BOARD OF EDUCATION OF GARRETT COUNTY

FINANCIAL REPORT

JUNE 30, 2018

BOARD OF EDUCATION OF GARRETT COUNTY

INDEX TO FINANCIAL REPORT

INDEPENDENT AUDITORS' REPORT

Board of Education of Garrett County
Oakland, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Board of Education of Garrett County, a component unit of Garrett County, Maryland, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the index to financial report.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Garrett County as of June 30, 2018, and the respective changes in financial position, and the respective budgetary comparison for the current expense funds and food service fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying School Activities Fund Schedule of Revenues, Expenditures, and Balances by School is presented for purposes of additional analysis and is not a required part of the basic financial statements. The School Activities Fund Schedule of Revenues, Expenditures, and Balances by School is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Other Information (Continued)

In our opinion, the School Activities Fund Schedule of Revenues, Expenditures, and Balances by School is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2018 on our consideration of the Board of Education of Garrett County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Education of Garrett County's internal control over financial reporting and compliance.

The Rodeheaver Group, P.C.

Oakland, Maryland
September 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

This section of the Board of Education of Garrett County School System's Financial Report represents our discussion and analysis of the School System's operations during the fiscal year ended June 30, 2018. Please read it in conjunction with the financial statements and notes to the basic financial statements which immediately follow this section to enhance the understanding of the School System's financial performance.

Government Accounting Standards require that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities. The goal of the MD&A is for the School System's financial managers to present an objective and easily readable analysis of the Board's financial activities based on currently known facts.

Financial Highlights

The Current Expense Fund unassigned fund balance as of June 30, 2018, was $500,000. Through policy of the Board of Garrett County Commissioners, the Board of Education maintains an unassigned fund balance at the end of each year of $500,000. In FY 2018, the Commissioners approved the use of excess current expense fund balance above $500,000 for funding subsequent years' budgets.

The Board adopted new accounting standards related to accounting for other post-employment benefits during the fiscal year. The effect of adopting the new standards has been accounted for as a change in accounting principle. The impact of this prior period adjustment is outlined in Note 15 of the financial statements.

On a system-wide basis, the Board of Education of Garrett County closed the fiscal year ended June 30, 2018, with combined net position of $12.86 million up from $11.79 million in FY 2017 for an increase of $1.07 million in relation to the restated prior year net position. The unrestricted Current Expense Fund actual revenues of $48.1 million were down $1.1 million from FY2017's $49.2 million, primarily due to an 5% decrease in state funding. The actual revenues were within $75,287 of the final budget or 0.16%. The unrestricted Current Expense Fund actual expenditures of $46.4 million were down from FY2017, $47.4 million, and less than the final budget by $2.97 million or 6.0%. This variance is attributed to system-wide savings across all functions.

Major budget initiatives in fiscal year 2018 included:

- Construction of the phased systemic renovation of Southern Middle School with the roofing, fire alarm, and sewage systems funded by state and local resources.
- Investment in staff training and implementation of the Superintendent's Big Three Initiatives – Positive Behavior Interventions and Supports (PBIS), Response to Intervention (RTI), and Orton Gillingham through the Institute for Multi-Sensory Education (IMSE).
- Continued procurement of technology devices with a planned retirement cycle building equity across the system.

Overview of the Financial Statements

The Financial Report is comprised of four parts: Management's Discussion and Analysis or MD&A (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two separate sets of statements that present different views of the School System; (1) the two statements in the first set are the District-wide statements that provide both short and long-term information about the School System's overall financial condition, (2) the other set of statements contain fund financial statements that focus on individual parts of the School System, reporting its operations in more detail than the District-wide statements.

District-wide Financial Statements

The district-wide financial statements report information about the School System as a whole using accounting methods similar to a private sector business. It is designed to provide readers with a complete financial view of the entity known as the Board of Education of Garrett County.

The S*tatement of Net Position,* page 14, includes all of the School System's assets and liabilities with the difference between the two reported as net position. The *Statement of Activities*, page 15, presents information showing how the district's net position changed during the most recent fiscal year.

In the district-wide financial statements, the School System's activities are reported under the single category of governmental activities. All of the School System's basic services are included in governmental activities, such as regular and special education, transportation, and administration. County appropriations funded by property taxes and other fees, as well as state formula aid, finance most of these activities.

Although the School System charges premiums to employees to help defray the costs of the health and dental care benefits programs, the bulk of the cost of these programs is financed by appropriations in the unrestricted Current Expense Fund budget. All insurance costs along with social security, retirement, and worker's compensation are reported under fixed charges.

The district-wide perspective is unrelated to the budget and, accordingly, budget comparisons are not provided in this view. The Agency Funds and OPEB Benefits Trust Fund are fiduciary funds and as such are not included in the district-wide financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the Garrett County Public Schools' funds, focusing on its most significant or "major" funds - not the School System as a whole. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School System's funds are in two categories, governmental funds and fiduciary funds. The Board of Education of Garrett County does not operate any enterprise activities that are reported as proprietary funds.

Budgetary presentation of individual fund financial information utilizing the current financial resources measurement focus and the budgetary basis of accounting is presented as part of the fund financial statements on pages 20 through 22.

Governmental Funds

Most of the School System's basic services are included in the governmental funds, page 16 and 18, which generally focus on (1) current financial resources and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at the end of the year that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School System's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information, page 17 and 19, explains the relationship (or differences) between them.

Fiduciary Funds

The Board is the trustee, or fiduciary, for its student activity funds, health reimbursement arrangement (HRA) for post 65 retirees, and flexible spending arrangement (FSA) funds for current employees. On January 1, 2017, post 65 retirees covered under the Garrett County Employees Health Insurance Plan, shifted to an HRA model. Defined amounts, based upon age and years of service, are contributed on behalf of the retiree and may be used for purchase of supplemental medical, dental, vision insurance and other approved expenses. For fiscal year 2018, Garrett County Public School employees are eligible to participate in a flexible spending arrangement in which tax deferred payroll contributions are voluntarily deducted to be used to pay for certain out-of-pocket health care costs. Student activity funds, FSA funds, and HRA funds are reported on the Statement of Fiduciary Net Position on page 23.

The Other Post-Employment Benefits Trust Fund is a fiduciary fund used to accumulate resources for retirement benefits payments to qualified former Board employees. The OPEB Fund is reported in the Statement of Fiduciary Net Position and Statement of Changes In Fiduciary Net Position on pages 24 and 25, respectively.

The activities reported in the fiduciary funds are excluded from the Board of Education of Garrett County's basic financial statements because the assets cannot be used to finance the Board's activities. Management is responsible for ensuring that the assets reported in these funds are used for the intended purpose.

Financial Analysis of the School System as a Whole

The School System's combined net position increased $1.07 million or 9.1% in relation to the restated net position for June 30, 2017. The increase in net position for the current year resulted from various decreases in program expenses for Instruction. These savings were partially offset by increases in compensated absence and OPEB expense.

BOARD OF EDUCATION OF GARRETT COUNTY
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

The charts below summarize year over year comparison of Net Position and Changes in Net Position with revenues by major source and program expenses by major function.

Changes In Condensed Statement of Net Position

	2018	2017	Percentage Change
Current and other assets	$ 12,994,868	$ 12,523,756	3.76%
Capital assets	46,187,883	46,609,194	(0.90%)
Total assets	$ 59,182,751	$ 59,132,950	0.08%
Deferred outflows of resources	$ 1,409,859	$ 1,054,256	33.73%
Total assets and deferred outflows	**$ 60,592,610**	**$ 60,187,206**	**0.67%**
Current and other liabilities	$ 6,887,765	$ 8,166,668	(15.66%)
Long-term liabilities	38,437,718	39,999,336	(3.90%)
Total liabilities	$ 45,325,483	$ 48,166,004	(5.90%)
Deferred inflows of resources	$ 2,410,309	$ 234,458	928.03%
Total liabilities and deferred outflows	**$ 47,735,792**	**$ 48,400,462**	**(1.37%)**
Net investment in capital assets	$ 40,997,902	$ 41,096,030	(0.24%)
Restricted	5,948,580	4,178,592	42.36%
Unrestricted	(34,089,664)	(33,487,878)	1.80%
Total net position	**$ 12,856,818**	**$ 11,786,744**	**9.08%**

Changes in Net Position from Operating Results

	2018	2017	Percentage Change
Program revenues:			
Charges for services	$ 765,098	$ 766,700	(0.21%)
Operating grants and contributions	9,486,527	9,320,995	1.78%
Capital grants and contributions	1,975,228	1,148,643	71.96%
General revenues:			
County government	27,314,472	27,424,903	(0.40%
State (unrestricted)	19,486,190	21,346,753	(8.72%)
Federal	0	0	
Other	171,920	242,397	(29.08%)
Special Item – Loss on Abandonment	0	(934,589)	
Total Revenues	**$ 59,199,435**	**$ 59,315,802**	**(0.20%)**
Program Expenses:			
Administration (central and school)	$ 4,206,579	$ 4,163,965	1.02%
Instruction			
(regular & special education)	26,171,097	27,500,249	(4.83%)
Student services and health	1,295,345	1,341,152	(3.42%
Transportation	4,076,681	4,023,706	1.32%
Maintenance and operations	4,812,061	4,597,458	4.67%
Fixed charges	14,438,405	14,795,213	(2.41%)
Food services	2,585,154	2,671,283	(3.22%)
Other	544,039	543,167	0.16%
Total Expenses	**$ 58,129,361**	**$ 59,636,193**	**(2.53%)**
Change in Net Position	**$ 1,070,074**	**$ (320,391)**	**433.99%**

Results of operations for the School System as a whole are presented on page 15, the Statement of Activities. The majority of revenue received by the Board of Education of Garrett County is from the County and the State of Maryland. The State uses multiple formulas to calculate the allocation of aid to Maryland public school systems. Grant revenues can be derived by formula or awarded on a competitive basis. The Food Service program is primarily self-funded by children's payments and federal and state food and nutrition subsidies.

