	Unemployment Rate³
2013	238,345	\$ 12,477,615	\$ 51,736	6.6 %
2014	240,911	12,918,918	53,040	5.4 %
2015	243,692	13,447,457	54,803	5.0 %
2016	246,972	13,882,887	56,072	4.0 %
2017	249,277	14,934,448	59,259	3.7%
2018	255,265	15,816,571	61,869	4.1%
2019	259,942	16,649,205	64,147	3.6%
2020	265,480	17,676,642	66,664	7.6%
2021	271,717	N/A	N/A	5.8%
2022	279,835	N/A	N/A	3.2%

Sources: ¹ Estimated by Frederick County Division of Planning and Permitting Population

² U.S. Bureau of Economic Analysis (all data updated as of March 2020)

³ Maryland Department of Labor, Licensing & Regulation

N/A Information not yet available.

FREDERICK COUNTY PUBLIC SCHOOLS

Principal Employers Current Year and Nine Years Ago

Employer	2022			2013		
	Employees	Rank	Percentage of Total County Employment ¹	Employees	Rank	Percentage of Total County Employment ¹
Fort Detrick	10,200 *	1	10.06%	10,000 *	1	10.61%
Frederick County Board of Education	6,585	2	6.50%	5,538	2	5.87%
Frederick Health Hospital ²	3,275	3	3.23%	2,800	3	2.97%
Frederick County Government	2,396	4	2.36%	2,130	4	2.26%
Leidos Biomedical (formerly SAIC-Frederick)	2,341	5	2.31%	1,800	6	1.91%
Frederick Community College	1,251	6	1.23%	899	8	0.95%
Thermo Fisher Scientific (formerly Life Technologies)	950	7	0.94%	-	-	-
Frederick City Government	841	8	0.83%	852	9	0.90%
Costco Wholesale	740	9	0.73%	-	-	-
AstraZeneca	700	10	0.69%	-	-	-
Wells Fargo Home Mortgage	-	-	-	1,881	5	2.00%
Bechtel Corporation (formerly Bechtel Power)	-	-	-	1,578	7	1.67%
United Health Care (formerly MAMSI)	-	-	-	832	10	0.88%
	<u>29,279</u>		<u>28.88%</u>	<u>28,310</u>		<u>30.02%</u>

¹ Includes military personnel

² Formerly Frederick Memorial Healthcare System

Source: Frederick County Office of Economic Development, Board of Education of Frederick County, Frederick County Division of Finance, and City of Frederick.



Student: Leah G.

Yellow Springs Elementary School

4th Grade

FREDERICK COUNTY PUBLIC SCHOOLS

Total Enrollment by School and Student to Teacher Ratio Last Ten Fiscal Years

SCHOOLS	Fiscal Years										Capacity	Percent Capacity
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		
Elementary												
Ballenger Creek	653	656	667	656	665	648	650	586	602	640	636	101%
Blue Heron	-	-	-	-	-	-	-	-	-	615	677	91%
Brunswick	611	619	637	659	648	703	727	762	694	740	507	146%
Butterfly Ridge	-	-	-	-	-	-	627	675	649	682	668	102%
Carroll Creek Montessori	128	187	208	218	220	229	228	228	228	230	210	110%
Carroll Manor	552	572	573	566	556	565	579	577	538	516	508	102%
Centerville	926	947	993	997	1,001	956	929	972	439	447	627	71%
Deer Crossing	668	678	719	744	737	778	788	806	813	464	568	82%
Emmitsburg	292	305	300	278	258	255	247	220	201	207	225	92%
Frederick Classical Charter	-	237	240	240	241	248	252	249	250	253	240	105%
Glade	645	618	634	638	666	681	616	611	543	554	582	95%
Green Valley	415	383	383	365	367	417	511	627	545	688	501	137%
Hillcrest	888	953	990	1,010	972	968	732	749	714	763	534	143%
Kemptown	394	382	358	358	386	389	404	403	356	374	388	96%
Lewistown	212	196	178	177	173	170	184	195	161	168	209	80%
Liberty	292	291	294	283	284	280	262	262	215	240	271	89%
Lincoln	511	529	537	572	599	591	583	598	605	614	602	102%
Middletown	467	462	445	423	434	473	467	472	417	434	480	90%
Middletown Primary	461	410	437	443	494	464	496	477	428	448	430	104%
Monocacy	612	596	592	591	600	621	619	611	551	539	550	98%
Monocacy Valley Montessori	229	222	219	223	216	217	218	217	214	209	195	107%
Myersville	364	354	358	315	340	372	385	418	379	387	387	100%
New Market	755	736	705	699	714	691	693	684	632	574	574	100%
New Midway/Woodsboro	328	334	328	335	314	313	300	292	287	297	314	95%
North Frederick	606	598	585	631	661	661	668	669	599	612	755	81%
Oakdale	627	623	594	599	631	633	679	792	926	923	707	131%
Orchard Grove	615	616	611	630	693	686	602	635	603	613	562	109%
Parkway	251	228	226	223	212	208	220	242	223	261	236	111%
Sabillasville	125	114	114	112	122	112	99	82	70	69	114	61%
Spring Ridge	483	481	457	465	466	500	475	482	437	614	647	95%
Sugarloaf	-	-	-	-	-	-	-	-	620	732	754	97%
Thurmont	336	319	302	332	301	321	299	312	292	292	391	75%
Thurmont Primary	377	373	381	373	369	370	370	336	284	287	470	61%
Tuscarora	762	794	784	774	781	798	654	713	701	744	633	118%
Twin Ridge	531	510	513	529	500	506	483	473	577	653	681	96%
Urbana	737	727	695	700	710	712	761	813	651	653	764	85%
Valley	423	409	395	408	399	400	494	508	459	515	499	103%
Walkersville	684	681	678	681	680	652	691	678	631	695	701	99%
Waverley	543	567	618	610	634	718	517	548	511	542	1,019	53%
Whittier	772	793	783	745	756	765	690	718	686	726	624	116%
Wolfsville	174	180	175	159	157	159	138	149	123	140	200	70%
Yellow Springs	463	486	468	495	488	453	455	470	498	560	453	124%
Total Elementary Schools	18,912	19,166	19,174	19,256	19,445	19,683	19,792	20,311	19,352	20,714	21,093	98%

(continued)

FREDERICK COUNTY PUBLIC SCHOOLS

Total Enrollment by School and Student to Teacher Ratio Last Ten Fiscal Years (continued)