Revenues decrease $116,367 or 0.2%. Operating revenue from State government decreased 8.72% when compared to FY 2017 due to a legislature change effecting declining enrollment funding at the state level. The 71.96% increase in capital grants and contributions is attributable to the renovation of three building systems at Southern Middle School.

Approximately $58.1 million in expenses are reported with a decrease of 2.53% or $1.5 million over FY 2017. Program expenses for Instruction were down year over year by 4.83% or $1.3 million due to staff transition, decreased need for non-public placement of students, and no textbook/techbook replacement cycle needed in the fiscal year. The staff transition led to the decrease in Fixed Charges of 2.41% or $356,808. There were several open positions at different times of the fiscal year.

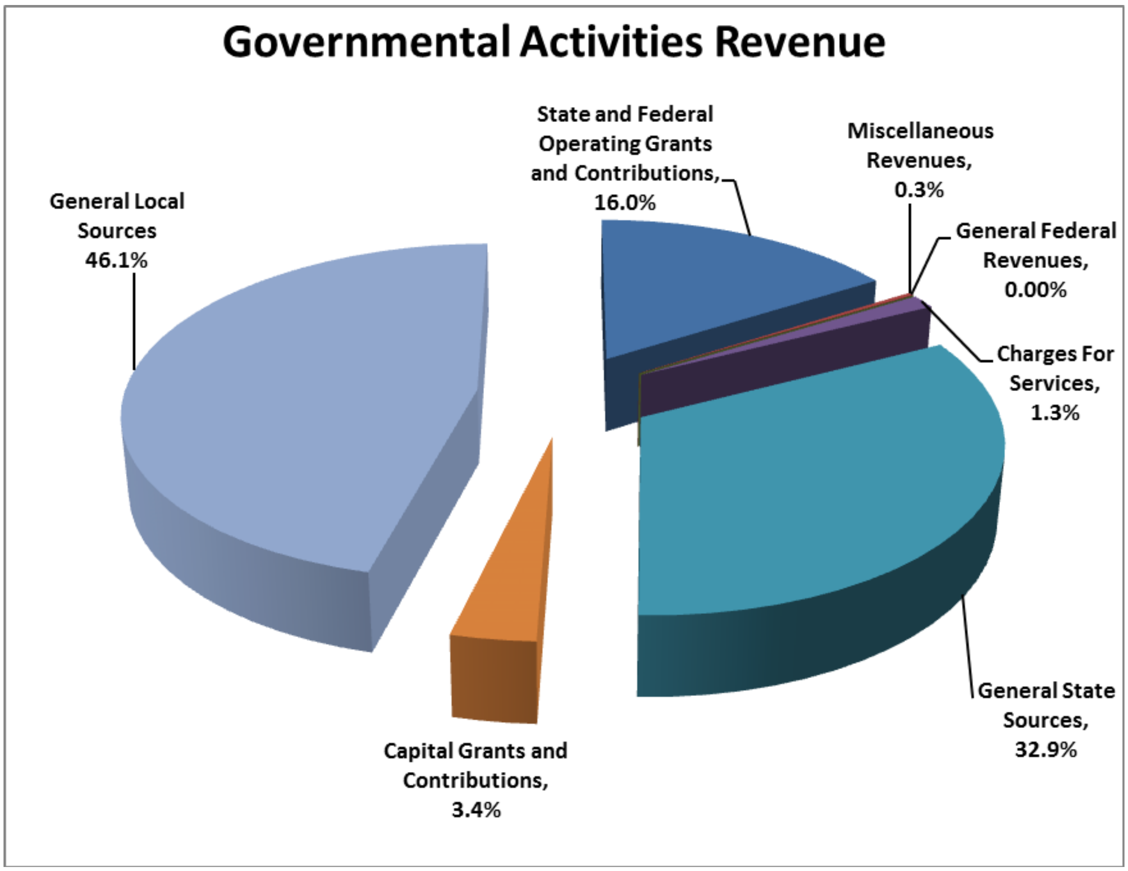
Management worked diligently in FY 2018 to manage the Food Service program's expenditures more effectively, including a staff reorganization, which resulted in a 3.22% decrease or $86,129 in expenditures. Food Services received transfers from the Current Expense Fund of $208,294 to fund the cost of employee health insurance and worker's compensation premiums, down from $248,279 in FY 2017. The Food Service fund did not require subsidizing in any other form this year; there was a net increase in fund balance of $13,126 or 9.7% increase.

The table below presents the total cost of the major school system functions. It details each function's net cost (total cost less fees generated by the functions and intergovernmental aid provided for specific programs).

	Total Cost of Services			Net Cost of Services		
	2018	2017	Percentage Change	2018	2017	Percentage Change
Administration (County & School Level)	$ 4,206,579	$ 4,163,965	1.02%	$ 4,030,404	$ 3,931,816	2.51%
Instruction and Special Education	26,171,097	27,500,249	(4.83%)	20,878,408	23,664,601	(11.77%)
Student Personnel Services	699,338	788,107	(11.26%)	698,338	778,107	(10.25%)
Student Health Services	596,007	553,045	7.77%	505,807	447,616	13.00%
Student Transportation	4,076,681	4,023,706	1.32%	1,082,099	1,052,499	(2.81%)
Operation of Plant and Maintenance of Plant	4,812,061	4,597,458	4.67%	4,619,573	4,278,342	7.98%
Fixed Charges	14,438,405	14,795,213	(2.41%)	13,747,221	13,797,782	(0.37%)
Food Services	2,585,154	2,671,283	(3.22%)	174,804	272,867	(35.94%)
All Others	544,039	543,167	0.16%	165,854	176,225	(5.89%
Total	**$ 58,129,361**	**$ 59,636,193**	**(2.53%)**	**$ 45,902,508**	**$ 48,399,855**	**(5.16%)**

The cost of all governmental activities was $58,129,361. Some of this cost was financed by users of the School System's programs through tuition and user fees of $765,700. Operating and capital grants and contributions from the federal and state governments for certain programs were $9,486,527. The net cost of services, $45,902,508, is the financial burden placed on County and State taxpayers by these functions.

Most of the School System's total revenue of $59,199,435 was provided through County and State of Maryland taxpayers. The chart below details the governmental sources of revenue.



Financial Analysis of the School System's Funds

The School System's financial performance is reflected in its governmental funds. At the completion of the current year, the combined fund balances for all governmental funds totaled $6,448,580, up $1,769,988 from the FY 2017 ending balance of $4,678,592.

The Current Expense Fund balance increased $1,756,862 ending the year at $6,300,349, up from $4,543,487 at the end of FY 2017. Funds restricted for Medical Assistance (MA) ended the year at $410,352, which was up $113,417 over FY2017 ending balance of $296,935. Funds restricted for subsequent years' budgets increased to $4,738,553 from $3,095,108 in FY 2017. Year over year there was not a change in funds restricted for capital expenditures of $500,000, restricted for capital lease payments of $151,444, and $500,000 unassigned carryover balance in accordance with the policy of the Board of Garrett County Commissioners. The Food Service Fund balance of $148,231 consists of both nonspendable food inventory and equity which increased $13,126 from $135,105 in FY 2017 to $148,231 at June 30, 2018.

Local appropriations and state and federal revenues account for about 98.4% of the total Unrestricted Current Expense Fund revenues. Both are stable and highly predictable.

General (Current Expense) Budgetary Highlights

The Unrestricted Current Expense Fund operates under a legally adopted annual budget. The budget is subdivided into State mandated categories of expenditures including Administration, Mid-level Administration, Instructional Salaries, Textbooks and Instructional Supplies, Other Instructional Costs, Special Education, Student Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, Food Services, Capital Outlays, and Community Services. The legal level of budgetary control is at the category level. Unexpended and encumbered appropriations terminate at the end of the fiscal year.

The variance of actual to final budget for Unrestricted Current Expense fund is detailed in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis) on page 20. The overall variation between the original unrestricted budget and final budget represents funds that were approved for carryover from the prior year. Actual revenues were slightly below final budget by 0.16% or $75,287. Actual expenditures were $2,968,388 or 6.01% below final budget.

Instructional salaries were below budget due to the transition of staff. This also leads to the budget variance for Fixed Charges. The variance in instructional salaries includes savings from positions vacated during the course of the year that were filled with substitutes versus new hires. The decrease in special education resulted from fewer non-public placements compared to the budget. The under budget variation in transportation and operation of plant is due to the fuel and utilities prices being under the budgeted rate throughout the fiscal year. The variance in maintenance of plant and capital outlay are a result of facilities projects that were not completed.

The Restricted Current Expense Fund variance between final budget and actual represents the remaining funds available to be spent from restricted grants all of which are budgeted upon award.

Capital and Debt Administration

By the end of FY 2018, the School System had over $102 million invested in a broad range of capital assets including land, buildings and improvements, furniture, vehicles, and other equipment. This amount represents an increase of $2.27 million. Nearly $1.9 million of the increase is attributed to the renovation of three building systems at Southern Middle School. More detailed information about the school system's capital assets can be found in Note 4 to the financial statements.

The Capital Improvement Program included funding for school construction and renovation for one project completed in FY 2018, which was renovation to Southern High School's softball field, funded by Project Open Space and donated services of $31,035. There is over $3.3 million invested in projects classified as construction in progress as of June 30, 2018.

Long-Term Debt and Other Long-Term Obligations

At year-end, the School System had $38,879,665 in long-term obligations outstanding. $1,314,035 or 3.4% of this represents obligations for accumulated unpaid leave for the System’s staff, $5,189,981 or 13.4% represents obligations for energy performance contracts, $29,057,512 or 74.7% represents the School System’s net other post-employment benefit (OPEB) obligation, and the remainder represents the net pension liability of $3,318,137 or 8.5%. Details of changes in balances are illustrated in Note 5.

Factors Impacting the School System

Two factors that may negatively impact future revenue are the county’s wealth potential and predicted continued declining enrollments. Garrett County’s wealth potential impacts state-aid as state-aid is distributed in reverse order of each county’s per pupil wealth ranking. As a county’s wealth potential increases, state-aid for education decreases as the state perceives that the county has the ability to fill in funding gaps as a result of its wealth potential. The Final Report of the Study of the Adequacy of Education Funding in Maryland produced by Augenblick, Palaich & Associates was published in December of 2016. As a result, the Maryland General Assembly passed Senate Bill 905 and House Bill 999 to create the Commission on Innovation and Excellence in Education. The Commission was scheduled to present its final recommendations in December 2017; however, it requested a one year extension.

The School System’s enrollment continues to remain flat to declining. According to Maryland Department of Planning projections, enrollment will continue to impact state-aid as enrollment declines in future years. The General Assembly passed House Bill 684 which created a funding formula for declining enrollment and a supplemental prekindergarten grant. If trends continue, both pieces of funding should favorable impact the Board’s revenues from the State. Management continues to follow state legislation in the General Assembly particularly as it may affect Special Education, Pupil Services and Health Services.

The Master Plan for Garrett County Public Schools, required by the Bridge to Excellence Act, provides a multi-year action plan to guide the school system in preparing students to reach high levels of academic achievement and to be contributing members of a democratic society. The plan directs the use of current and new state, federal, and local funds to eliminate achievement gaps among subgroups of students and to challenge each student to higher academic levels. The plan organizes and aligns research-based practices, instructional services, professional development, and resource distribution to guide the Garrett County Public Schools budget initiatives that are now linked to Master Plan strategies.

In December 2015, the federal Every Student Succeeds Act (ESSA) was signed into law as a reauthorization of the Elementary and Secondary Education Act (ESEA). As a result of this legislation, emphasis is being placed on low achieving student subgroups through multi-tiered intervention strategies, known as Response to Intervention (RTI). The RTI strategies consist of a more intensive approach, both academically and behaviorally, to expand educational opportunities and improve student outcomes from kindergarten through grade 12. Due to this legislation, additional resources for professional development and specialized services are required to meet the needs of the identified student populations. The Maryland State Board of Education approved the ESSA Consolidated State Plan in August 2017. It is yet to be determined what the budgetary consequences for the School System will be to comply with the plan.

Instruction continues to align to the Maryland College and Career Readiness Standards (MDCCRS) and Next Generation Science Standards. Expenditures for revised texts, technology resources, and professional development will continue to be required to effectively execute these standards. The Superintendent's Big Three system-wide initiatives include Positive Behavior Interventions and Supports (PBIS), Response to Intervention (RTI) and Orton-Gillingham comprise the three main initiatives. These initiatives involve on-going investment in professional development and aligned resources to implement effectively.

As the Garrett County Public School system worked to align our instructional and administrative priorities to our local, state, and federal revenue, the need arose to begin the process of strategic planning. In late fiscal year 2017, work began on the RISE Strategic Plan, which stands for Reforming, Innovating, and Strengthening for Excellence. The Superintendent set an overall goal of the plan that states, "To provide well-rounded, high quality educational opportunities for every student in Garrett County Public Schools." The Board then provided goals and values to the Cabinet team in order to meet this goal. To date, the team has completed a number of steps toward the completion of the plan, which has included a significant amount of public feedback through online surveys and community round table events. When completed, the plan will outline the strategic issues that the school system is facing, and include a number of strategies to address these issues and meet the overall goal of providing a high quality education to every child in Garrett County.

Post-Employment Benefits

During fiscal year 2018, the Board implemented the provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This Statement replaces the requirements of Statement 45. The requirements of Statement 75 are intended to improve decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense

Effective July 1, 2006, the Board of County Commissioners of Garrett County, the Board of Trustees of Garrett College, and the Board of Education entered into the Garrett County Employees Health Care Plan. Consequently, a Retiree Health Plan Trust Agreement was entered effective July 1, 2009. The County, the College, and the Board of Education amended the

Agreement effective June 30, 2018 to create three independent and separate Trust Agreements. Consequently, the Board of Education adopted its own Plan Provisions for Other Post-Employment Benefits and Trust independent and separate from the County and the College.

The Board's actuary has calculated Total OPEB Liability at $30,275,675 with a Plan Fiduciary Net Position of $1,218,163, or 4.02%, leaving a Net OPEB Liability of $29,057,512 at June 30, 2018. The actual OPEB contribution amount for the year ended June 30, 2018 was $956,707. This amount was entirely from pay-as-you-go premiums paid by the Board for retirees. There was no funding toward the OPEB obligation during FY 2018. Under GASB Statement Number 75, there is no requirement to fund this obligation.

During FY 2015, the Board implemented the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*, which among other things required the Board to report their proportionate share of the Maryland State Retirement and Pension System's net pension liability. The Board's proportionate share of the Maryland State Retirement and Pension System's net pension liability, as calculated by the System's actuary, is $3,318,137 as of June 30, 2018 and is reported as a liability on the Board's government-wide statement of net position.

The Board continues to be a member of a coalition between County government, Garrett College and the Board of Education to procure health insurance and wellness benefits for current and retired employees of these entities.

Contacting the School System's Financial Management

This financial report is designed to provide the citizens of Garrett County, taxpayers, parents and students, with a general overview of the Board of Education of Garrett County's finances and to demonstrate the School System's accountability for the resources it receives. If you have any questions about this report or need additional financial information, contact Alison Sweitzer, Director of Finance at the Board of Education of Garrett County, 40 South Second Street, Oakland, MD 21550.

BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION OF GARRETT COUNTY

STATEMENT OF NET POSITION
As of June 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 10,043,940
Accounts receivable	
County	174,158
State	1,757,121
Federal	828,177
Other	67,559
Inventory	123,913
Non-depreciable capital assets	4,165,273
Depreciable capital assets, net of accumulated depreciation	42,022,610
Total Assets	59,182,751
DEFERRED OUTFLOWS OF RESOURCES	1,409,859
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	60,592,610
LIABILITIES	
Accrued payroll and withholding	5,406,027
Accounts payable and accrued expenses	1,000,775
Unearned revenue	39,016
Long-term liabilities:	
Due within one year	441,947
Due in more than one year	38,437,718
Total Liabilities	45,325,483
DEFERRED INFLOWS OF RESOURCES	2,410,309
NET POSITION	
Net investment in capital assets	40,997,902
Restricted for medical assistance	410,352
Restricted for subsequent years' budgets, capital and capital lease payments	5,389,997
Restricted for food service	148,231
Unrestricted	(34,089,664)
Total Net Position	12,856,818
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 60,592,610

The Notes to Financial Statements are an integral part of this statement.

BOARD OF EDUCATION OF GARRETT COUNTY

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Administration	$ 1,640,329	$ 2,650	$ 120,453	$ -	$ (1,517,226)
Mid-level administration	2,566,250	-	53,072	-	(2,513,178)
Instruction - Salaries	18,024,907	7,490	1,209,875	-	(16,807,542)
- Textbooks and supplies	486,792	-	53,750	-	(433,042)
- Other	3,409,188	-	124,730	1,907,140	(1,377,318)
Special education	4,250,210	5,385	1,984,319	-	(2,260,506)
Student personnel services	699,338	-	1,000	-	(698,338)
Student health services	596,007	-	90,200	-	(505,807)
Student transportation	4,076,681	-	2,994,582	-	(1,082,099)
Operation of plant	3,730,612	18,830	164,358	-	(3,547,424)
Maintenance of plant	1,081,449	-	9,300	-	(1,072,149)
Community services	380,617	11,131	367,054	-	(2,432)
Food services	2,585,154	719,612	1,622,650	68,088	(174,804)
Fixed charges	14,438,405	-	691,184	-	(13,747,221)
Interest on capital lease obligation	163,422	-	-	-	(163,422)
Total governmental activities	$58,129,361	$ 765,098	$ 9,486,527	$ 1,975,228	(45,902,508)

General revenues:	
Local appropriations	27,314,472
State appropriations	19,486,190
Miscellaneous	145,099
Unrestricted investment earnings	26,821
Total general revenues	46,972,582
Change in net position	1,070,074
Net Position - beginning of year, as restated	11,786,744
Net Position - end of year	$ 12,856,818

The Notes to Financial Statements are an integral part of this statement.