SCHOOLS	Fiscal Years										Capacity	Percent Capacity
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		
Middle												
Ballenger Creek	707	698	726	718	778	779	840	817	800	790	859	92%
Brunswick	529	564	553	557	588	578	606	573	610	618	617	100%
Carroll Creek Charter	-	-	-	17	47	74	85	90	90	88	90	98%
Crestwood	513	545	539	506	514	579	653	691	670	667	670	100%
Frederick Classical Charter	-	38	75	113	116	120	126	127	126	119	120	99%
Gov. Thomas Johnson	554	522	549	532	562	513	509	553	563	589	590	100%
Middletown	812	809	786	816	851	813	782	784	794	807	807	100%
Monocacy	729	775	779	723	738	789	886	969	978	951	954	100%
Monocacy Valley Montessori	72	77	81	77	81	83	81	83	89	88	90	98%
New Market	506	478	507	497	508	545	552	563	647	661	774	85%
Oakdale	622	631	643	648	644	703	769	872	899	953	1,158	82%
Thurmont	616	613	583	543	561	555	563	545	573	565	924	61%
Urbana	745	767	798	834	866	964	1,003	1,021	967	1,034	1,020	101%
Walkersville	779	792	771	804	826	882	891	876	836	835	836	100%
West Frederick	823	863	858	856	853	890	853	947	925	889	1,094	81%
Windsor Knolls	876	821	770	777	761	758	742	764	709	719	978	74%
Total Middle Schools	8,883	8,993	9,018	9,018	9,294	9,625	9,941	10,275	10,276	10,373	11,581	90%
High												
Brunswick	717	673	701	737	748	766	740	788	791	844	928	91%
Catoctin	974	959	911	856	806	783	753	741	715	741	1,046	71%
Frederick	1,340	1,344	1,393	1,317	1,459	1,460	1,395	1,502	1,541	1,651	1,601	103%
Gov. Thomas Johnson	1,470	1,435	1,436	1,408	1,385	1,574	1,692	1,720	1,733	1,826	1,842	99%
Linganore	1,496	1,482	1,438	1,423	1,381	1,326	1,323	1,309	1,391	1,516	1,518	100%
Middletown	1,215	1,131	1,159	1,139	1,116	1,140	1,133	1,125	1,148	1,094	1,328	82%
Oakdale High	1,154	1,197	1,201	1,218	1,251	1,251	1,250	1,263	1,358	1,462	1,512	97%
Tuscarora	1,494	1,482	1,474	1,447	1,518	1,550	1,570	1,582	1,639	1,672	1,749	96%
Urbana	1,486	1,517	1,578	1,635	1,690	1,758	1,785	1,849	1,905	1,923	1,899	101%
Walkersville	1,141	1,108	1,070	1,071	1,088	1,094	1,148	1,180	1,217	1,241	1,065	117%
Total High Schools	12,487	12,328	12,361	12,251	12,442	12,702	12,789	13,059	13,438	13,970	14,488	96%
Other Schools												
Flexible Evening High/Virtual School	65	20	19	19	19	14	20	22	11	27	N/A	N/A
Heather Ridge	97	46	54	55	59	56	56	56	44	29	148	20%
Rock Creek	83	103	86	77	76	79	75	74	71	70	242	29%
Success	-	59	45	44	43	45	41	31	29	37	N/A	N/A
Total Other Schools	245	228	204	195	197	194	192	183	155	163	390	42%
TOTAL ALL SCHOOLS	40,527	40,715	40,757	40,720	41,378	42,204	42,714	43,828	43,221	45,220	47,552	95%
Teachers & Therapists¹	2,880	2,878	2,916	2,864	2,827	2,921	3,048	3,079	3,201	3,283		
Student/Teacher Ratio	14.07	14.15	13.98	14.22	14.64	14.45	14.01	14.23	13.50	13.77		

Sources: Monthly report is from the FCPS Facilities Department on enrollment at September 30 of each fiscal year through 2018.

2019 through 2022 enrollments are from the FCPS System Accountability & School Improvement Department. Capacity is from the FCPS Educational Facilities Masters Plan, June 2022.

¹ The FCPS Budget Office's annual budget.

Notes:

Elementary and special school enrollments are total enrollments.

October 1 is the state's official enrollment date for the school year.

Percent capacity is based on actual enrollment as presented, not on equated enrollment.

The Success Program enrollments were included in the Evening High/Virtual School enrollments prior to fiscal year 2014.

Frederick County Virtual School was Flexible Evening High School prior to fiscal year 2018.

FREDERICK COUNTY PUBLIC SCHOOLS

Total Enrollment by Grade Last Ten Fiscal Years

	Fiscal Years									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Elementary School										
Pre-Kindergarten ¹	1,053	1,086	1,090	1,181	1,204	1,288	1,253	1,392	1,061	1,282
Kindergarten	3,029	2,961	2,873	2,756	2,854	2,825	2,958	3,098	2,788	3,255
Grade 1	2,977	3,077	3,015	2,910	2,874	3,019	2,963	3,084	3,012	3,176
Grade 2	2,987	3,022	3,110	3,062	2,979	2,985	3,114	3,048	3,037	3,241
Grade 3	2,928	3,016	3,092	3,142	3,122	3,041	3,088	3,217	3,047	3,183
Grade 4	2,963	2,989	3,026	3,157	3,207	3,233	3,132	3,202	3,205	3,201
Grade 5	2,975	3,015	2,968	3,048	3,205	3,292	3,284	3,270	3,202	3,376
Total Elementary School	18,912	19,166	19,174	19,256	19,445	19,683	19,792	20,311	19,352	20,714
Middle School										
Grade 6	2,945	3,017	3,036	2,965	3,124	3,336	3,374	3,399	3,346	3,403
Grade 7	2,973	2,968	2,995	3,038	3,063	3,190	3,370	3,482	3,417	3,453
Grade 8	2,965	3,008	2,987	3,015	3,107	3,099	3,197	3,394	3,513	3,517
Total Middle School	8,883	8,993	9,018	9,018	9,294	9,625	9,941	10,275	10,276	10,373
High School										
Grade 9	3,233	3,284	3,379	3,278	3,355	3,415	3,421	3,566	3,689	4,191
Grade 10	3,125	3,084	3,088	3,128	3,116	3,217	3,272	3,264	3,418	3,431
Grade 11	3,056	2,987	2,983	2,946	3,035	3,033	3,110	3,132	3,167	3,248
Grade 12	3,073	2,973	2,911	2,899	2,936	3,037	2,986	3,097	3,164	3,100
Total High School	12,487	12,328	12,361	12,251	12,442	12,702	12,789	13,059	13,438	13,970
Other Schools										
Flexible Evening High/Virtual School	97	20	19	19	19	14	20	22	11	27
Heather Ridge	65	46	54	55	59	56	56	56	44	29
Rock Creek	83	103	86	77	76	79	75	74	71	70
Success	-	59	45	44	43	45	41	31	29	37
Total Other Schools	245	228	204	195	197	194	192	183	155	163
Total Enrollment	40,527	40,715	40,757	40,720	41,378	42,204	42,714	43,828	43,221	45,220

Sources: Monthly report is from the FCPS Facilities Department on enrollment at September 30 of each fiscal year through 2018. 2019 through 2022 enrollments are from the FCPS System Accountability & School Improvement Department.

Notes:

- ¹ Includes Special Ed. Pre-K. and Part-time Special Ed. Pre-K. (Child Find).
- October 1 is the State's official enrollment date for the school year.
- The Success Program enrollments were included in the Evening High enrollments prior to fiscal year 2014.

FREDERICK COUNTY PUBLIC SCHOOLS

Operating Information Last Ten Fiscal Years

Fiscal Year	Per Pupil Expenditures ¹		Number of School Bus Riders ³	Food and Nutrition Services ⁴	
	Dollars	State Rank ²		Breakfasts Served	Lunches Served
2013	\$12,268	20	29,792	789,962	2,197,959
2014	12,482	19	29,374	863,266	2,111,462
2015	12,661	19	29,490	954,985	2,259,288
2016	12,783	18	28,945	1,073,337	2,209,809
2017	12,593	23	29,956	1,070,283	2,221,800
2018	12,682	23	29,957	1,095,044	2,230,584
2019	13,283	24	30,320	1,242,221	2,255,822
2020	13,545	23	30,656	846,968 ⁵	1,529,690 ⁵
2021	14,403	23	1,368 ⁵	863,940 ⁵	994,288 ⁵
2022	N/A	N/A	31,078	1,634,083 ⁶	3,288,928 ⁶

¹ Source: Maryland State Department of Education

² Ranking of Maryland's 24 school systems

³ Source: FCPS Transportation Department

⁴ Source: FCPS Food and Nutrition Services Department

⁵ Decrease in meals served and number of school bus riders is a direct result of modified instruction during the COVID-19 pandemic (March 2020-June 2021)

⁶ Increase in meals served is directly attributable to USDA waivers in effect through June 30, 2022.