BOARD OF EDUCATION OF GARRETT COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2018

	Current Expense Fund	Food Service Fund	School Construction Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 9,304,404	$ 739,536	$ -	$ 10,043,940
Accounts receivable				
County	-	-	174,158	174,158
State	336,782	87,032	1,333,307	1,757,121
Federal	828,177	-	-	828,177
Other	56,263	11,296	-	67,559
Due from other funds	1,947,307	-	-	1,947,307
Inventory	-	123,913	-	123,913
TOTAL ASSETS	12,472,933	961,777	1,507,465	14,942,175
LIABILITIES				
Accrued payroll and withholdings	5,191,153	214,874	-	5,406,027
Accounts payable and accrued expenses	871,123	9,876	119,776	1,000,775
Unearned revenue	9,838	29,178	-	39,016
Compensated absences payable	100,470	-	-	100,470
Due to other funds	-	559,618	1,387,689	1,947,307
Total Liabilities	6,172,584	813,546	1,507,465	8,493,595
FUND BALANCES				
Nonspendable - inventories	-	123,913	-	123,913
Restricted for food service	-	24,318	-	24,318
Restricted for medical assistance	410,352	-	-	410,352
Restricted for subsequent years' budgets	4,738,553	-	-	4,738,553
Restricted for capital expenditures	500,000	-	-	500,000
Restricted for capital lease payments	151,444	-	-	151,444
Unassigned	500,000	-	-	500,000
Total Fund Balances	6,300,349	148,231	-	6,448,580
TOTAL LIABILITIES AND FUND BALANCES	$ 12,472,933	$ 961,777	$ 1,507,465	$ 14,942,175

The Notes to Financial Statements are an integral part of this statement.

BOARD OF EDUCATION OF GARRETT COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
As of June 30, 2018

Total fund balances - Governmental funds	$ 6,448,580
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is $102,072,028, net of accumulated depreciation of $53,884,145.	46,187,883
Deferred outflows arising from changes in the net OPEB liability are not reported in the funds.	531,925
Deferred outflows arising from changes in the net pension liability are not reported in the funds.	877,934
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end include compensated absences payable ($1,213,565), capital leases payable ($5,189,981), net OPEB liability ($29,057,512) and net pension liability ($3,318,137).	(38,779,195)
Deferred inflows arising from changes in the net OPEB liability are not reported in the funds.	(1,974,620)
Deferred inflows arising from changes in the net pension liability are not reported in the funds.	(435,689)
Total net position - Governmental activities	$ 12,856,818

The Notes to Financial Statements are an integral part of this statement.

BOARD OF EDUCATION OF GARRETT COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	Current Expense Fund	Food Services Fund	School Construction Fund	Total Governmental Funds
REVENUES				
Intergovernmental revenues				
Local sources	$ 27,463,272	$ -	$ 573,833	$ 28,037,105
State sources	24,056,925	124,799	1,333,307	25,515,031
Federal sources	3,126,342	1,553,857	-	4,680,199
Earnings on investments	26,629	192	-	26,821
Charges for services	45,486	719,612	-	765,098
Miscellaneous revenues	148,981	19,692	-	168,673
Total Revenues	54,867,635	2,418,152	1,907,140	59,192,927
EXPENDITURES				
Administration	1,584,811	-	-	1,584,811
Mid-level administration	2,566,250	-	-	2,566,250
Instruction - Salaries	18,024,907	-	-	18,024,907
- Textbooks and supplies	486,792	-	-	486,792
- Other	834,782	-	-	834,782
Special education	4,249,716	-	-	4,249,716
Student personnel services	699,338	-	-	699,338
Student health services	596,007	-	-	596,007
Student transportation	4,116,990	-	-	4,116,990
Operation of plant	3,715,393	-	-	3,715,393
Maintenance of plant	1,152,649	-	-	1,152,649
Community services	376,720	-	-	376,720
Food services	-	2,550,464	-	2,550,464
Fixed charges	13,836,619	-	-	13,836,619
Capital outlay	174,900	62,856	1,907,140	2,144,896
Debt service	486,605	-	-	486,605
Total Expenditures	52,902,479	2,613,320	1,907,140	57,422,939
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,965,156	(195,168)	-	1,769,988
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	208,294	-	208,294
Operating transfers out	(208,294)	-	-	(208,294)
NET CHANGE IN FUND BALANCES	1,756,862	13,126	-	1,769,988
Fund Balances - beginning of year	4,543,487	135,105	-	4,678,592
FUND BALANCES - end of year	$ 6,300,349	$ 148,231	$ -	$ 6,448,580

The Notes to Financial Statements are an integral part of this statement.

BOARD OF EDUCATION OF GARRETT COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Change in fund balances - Governmental funds	$ 1,769,988
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation of $2,819,595 exceeds capital outlay of $2,391,776 in the current year.	(427,819)
Governmental funds do not report donated assets, however, the fair market value of these assets are reported as a source of revenue in the statement of activities.	6,508
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used.	(202,630)
Repayment of capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	323,183
Changes to the net OPEB liability and related deferred outflow and inflow accounts are not reported in the governmental funds, These changes impact pension expense in the statement of activities.	(531,422)
Changes to the net pension liability and related deferred outflow and inflow accounts are not reported in the governmental funds, These changes impact pension expense in the statement of activities.	132,266
Change in net position - Governmental activities	$ 1,070,074

The Notes to Financial Statements are an integral part of this statement.

BOARD OF EDUCATION OF GARRETT COUNTY

CURRENT EXPENSE FUND - UNRESTRICTED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES- BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Intergovernmental revenues				
Local sources	$ 27,314,472	$ 27,463,272	$ 27,463,272	$ -
State sources	20,624,690	20,465,087	20,291,053	(174,034)
Federal sources	120,000	120,000	121,590	1,590
Earnings on investments	12,000	12,000	26,629	14,629
Charges for services	37,000	37,000	40,101	3,101
Miscellaneous revenues	5,000	38,357	117,784	79,427
Total Revenues	48,113,162	48,135,716	48,060,429	(75,287)
EXPENDITURES				
Administration	1,380,825	1,503,182	1,464,358	(38,824)
Mid-level administration	2,542,925	2,595,136	2,513,178	(81,958)
Instruction - Salaries	17,593,110	17,634,718	16,939,622	(695,096)
- Textbooks and supplies	527,440	554,002	433,042	(120,960)
- Other	668,615	797,558	710,052	(87,506)
Special education	3,612,711	3,453,448	3,190,312	(263,136)
Student personnel services	875,387	875,387	698,338	(177,049)
Student health services	493,295	508,316	505,807	(2,509)
Student transportation	4,157,779	4,217,857	4,114,546	(103,311)
Operation of plant	4,199,235	4,484,475	4,186,440	(298,035)
Maintenance of plant	1,186,885	1,425,490	1,143,349	(282,141)
Fixed charges	10,692,946	10,553,323	10,125,080	(428,243)
Food services	400,000	400,000	208,294	(191,706)
Community services	-	-	9,666	9,666
Capital outlay	269,080	382,480	174,900	(207,580)
Total Expenditures	48,600,233	49,385,372	46,416,984	(2,968,388)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(487,071)	(1,249,656)	1,643,445	2,893,101
Fund Balance - beginning of year	487,071	1,249,656	4,246,552	
FUND BALANCE - end of year	$ -	$ -	$ 5,889,997	

The Notes to Financial Statements are an integral part of this statement.

BOARD OF EDUCATION OF GARRETT COUNTY

CURRENT EXPENSE FUND - RESTRICTED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Intergovernmental revenues				
Federal sources	$ 3,587,165	$ 3,587,098	$ 3,004,752	$ (582,346)
State sources	784,387	784,387	745,517	(38,870)
Other sources	40,531	40,531	36,582	(3,949)
Total Revenues	4,412,083	4,412,016	3,786,851	(625,165)
EXPENDITURES				
Administration	167,217	150,274	120,453	(29,821)
Mid-level administration	66,446	79,346	53,072	(26,274)
Instruction - Salaries	1,332,083	1,300,083	1,085,285	(214,798)
- Textbooks and supplies	52,799	53,986	53,750	(236)
- Other	152,517	184,517	124,730	(59,787)
Special education	1,244,439	1,255,111	1,059,404	(195,707)
Student personnel services	1,000	1,000	1,000	-
Student health services	104,939	104,939	90,200	(14,739)
Student transportation	6,165	6,165	2,444	(3,721)
Operation of plant	15,647	15,647	15,558	(89)
Maintenance of plant	10,000.00	10,000.00	9,300	(700)
Fixed charges	889,960	882,077	691,184	(190,893)
Community services	368,871	368,871	367,054	(1,817)
Capital outlay	-	-	-	-
Total Expenditures	4,412,083	4,412,016	3,673,434	(738,582)
EXCESS OF REVENUES OVER EXPENDITURES	$ -	$ -	113,417	$ 113,417
Fund Balance - beginning of year			296,935	
FUND BALANCE - end of year			$ 410,352	

The Notes to Financial Statements are an integral part of this statement.