N/A Information is not yet available.



Student: Lillian D.

Walkersville Middle School

6th Grade

FREDERICK COUNTY PUBLIC SCHOOLS

Employees by Function Last Ten Fiscal Years

	Fiscal Years									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities										
Instruction										
Regular Instruction										
Teachers	2,549	2,547	2,571	2,514	2,501	2,528	2,581	2,634	2,704	2,824
Other Staff	491	490	494	488	486	512	503	510	535	593
Total Regular Instruction	<u>3,040</u>	<u>3,037</u>	<u>3,065</u>	<u>3,002</u>	<u>2,987</u>	<u>3,040</u>	<u>3,084</u>	<u>3,144</u>	<u>3,239</u>	<u>3,417</u>
Special Education Instruction										
Teachers	301	301	310	309	312	327	346	359	383	397
Other Staff	676	675	704	699	682	655	683	729	715	729
Total Special Education Instruction	<u>977</u>	<u>976</u>	<u>1,014</u>	<u>1,008</u>	<u>994</u>	<u>982</u>	<u>1,029</u>	<u>1,088</u>	<u>1,098</u>	<u>1,126</u>
School Administration	408	407	421	422	426	430	438	443	459	485
Student Personnel Services	35	36	38	42	42	43	26	30	38	43
Total Instruction	<u>4,460</u>	<u>4,456</u>	<u>4,538</u>	<u>4,474</u>	<u>4,449</u>	<u>4,495</u>	<u>4,577</u>	<u>4,705</u>	<u>4,834</u>	<u>5,071</u>
Support Services										
Administration	103	102	94	98	98	100	99	101	101	101
Food and Nutrition Services	136	136	123	124	122	118	119	117	107	117
Student Transportation	407	406	406	412	441	449	447	449	418	437
Operation of Plant	403	403	401	405	411	409	427	426	430	438
Maintenance of Plant	135	135	143	144	143	143	140	139	138	131
Total Support Services	<u>1,184</u>	<u>1,182</u>	<u>1,167</u>	<u>1,183</u>	<u>1,215</u>	<u>1,219</u>	<u>1,232</u>	<u>1,232</u>	<u>1,194</u>	<u>1,224</u>
Total Employees - Governmental Activities	<u>5,644</u>	<u>5,638</u>	<u>5,705</u>	<u>5,657</u>	<u>5,664</u>	<u>5,714</u>	<u>5,809</u>	<u>5,937</u>	<u>6,028</u>	<u>6,295</u>

Notes:
Staff count expressed in full-time equivalents (FTE). Data from FCPS PeopleSoft Human Resource Management System as of June 30 each fiscal year

FREDERICK COUNTY PUBLIC SCHOOLS

Facilities Inventory As of June 30, 2022

	<u>Acres</u>	<u>Year Constructed</u>	<u>Gross Square Feet</u>
<u>Central Offices</u>			
33 Thomas Johnson Drive	5.35	1970	43,100
7446 Hayward Road with Various Shops	11.47	-	-
Facility Services Division	-	1967	21,619
Maintenance Building	-	1967	5,220
Grounds Crew Department	-	1942	2,781
Plumbing/Electrical Building	-	1967	5,220
Welding Shop	-	1967	884
Bus Building	-	1970	5,059
AV Repair Shop	-	1967	720
191 South East Street	0.56	2010	89,840
57 West Frederick Street, Walkersville	0.97	1988	2,445
<u>High Schools</u>			
Brunswick High	48	1965	166,066
Catoctin High	88	1969	179,045
Frederick High	28	2017	270,618
Governor Thomas Johnson High	39.31	1966	312,533
Linganore High	50	2010	253,565
Middletown High	39	1974	189,641
Oakdale High	49.1	2008	241,061
Tuscarora High	46.49	2003	257,062
Urbana High	59.7	1995	249,609
Walkersville High	35	1976	181,416
<u>Middle Schools</u>			
Ballenger Creek Middle	25	1990	113,850
Brunswick Middle	29.7	1985	119,539
Crestwood Middle	23.08	2004	107,212
Governor Thomas Johnson Middle	25.31	2000	126,700
Middletown Middle	24	1953	114,974
Monocacy Middle	20.38	1981	114,445
New Market Middle	19.9	1974	114,936
Oakdale Middle	22.3	2002	109,089
Thurmont Middle	13	1950	135,260
Urbana Middle	26.18	2006	145,135
Walkersville Middle	28.68	1961	119,353
West Frederick Middle	12	1958	166,439
Windsor Knolls Middle	57	1993	116,644
<u>Elementary Schools</u>			
Ballenger Creek Elementary	19.29	1991	64,187
Blue Heron Elementary	15	2022	95,085
Brunswick Elementary	34.1	1952	60,205
Butterfly Ridge Elementary	12.12	2018	105,515
Carroll Manor Elementary	18.9	1965	77,593
Centerville Elementary	16	2005	87,175
Deer Crossing Elementary	22	1997	77,966
Emmitsburg Elementary	13.35	1974	45,080

(continued)

FREDERICK COUNTY PUBLIC SCHOOLS

Facilities Inventory As of June 30, 2022 (continued)

	<u>Acres</u>	<u>Year Constructed</u>	<u>Gross Square Feet</u>
<u>Elementary Schools, continued</u>			
Glade Elementary	13.35	1995	66,500
Green Valley Elementary	31.22	1971	51,888
Hillcrest Elementary	12.7	1988	62,305
Kemptown Elementary	39.46	1981	53,800
Lewistown Elementary	13	1961	50,898
Liberty Elementary	11.64	1927	40,720
Lincoln Elementary	11	2012	98,463
Middletown Elementary	8	1974	54,854
Middletown Primary	20.03	2006	70,288
Monocacy Elementary	12.55	1989	57,900
Myersville Elementary	12	1971	54,889
New Market Elementary	12.3	1933	88,983
New Midway Elementary	6.6	1930	21,894
North Frederick Elementary	15.01	2014	95,613
Oakdale Elementary	14.78	2001	89,566
Orchard Grove Elementary	15.68	1996	70,142
Parkway Elementary	5	1930	32,223
Sabillasville Elementary	15	1964	27,000
Spring Ridge Elementary	20	1991	66,276
Sugarloaf Elementary	12.9	2018	97,869
Thurmont Elementary	15.31	1955	64,250
Thurmont Primary	13.47	2001	66,334
Tuscarora Elementary	13.39	2004	86,938
Twin Ridge Elementary	17	1992	68,900
Urbana Elementary	19.87	2021	98,178
Valley Elementary	31.71	1967	59,989
Walkersville Elementary	15	1974	89,514
Waverley Elementary	18.17	1969	54,178
Whittier Elementary	10.13	1998	81,244
Wolfsville Elementary	14	1959	41,657
Woodsboro Elementary	5	1952	28,557
Yellow Springs Elementary	17	1957	52,600
<u>Other Schools</u>			
Career & Technology Center	15.52	1977	86,681
Earth and Space Science Laboratory	2	2009	10,771
Heather Ridge School	10	1988	31,553
Lincoln "A" Building	3.15	1974	20,334
Rock Creek School	Same lot as Walkersville Middle	2021	79,474
Staff Development Center	5	1921	27,352
Totals	<u>1,503.03</u>		<u>6,994,461</u>

Source: Educational Facilities Master Plan, June 2022.