BOARD OF EDUCATION OF GARRETT COUNTY

FOOD SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Federal	$ 1,331,550	$ 1,399,638	$ 1,419,216	$ 19,578
State of Maryland	148,810	148,810	124,799	(24,011)
Meals and food served	699,108	709,108	719,612	10,504
Interest earned	137	137	192	55
Federal donation of food	120,791	120,791	134,641	13,850
Other revenues	10,550	22,632	19,692	(2,940)
Total Revenues	2,310,946	2,401,116	2,418,152	17,036
EXPENDITURES				
Salaries and wages	1,573,686	1,573,686	1,418,775	(154,911)
Contracted services	22,656	38,526	39,778	1,252
Supplies and materials	1,067,746	1,061,840	1,050,874	(10,966)
Other charges	41,858	43,976	41,037	(2,939)
Capital outlay	5,000	83,088	62,856	(20,232)
Total Expenditures	2,710,946	2,801,116	2,613,320	(187,796)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(400,000)	(400,000)	(195,168)	204,832
OTHER FINANCING SOURCES				
Operating transfers in	400,000	400,000	208,294	(191,706)
NET CHANGE IN FUND BALANCE	$ -	$ -	13,126	$ 13,126
Fund Balance - beginning of year			135,105	
FUND BALANCE - end of year			$ 148,231	

The Notes to Financial Statements are an integral part of this statement.

BOARD OF EDUCATION OF GARRETT COUNTY

STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS
As of June 30, 2018

	School Activities Funds	FSA Fund	HRA Fund
ASSETS			
Cash and cash equivalents	$ 490,540	$ 27,065	$ 120,304
Investments - certificates of deposit	86,583	-	-
Accounts receivable	-	1,277	-
TOTAL ASSETS	577,123	28,342	120,304
LIABILITIES			
Agency funds payable	577,123	28,342	120,304
TOTAL LIABILITIES	$ 577,123	$ 28,342	$ 120,304

The Notes to Financial Statements are an integral part of this statement.

BOARD OF EDUCATION OF GARRETT COUNTY

STATEMENT OF FIDUCIARY NET POSITION -
OTHER POST EMPLOYMENT BENEFITS TRUST FUND
As of June 30, 2018

		Other Post Employment Benefits Trust Fund
ASSETS		
Cash and Cash Equivalents	$	65,810
Investments:		
Fixed Income Securities		360,398
Mutual Funds		575,870
Equity Securities		211,956
Total Investments		1,148,224
Interest Receivable		4,129
TOTAL ASSETS		1,218,163
LIABILITIES		-
NET POSITION		
Held in Trust for Other Post Employment Benefits	$	1,218,163

The Notes to Financial Statements are an integral part of this statement.

BOARD OF EDUCATION OF GARRETT COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
OTHER POST EMPLOYMENT BENEFITS TRUST FUND
As of June 30, 2018

	Other Post Employment Benefits Trust Fund
ADDITIONS	
Contributions:	
Employer	$ -
Plan Members	-
Total Contributions	-
Investment Earnings:	
Realized Net Gains on Investments	74,598
Interest and Dividends	28,798
Net Decrease in	
Fair Value of Investments	(21,220)
Investment Activity Expense	(4,336)
Total Net Investment Earnings	77,840
Total Additions	77,840
DEDUCTIONS	
Benefits	-
Administrative	500
Total Deductions	500
Net Increase In Net Position	77,340
Net Position - Beginning of Year	1,140,823
Net Position - End of Year	$ 1,218,163

The Notes to Financial Statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Board of Education of Garrett County (the Board) as currently constituted was established under Title 3, Subtitles 103 and 114, Education, of the Annotated Code of Maryland. The Board is a five-member elected body responsible for the operation of the Garrett County public school system.

The Board of Education of Garrett County is a component unit of Garrett County, Maryland by virtue of the County's responsibility for levying taxes and its budgetary control over the Board of Education. The financial statements of the Board are included in the financial statements of the County as required by generally accepted accounting principles.

The financial statements of the Board are prepared in conformity with U.S. generally accepted accounting principles (GAAP) applicable to governments.

B. Government-Wide and Fund Statements

The Government Accounting Standards Board (GASB) establishes reporting requirements and the reporting model for the annual financial reports of state and local governments. This model requires governments to report on the overall state of a government's financial health and not just individual funds. The reporting model was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. In addition, the model provides enhanced information regarding the costs of delivering specific services to citizens and includes:

Management's Discussion and Analysis – Government Accounting Standards require that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis many private sector entities provide in their annual reports.

District-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Fiduciary funds are not included in government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Statements (Continued)

District-Wide Financial Statements (Continued) – The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. The Board does not engage in business-type activities and, as such, issues single column government-wide financial statements. In the government-wide statement of net position, both the governmental activities' assets and liabilities (a) are presented on a consolidated basis and (b) are reflected, on a full accrual, economic resource basis, which incorporates non-current assets and receivables as well as long-term obligations.

Statement of Net Position – The statement of net position is designed to display the financial position of the Board of Education. The Board reports all capital assets in the government-wide statement of net position and reports depreciation expense – the cost of "using up" capital assets – in the statement of activities. The net position of the Board is broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities – The government-wide statement of activities reports expenses and revenues in the format that focuses on the cost of each educational function. The expenses of individual functions are compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants). These directly matched revenues are called program revenues. This format enables the government-wide statement of activities to reflect both the gross and net cost per functional category (regular instruction, special education, student transportation, etc.) that are otherwise being supported by general government revenues.

Program revenues must be directly associated with a function and are restricted to meeting the operational or capital requirements of a particular function or activity. Multi-purpose grants and other items not properly included among program revenues are reported as general revenues. The operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Direct expenses are considered those that are clearly identifiable with a specific function or segment. The Board does not allocate indirect expenses.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All of the Board's funds are reported as major funds. In the fund financial statements, financial transactions and accounts of the Board are organized on the basis of funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Statements (Continued)

Fund Financial Statements (Continued) **-** The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

Budgetary Comparison Schedules **-** Demonstrating compliance with the adopted budget 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. The Board and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the current reporting model, governments provide budgetary comparison information including the government's original budget and the final budget compared to actual results. These budgetary comparison schedules are presented as part of the basic financial statements.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Non-exchange transactions where the Board either gives or receives value without directly receiving or giving equal value in exchange include, for example, grants and contributions. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied.

It is the Board's policy to first use restricted-net position for expenses incurred for which both restricted-net position and unrestricted-net position are available unless a local match is required. Where a local match is required, the expense is allocated to restricted-net position and unrestricted-net position based on the required match percentages.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This focus is on the determination of, and changes in financial position. Generally, only current assets and current liabilities are included on the balance sheet. Revenues are recorded as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major revenue sources subject to the availability criterion are local, state, and federal revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other post employment benefits and pensions are recorded only when the obligations are expected to be liquidated with expendable available resources.

The following types of transactions are reported as program revenues. Tuition paid directly by students and parents; and sales associated with the food service operations are identified as charges for services. State and federal support for each function is identified as operating grants and contributions. Grant-related revenue that is specifically restricted for use in a particular function to meet the operational and capital requirements of a particular program is separated in the statement of activities.

The Board reports the following governmental funds in the fund financial statements:

Current Expense Fund **-** The Current Expense Fund is the general operating fund of the Board and is used to account for the revenues and expenditures necessary for the day-to-day operation of the Board. This fund is used to account for all financial resources except those required to be accounted for in another fund. State and federal grant programs are included in the restricted portion of this fund.

Food Service Fund **-** The Food Service Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures related to food service operations.

School Construction Fund **-** The School Construction Fund is used to account for the financial resources to be used for the acquisition, construction or renovation of the Board's major capital projects.

School Activities Fund - The School Activities Funds are agency funds used to account for assets held by the Board in a trustee capacity. These funds belong to student and faculty organizations within each school and are under the direct responsibility of each school's principal.

HRA Trust Fund - The HRA fund is a fund held in trust by the Board to which the Board contributes on behalf of retirees over the age of 65 based on age and years of service under a Health Reimbursement Arrangement (HRA), the money is then available to be used for purchase of medical insurance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

FSA Fund - The FSA Fund is an agency fund used to account for assets held by the Board in a trustee capacity. The Board collects through voluntary withholdings from current employees' funds for a Flexible Spending Account (FSA). The funds can be drawn by employees for approved medical expenses as they are incurred.

Other Post Employment Benefits Trust Fund – The Other Post Employment Benefits Trust Fund is a fiduciary fund used to accumulate resources for retirement medical benefit payments to qualified former Board employees.

As a general rule, the effect of interfund and internal activity has been eliminated from the government-wide financial statements including the statement of activities. Interfund balances are not included in the government-wide statement of net position. The Board distinguishes overhead costs, which are eliminated in the preparation of the statement of activities from interfund services provided and used between functions which are not eliminated in the statement of activities in the financial statement closing process. The Board does not allocate indirect expenses to functions in the fund financial statements.

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity

Cash and Cash Equivalents **-** For purposes of financial statement presentation, the Board considers all highly liquid investments (i.e. certificates of deposit and repurchase agreements) with a remaining maturity of three months or less when purchased to be cash equivalents.

Investments - Investments consist of certificates of deposit with a remaining maturity of more than three months when purchased. These investments are recorded at cost, which approximates market value.

Fiduciary fund investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Receivables and Payables **-** All interfund receivables and payables are displayed in the fund statements as "due to/due from other funds". These amounts offset each other and are eliminated from the government-wide statement of net position, so as to not overstate the Board's assets and liabilities. All other receivables are reported at net realizable value.

Inventories - Inventory balances reflected in the financial statements include food stuffs located in each school. Inventory is recorded in the financial statements using the consumption method. Under this method, expenditures are recognized when inventory is used. Inventories are valued on a first-in, first-out cost basis. Unit cost values of donated food are determined from USDA price lists.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (Continued)

Capital Assets - Capital assets, which include land and improvements, buildings and improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements	15
Equipment	5-12
Vehicles	8

Deferred Inflows/Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has four items that qualify for reporting in this category. At June 30, 2018 deferred outflows consist of retirement plan contributions paid in the current fiscal year subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Additionally, deferred outflows at June 30, 2018 consist of changes in actuarial assumptions, differences between actual and expected experience and differences in the projected and actual investment earnings related to the determination of the net OPEB liability and the net pension liability that are being amortized over periods ranging from five to seven years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has three items that qualify for reporting in this category. At June 30, 2018 deferred inflows consist of changes in actuarial assumptions, differences between actual and expected experience and differences in the projected and actual investment earnings related to the determination of the net OPEB liability and the net pension liability that are being amortized over periods ranging from five to seven years.

Unearned Revenues - Unearned revenues represent amounts received from grantors in advance of incurrence of eligible expenditures for reimbursable-type grants at June 30, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (Continued)

Compensated Absences Payable - As of June 30, 2018, employees of the Board had accumulated approximately $1,314,035 of vested annual leave and other compensatory leave benefits. These benefits include salaries and salary related payments. This liability is presented in the government-wide financial statements and there is no current portion presented in the fund financial statements at fiscal year-end.

Other Post Employment Benefits - 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 Board's Other Post Employment Benefits Trust Fund and additions to and subtractions from net position have been determined on the same basis as they are reported on pages 24 and 25 of these financial statements. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System - Employees Retirement and Pension System (ERPS) and additions to/deductions from ERPS's fiduciary net position have been determined on the same basis as they are reported by ERPS. 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.

Long-term Liabilities - In the government-wide financial statements compensated absences, capital leases, the Board's net OPEB liability and the Board's net pension liability are reported as long-term liabilities in the statement of net position.

School Construction Debt **-** The Board is not obligated to repay principal or interest on any debt incurred for school construction. Such bonds and loans are obligations of the county government. Accordingly, the Board does not record school construction debt service revenues, expenditures, or outstanding school construction debt in the accompanying financial statements.

Fund Equity **-** In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Board classifies governmental fund balances as follows:

Nonspendable Fund Balance – Amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted Fund Balance – Amounts constrained for a specific purpose by external parties, constitutional provision, or enabling legislation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (Continued)

Committed Fund Balance – Amounts constrained for a specific purpose by the governing body using its highest level of decision making authority. These constraints can only be removed or changed by the same governing body using its decision making authority to reverse a decision. Actions to constrain resources occur prior to the end of the fiscal year, though the exact amount may be determined subsequently. The Board had no committed fund balance as of June 30, 2018.

Assigned Fund Balance – Amounts intended to be used for a specific purpose. This intent is expressed by a governing body or another body such as a budget/finance committee or other approved individual designee of the governing body. Assigned fund balance includes residual amounts for all governmental funds except the general fund not otherwise classified as nonspendable, restricted, or committed. Amounts reported as assigned should not result in a deficit in unassigned fund balance. The Board had no assigned fund balance as of June 30, 2018.

Unassigned Fund Balance – Amounts available for any purpose that are not otherwise reported as nonspendable, restricted, committed, or assigned. The current expense fund is the only fund which would report a positive amount in the unassigned fund balance. For all other governmental funds, amounts expended in excess of available resources that are nonspendable, restricted, committed, or assigned are categorized as unassigned funds with negative balances.

The Board is the governing body with the highest level of decision-making authority relative to fund balances. The Board through formal resolution is the only body that can commit fund balance. The elected Board, through its fund balance policy, has delegated to the Superintendent or Assistant Superintendent and Director of Finance, the authority to assign fund balance. It is the Board’s policy to first apply restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. In the event that expenditures are made from multiple unrestricted fund balance classifications, the order of fund spending shall be as follows: Committed, Assigned, and Unassigned. The portion of the Board’s fund balance to be utilized for subsequent years’ budgets is prescribed by the Board of County Commissioners of Garrett County and as such is reflected as restricted.

E. Budgets and Budgetary Accounting

The Board prepares its budget for the unrestricted component of the Current Expense Fund and Food Service Fund on a basis consistent with generally accepted accounting principles applicable to governmental entities except for retirement payments made on the Board’s behalf to the State Retirement and Pension System of Maryland by the State of Maryland.

The budgetary basis does not reflect revenues and expenditures for such contributions as required by generally accepted accounting principles. In addition, certain reclassifications are made to the actual column in the budget presentation to facilitate comparison for financial reporting purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting (Continued)

The restricted component of the Current Expense Fund budget accounts for special federal and state grant programs. Expenditures incurred under these programs are limited to the amounts expended under the respective grants.

School Construction Fund activity is budgeted on the basis of total project costs and appropriations specifically allocated for capital outlay as approved by the Board of Public Works and Board of County Commissioners. Annual budgetary comparisons to actual expenditures are not presented in the accompanying financial statements for the School Construction Fund.

The superintendent submits the Current Expense Fund and Food Service Fund proposed budgets to the Board of Education. Upon approval by the Board, the proposed budgets are submitted to the County Commissioners for approval. A copy of the budget as approved by the County Commissioners is submitted to the State Superintendent within 30 days after approval. All budget appropriations lapse at year end.

F. Use of Estimates

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

G. Net Position Flow Assumptions

Sometimes the Board will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted net position to have been depleted before unrestricted – net position is applied.

H. Fund Balance Flow Assumptions

Sometimes the Board will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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NOTE 2 - CASH AND INVESTMENTS

The following is a reconciliation of cash and cash equivalents and investments of the Board of Education and accompanying fiduciary funds at June 30, 2018:

	Governmental Activities	Agency Funds	Other Post Employment Benefits Trust Fund
Cash and Cash Equivalents	$ 10,043,940	$ -	$ -
Restricted Cash	-	637,909	65,810
Investments	-	86,583	-
Restricted Investments	-	-	1,148,224
Total	$ 10,043,940	$ 724,492	$ 1,214,034

Deposit and Investment Summary

	Governmental Activities	Agency Funds	Other Post Employment Benefits Trust Fund
Deposits	$ 10,043,770	$ 637,909	$ 65,810
Certificates of Deposit	-	86,583	-
Fixed Income Securities	-	-	360,398
Mutual Funds	-	-	575,870
Equity Securities	-	-	211,956
Cash on Hand	170	-	-
Total	$ 10,043,940	$ 724,492	$ 1,214,034

At year end, the carrying amount of the Board's combined deposits was $10,043,770 and the bank balance was $11,081,978. Of the bank balance $261,066 was insured by the Federal Deposit Insurance Corporation (FDIC), $10,809,892 was collateralized by securities held by the Board's agent in the Board's name and $11,020 was exposed to custodial credit risk as it was uninsured and collateralized with securities held by the Board's agent but not in the Board's name.

Statutes require collateral to be pledged as security for deposits in excess of available depository insurance and the market value of such collateral shall be at least equal to the amount of money on deposit. The market value of collateral pledged as security for the Board's deposits at June 30, 2018 was $10,883,023.

Statutes authorize the Board to invest unexpended or surplus monies in obligations of the U.S. Government, federal government agency obligations and repurchase agreements secured by direct government or agency obligations. The Board follows the County's investment policy with respect to the portion of unexpended or surplus funds that may be concentrated at any one time in a specific type of investment instrument. This policy limits investments in U.S. Treasury obligations, federal government agency obligations and repurchase agreements to 100, 50 and 70 percent of the Board's overall deposit and investment portfolio, respectively.

NOTE 2 - CASH AND INVESTMENTS (Continued)

The Board follows the County's policy for managing its exposure to fair value losses arising from increasing interest rates. The County's investment policy requires that the majority of investments be short-term (having a term of less than one year). Investments in instruments having long-term maturities are limited to direct federal government obligations and to securities issued by U.S. Government agencies. Under the terms of the County's policy the maximum length of maturity for any long-term investment is two years.

Fiduciary fund assets at year-end consist of bank deposits held on behalf of school activity, HRA/FSA funds, and other post employment benefits trust funds. All deposits held are fully insured or collateralized at June 30, 2018.

Fiduciary fund assets also consist of investments in certificates of deposits with maturity dates in excess of three months. All certificates of deposits are fully insured at June 30, 2018.

The Fiduciary Funds have employed professional investment managers to manage fund assets and to follow the County's investment policies which are designed to protect plan principal and to achieve a real rate of return over the long term. Fiduciary Fund investments, having a market value of $1,148,224 at June 30, 2018, were exposed to custodial credit risk as they were uninsured and held by the counterparty's trust department but not in the name of the Board.

The Fiduciary Funds have investment policies specifying that investments in corporate bonds be primarily investment grade securities rated by Moody's or Standard and Poor's. The Fiduciary Fund investment policies further limit credit risk by prescribing that the fixed income portfolio be well diversified with respect to type, industry and issuer. Fiduciary Fund investment policies do not place limits on investment managers with respect to the duration of their investments.