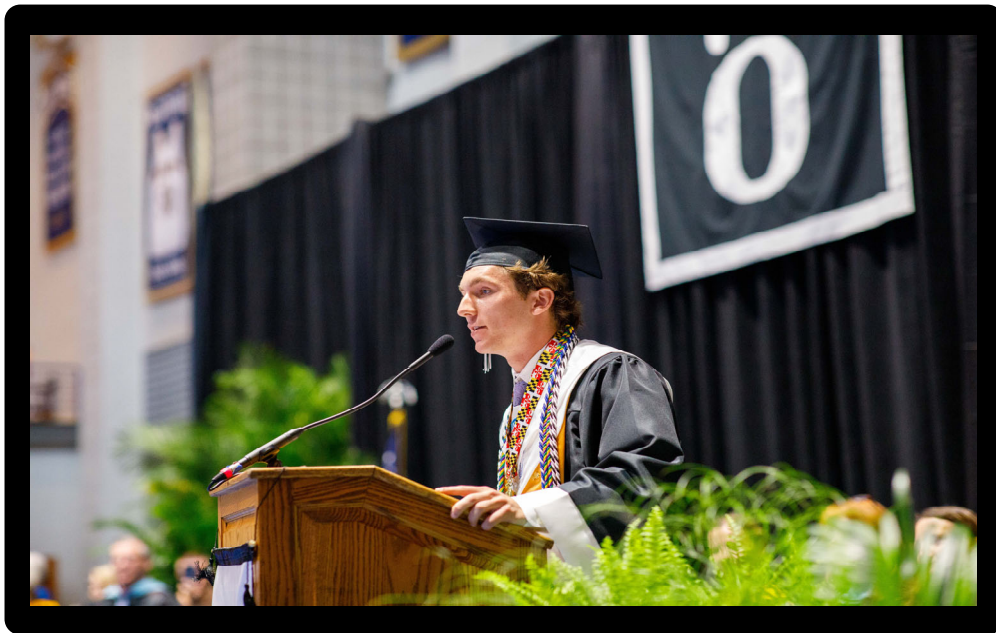
FREDERICK COUNTY PUBLIC SCHOOLS

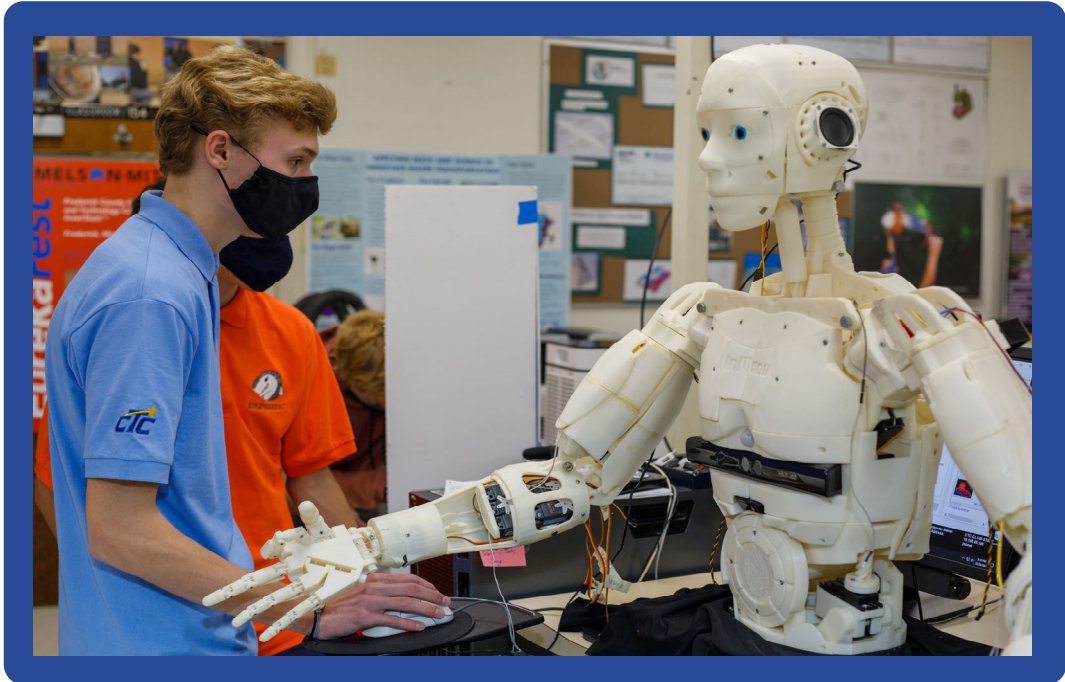
Capital Assets by Function Last Ten Fiscal Years