The investments of the Fiduciary Funds included debt securities having the following ratings as of June 30, 2018:

Other Post Employment Benefits Trust Fund

Security Ratings	6/30/18
AAA	$ 40,507
AA1	10,196
AA2	14,992
A1	20,753
A2	59,863
A3	20,301
BAA1	64,514
BAA2	113,583
Not Rated	15,689
Total Market Value	$ 360,398

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fiduciary Fund investments include all fixed income securities with interest rates specifically identified as follows with respect to maturity dates:

Other Post Employment Benefits Trust Fund

Maturity Date	Interest Rates	6/30/18
2019	3.05%	$ 14,837
2020	2.25%-2.40%	19,744
2021	4.40%	15,365
2022	3.00%-4.00%	65,086
2023	N/A	-
2024-2028	3.00%-5.85%	199,538
2029-2033	4.00%-5.87%	36,144
2034-2038	4.50%	9,684
	Total Market Value	$ 360,398

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Fixed Income Securities are valued by the Board's pricing agent using either quotes from current buyers or by referencing similar transactions that occurred near the measurement date.

Other Post Employment Benefits Trust Fund

		Fair Value Measurement Using	
	June 30, 2018	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Market Inputs (Level 2)
Fixed Income Securities	$ 360,398	$ -	$ 360,398
Mutual Funds	575,870	575,870	-
Equity Securities	211,956	211,956	-
Total	$ 1,148,224	$ 787,826	$ 360,398

NOTE 3 - INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances at June 30, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
Current Expense	Food Service	$ 559,618
Current Expense	School Construction	1,387,689
		$ 1,947,307

NOTE 3 - INTERFUND BALANCES AND TRANSFERS (Continued)

This interfund balance results from the time lag between the dates that payments of expenses and cash collections by one fund on behalf of another are made.

Transfers between funds totaling $208,294 consist of benefit and other costs paid by the Current Expense Fund on behalf of the Food Service Fund.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

Governmental Activities	**Balance June 30, 2017**	**Additions & Transfers**	**Dispositions & Transfers**	**Balance June 30, 2018**
Capital assets not being depreciated				
Land	$ 840,172	$ -	$ -	$ 840,172
Construction in progress	1,299,349	2,056,787	(31,035)	3,325,101
Total capital assets, not being depreciated	2,139,521	2,056,787	(31,035)	4,165,273
Capital assets being depreciated				
Buildings and improvements	93,316,876	107,363	31,035	93,455,274
Equipment	3,657,313	152,114	(131,000)	3,678,427
Vehicles	691,034	82,020	-	773,054
Total capital assets being depreciated	97,665,223	341,497	(99,965)	97,906,755
Less accumulated depreciation				
Buildings and improvements	50,104,686	2,560,691	-	52,665,377
Equipment	2,679,655	206,666	(131,000)	2,755,321
Vehicles	411,209	52,238	-	463,447
Total accumulated depreciation	53,195,550	2,819,595	(131,000)	55,884,145
Capital assets being depreciated - net	44,469,673	(2,478,098)	31,035	42,022,610
Capital assets, net	$ 46,609,194	$ (421,311)	$ -	$ 46,187,883

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2018 was charged to governmental functions as follows:

Administration	$	55,518
Instruction		2,608,877
Special Education		494
Student Transportation		13,205
Operation of plant		48,099
Maintenance of plant		54,815
Food service		34,690
Community services		3,897
Total depreciation expense - governmental activities	$	2,819,595

The Board had the following active construction projects as of June 30, 2018:

	Spent-To-Date	Remaining Commitment
Northern High Bleacher Renovation	$ 93,113	$ 13,050
Southern Middle School Renovation	2,869,311	119,885
Tyler/Munis ERP Software Conversion	280,227	19,773
Northern High Agriculture Barn	35,530	22,470
Southern High Agriculture Greenhouse	8,059	5,418
Southern High Partial Roof Replacement	6,798	247,002
Southern High Baseball Dugouts	2,072	31,048
Northern Road & Parking Lot	29,991	1,355,415
	$ 3,325,101	$ 1,814,061

NOTE 5 - LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions by type for the fiscal year ended June 30, 2018:

	Balance June 30, 2017	Additions	Principal Repayments & Other Reductions	Balance June 30, 2018	Due Within One Year
Compensated absences payable	$ 1,010,935	$ 431,438	$ (128,338)	$ 1,314,035	$ 100,470
Capital leases	5,513,164	-	(323,183)	5,189,981	341,477
Net OPEB obligation	29,968,785	1,488,129	(2,399,402)	29,057,512	-
Net pension liability	3,827,956	196,275	(706,094)	3,318,137	-
Total long-term liabilities	$ 40,320,840	$ 2,115,842	$ (3,557,017)	$38,879,665	$ 441,947

NOTE 6 - VOLUNTARY RETIREMENT INCENTIVE PLAN

The Board offered a $1,000 early retirement notification stipend to those employees who notified human resources, prior to January 30, 2018, of their intent to retire from the Maryland State Retirement and Pension System on or before August 1, 2018. Employees were required to meet the Retirement and Pension System's age and service requirements in order to be eligible for the stipend. Thirteen employees met the notification and qualification requirements and earned total stipends of $13,000 for the year ended June 30, 2018.

NOTE 7 - CAPITAL LEASES

The Board has entered into equipment lease purchase agreements with the Bank of America and Key Equipment Finance to provide financing for the acquisition, construction and installation of energy efficiency improvements. These agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments at the inception date. The construction costs paid from these capital leases totaled $6,807,404 and are reported as buildings and improvements in the accompanying government-wide financial statements. Amortization expense related to capital lease assets totaled $458,955 for the year ended June 30, 2018 and was charged to the instruction function for government wide reporting purposes. Accumulated amortization of $1,926,613 is reported as a component of accumulated depreciation on buildings and improvements as of June 30, 2018.

Biannual capital lease payments are due in January and July of each year under the lease agreement with Bank of America and include principal and interest at 3.14%. The final lease payment is due on January 19, 2027. Bank of America has a first priority security lien interest in the energy efficiency improvements acquired with the capital lease proceeds. Annual capital lease payments are due in February each year under the lease agreement with Key Equipment Finance and include principal and interest at 2.79%. The final lease payment is due on February 23, 2031.

The following are the future minimum lease payments under the capital leases, and represent the present value of the minimum lease payments at June 30, 2018:

Fiscal years ending June 30,	Total
2019	$ 507,123
2020	549,928
2021	573,146
2022	597,494
2023	607,738
2024-2028	2,688,089
2029-2032	597,151
Total Payment	6,120,669
Less Interest	930,688
Capital lease obligation	$ 5,189,981

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

The Board of Education's defined benefit other post-employment benefit plan (the Plan) provides healthcare benefits to eligible retirees. The Plan is a single-employer defined benefit OPEB plan. The Board formed and administers an OPEB Trust Fund to allow for prefunding of future OPEB benefits. The Board and Plan Trustee at their discretion may establish, alter, amend, modify or terminate their practice of providing healthcare benefits to retirees in accordance with the terms outlined in the OPEB Trust Agreement. They may also require retirees to make greater contributions toward the funding of their benefits. The Board of Education makes the annual determination as to the amount that will be contributed to the OPEB Trust Fund. The OPEB Trust Fund does not issue a stand-alone financial report and is included as a fiduciary fund in this financial report.
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Details of the post-employment benefits under the Plan are as follows:

The Board provides post-employment health care benefits based on age and years of service to all permanent full-time employees of the Board. Retirees must have a minimum of 10 years full-time equivalent service with The Board of Education of Garrett County, The Board of Garrett County Commissioners, Garrett College, or a combination thereof. After June 30, 2018, the County and College no longer offer retiree benefits to new hires. Therefore, new hires of the Board of Education after June 30, 2018 must serve all years solely to the Board for eligibility.

Retirees are given the option to maintain health insurance coverage after they retire and until they reach age 65. After age 65, the Board contributes a monthly amount to a Health Reimbursement Account (HRA) based on the retiree's age and years of service.

For the employees hired on or after July 1, 2006, dependent insurance coverage may be purchased upon retirement at the retiree's own cost. The component for retirees age 65 and over was made effective on January 1, 2017.

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	241
Active employees	461
	702

The OPEB Trust Fund is used to account for prefunding contributions made by the Board on behalf of the plan participants. For the year ended June 30, 2018, the Board did not make prefunding contributions to the OPEB Trust. Current OPEB premium payments made on behalf of retirees as well as the costs incurred to administer the OPEB plan are paid from the general operating funds of the Board.

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

The following table outlines coverage percentages paid by the retiree and Board under the plan based on years of service at date of retirement:

	Retiree	
Years of Service	Individual Percentage	Employer Percentage
Less than 10 years	No coverage	No coverage
10 or less than 15 years	60%	40%
15 or less than 21 years	50%	50%
21 or less than 26 years	40%	60%
26 or less than 30 years	20%	80%
30 or more years	0%	100%

Currently, 241 Board retirees participate in this program.

Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.0 percent
Salary increase	4.0 percent
Investment rate of return	3.87 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	8.0 percent for 2019, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent for 2019 and later years

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016−June 30, 2017.

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

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	30-40%	1-4%
Private Equity	60-70%	5-8%

The current level of plan assets is sufficient to cover a partial year of benefit payments. As such, all future years of expected payments were discounted using the average yield on 20-year high-grade municipal bonds per paragraph 36 of GASB statement 75. As of June 30, 2018, the yield to maturity of 20-year high-grade bonds was 3.87% according to the Buyer Bond 20-Year GO Index. The discount rate at June 30, 2017 was 3.13%.