	Fiscal Years									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Schools										
Buildings	63	63	63	63	63	63	64	64	65	66
Administration										
Buildings	6	5	5	5	5	5	3	4	4	4
Vehicles	8	8	7	7	7	7	9	10	10	11
Special Education										
Vehicles	107	100	98	104	106	107	110	115	115	113
Maintenance										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	159	149	142	148	148	153	148	149	149	156
Operations										
Vehicles	36	41	44	44	41	40	38	24 ¹	22	22
Student Transportation										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	327	329	325	324	319	321	315	340 ¹	349	349
Technology										
Vehicles	12	14	15	12	10	10	9	9	11	11
Other										
Buildings	1	1	1	1	1	1	2	2	2	2

¹ Vehicles were reclassified from the Operations Department to the Student Transportation in FY 2020.

COMPLIANCE SECTION







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

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

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Frederick County, Maryland (the Board) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 23, 2022.

Report on Internal Controls over Financial Reporting

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

A deficiency in internal controls 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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

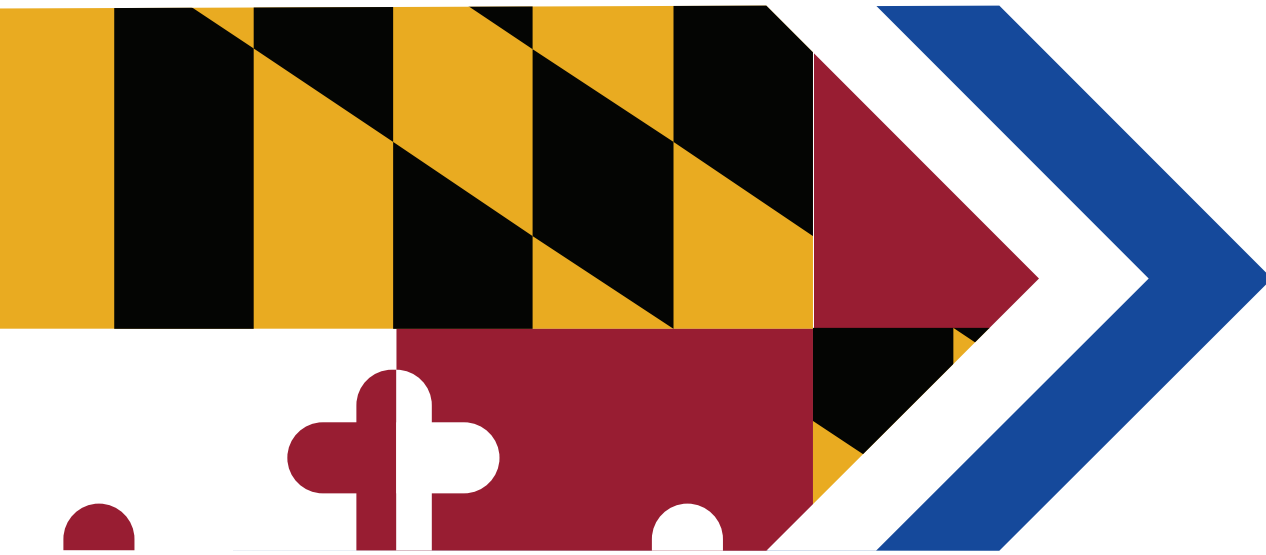
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
September 23, 2022

SB & Company, LLC



Frederick County Public Schools

191 S. East Street • Frederick, MD 21701
www.fcps.org