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.22 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances as of July 1, 2017	$31,109,608	$ 1,140,823	$29,968,785
Changes for the year:			
Service cost	834,100	-	834,100
Interest	958,874	-	958,874
Differences between expected and actual experience	620,579	-	620,579
Assumption changes	(2,290,779)	-	(2,290,779)
Contributions - employer	-	956,707	(956,707)
Net investment income	-	82,176	(82,176)
Benefit payments	(956,707)	(956,707)	-
Administrative expense	-	(4,836)	4,836
Net Changes	(833,933)	77,340	(911,273)
Balances as of June 30, 2018	$30,275,675	$ 1,218,163	$29,057,512

The assumption change affecting the decrease in the net OPEB liability was the change in the discount rate from 3.13% to 3.87%. This was offset somewhat by the update in expected and actual experience trends.

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

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 (2.87 percent) or 1-percentage point higher (4.87 percent) than the current discount rate:

	1% decrease (2.87%)	Current rate (3.87%)	1% increase (4.87%)
Net OPEB liability	$ 32,782,941	$ 29,057,512	$ 25,926,963

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 (7.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (9.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% decrease (7.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (8.0% decreasing to 5.0%)	1% increase (9.0% decreasing to 6.0%)
Net OPEB liability	$ 25,601,465	$ 29,057,512	$ 33,247,516

For the year ended June 30, 2018, the Board recognized OPEB expense of $1,488,129. At June 30, 2018, 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	$ 531,925	$ -
Change of assumptions	-	1,963,525
Net difference between projected and actual investment earnings	-	11,095
	$ 531,925	$1,974,620

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

Year ending June 30:	
2019	$(241,374)
2020	(241,374)
2021	(241,374)
2022	(241,373)
2023	(238,600)
Thereafter	(238,600)

NOTE 9 - OPERATING LEASES

The Board has entered into various non-cancellable operating leases primarily for instructional and operations equipment. Rent expense paid during the year ended June 30, 2018 was $94,004.

Future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2018 are as follows:

Fiscal years ending June 30,	
2019	$ 60,397
2020	63,690
2021	47,227
2022	5,840
	$ 177,154

NOTE 10 - STATE RETIREMENT PLANS

General Information about the Pension Plan

The Board of Education of Garrett County participates in the Maryland State Retirement and Pension System, a cost sharing multiple-employer public employee retirement system. Substantially all employees of the Board are eligible to participate in the System, which provides retirement, disability and death benefits in accordance with State statutes. The System is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and managed by a board of trustees. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the Teachers and Employees Retirement and Pension Systems. The annual report for the year ended June 30, 2017 (most recent available data) may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202 or by calling 1-800-492-5909.

For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years’ Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive years’ AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree’s benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree’s and/or designated beneficiary has attained age and similar actuarial factors.

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

NOTE 10 - STATE RETIREMENT PLANS (Continued)

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

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

A member of either the Teachers' or Employees' Retirement System 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 Teachers' or Employees' Retirement System member is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System 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 Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System 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 Teachers' or Employees' Pension System is 30%.

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. A member who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two part combination COLA depending upon the COLA election made by the member.

NOTE 10 - STATE RETIREMENT PLANS (Continued)

However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011 the adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

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

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

The State’s contributions on behalf of the Board for the year ended June 30, 2018 were $3,020,355 which were equal to the State's required contributions for that year. The Board’s contributions for the year ended June 30, 2018 were $1,157,324 and $328,541 to the TRS and ERS, respectively, which were equal to the Board's required contributions for that year.

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

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

At the time that the GASB's pension changes were under consideration, an initiative for pension cost sharing was before the 2012 session of the General Assembly. This legislation, which became law, required each BOE to begin paying the "normal cost" for their teachers starting in FY 2013. It was structured as a four-year phase-in to the full normal cost with 50% paid in FY 2013 and full normal cost to be paid in FY 2017 and each year thereafter.

NOTE 10 - STATE RETIREMENT PLANS (Continued)

Because the State of Maryland pays the unfunded liability and the local BOEs pay the normal cost for the teachers' pension, the local Boards of Education are not required under GASB 68 to record their share of the unfunded pension liability for the TRS but instead, that liability is recorded by the State of Maryland. The portion of the net pension liability recorded by the State of Maryland related to the Board's teachers' pensions was $46,727,480 as of June 30, 2018. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's portion of the net pension liability recorded by the State was calculated based on pension contributions made for Board teacher pensions relative to total contributions made by all participants to the Maryland State Retirement and Pension System for the year ended June 30, 2017, actuarially determined. At June 30, 2017, the Board’s proportion was 0.22 percent.

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

At June 30, 2018, the Board reported a liability of $3,318,137 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board’s proportion of the net pension liability was based on the Board’s contributions to the ERS relative to total contributions made by all participants to the Maryland State Retirement and Pension System for the year ended June 30, 2017, actuarially determined. At June 30, 2017, the Board’s proportion was 0.015 percent.

Pension expense for the ERS plan for the year ended June 30, 2018 was $196,275.

At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 121,567	$ 194,092
Net difference between projected and actual earnings on pension plan investments	427,826	202,396
Difference between actual and expected experience	-	39,201
Board contributions to the Employees' Pension System subsequent to the measurement date	328,541	-
Total	$ 877,934	$ 435,689

NOTE 10 - STATE RETIREMENT PLANS (Continued)

The $328,541 reported as deferred outflows of resources related to pensions resulting from Board contributions to the ERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	$ 54,195
2020	114,792
2021	40,705
2022	(70,218)
2023	(25,770)

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Inflation	2.65% general, 3.15% wage
Salary increases	3.15% to 9.15%, including inflation
Discount rate	7.50%
Investment rate of return	7.50%
Mortality	RP-2014 Mortality Tables

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	36.00%	5.30%
Private Equity	11.00%	7.00%
Rate Sensitive	21.00%	1.20%
Credit Opportunity	9.00%	3.60%
Real Assets	15.00%	5.70%
Absolute Return	8.00%	3.10%
Total	100.00%	

NOTE 10 - STATE RETIREMENT PLANS (Continued)

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the State will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Board's proportionate share of the net pension liability	$ 4,702,455	$ 3,318,137	$ 2,169,542

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

NOTE 11 - RISK MANAGEMENT

The Board of Education of Garrett County 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.

Effective July 1, 2009 the Garrett County Employees Health Care Plan became self-insured for hospitalization and medical benefits provided to its employees within specific limits. The Board of Education of Garrett County participates in the Plan with the Board of Garrett County Commissioners and Garrett College. The County's actuarial firm establishes premium rates for Plan participants based on claims history. The Board of Education of Garrett County submits its pro-rata portion of the actuarially prescribed premium to the Board of Garrett County Commissioners at the end of each pay period based on the number of employees covered and types of coverages in effect. Should actual claims exceed the projected claims used by the actuaries in establishing rates, the shortfall would be made up through future premium rate increases.

The Board carries commercial insurance for substantially all other risks of loss, including accident and workers' compensation. However, not all natural disasters are covered. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 - RELATED PARTIES

The Board of Education is closely related to Garrett County and the State of Maryland and is dependent on these two sources for the major portion of its current expense funding. The amounts received during the year are disclosed within the financial statements. In addition, the Board offices are located in building space appropriated to them by the County. The annual fair market value of the space occupied is $148,800. The fair market value of the appropriated space is recorded in the accompanying government-wide and fund financial statements as both revenue and expenditure.

NOTE 13 - RECONCILIATION OF FINANCIAL REPORTING BASIS TO BUDGETARY BASIS

	Current Expense Fund	
	Revenues	**Expenditures**
Total per Statement of Revenue, Expenditures, and Changes in Fund Balanes - Governmental Funds (GAAP Basis)		
Unrestricted	$ 51,080,784	$ 49,229,045
Restricted	3,786,851	3,673,434
	54,867,635	52,902,479
On-behalf payments for employer contributions to the Teachers Retirement and Pension Systems by the State of Maryland	(3,020,355)	(3,020,355)
Operating transfers reported as food service expenditures on budget basis but as other financing uses on GAAP basis	-	208,294
	$ 51,847,280	$ 50,090,418
Total per Current Expense Fund Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis)		
Unrestricted	$ 48,060,429	$ 46,416,984
Restricted	3,786,851	3,673,434
	$ 51,847,280	$ 50,090,418

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Financial Assistance Program Compliance

The Board participates in numerous Federal and State grant/loan programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Board has not complied with the laws and regulations governing the grant/loan programs, refunds of any money received may be required or, the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the Board, the amount, if any, of contingent liabilities relating to non-compliance with the laws and regulations governing the respective grant/loan programs is not material; consequently, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE

Government-wide net position of the Board as of July 1, 2017 has been reduced by $24,509,832 due to the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in order to record the increase in the beginning net OPEB liability for the defined benefit OPEB plan. The impact on beginning net position is as follows:

	Governmental Activities
Net Position - beginning of year	$ 36,296,576
Increase in net OPEB liability	(24,509,832)
Net Position - beginning of year - as restated	$ 11,786,744

REQUIRED SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION OF GARRETT COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE BOARD'S NET OPEB LIABILITY AND RELATED RATIOS

	Fiscal Year 2018	Fiscal Year 2017
Total OPEB liability		
Service Cost	$ 834,100	$ 1,020,893
Interest	958,874	935,920
Difference between expected and actual experience	620,579	-
Changes of assumptions	(2,290,779)	-
Benefit payments	(956,707)	(1,486,183)
Net changes in total OPEB liability	(833,933)	470,630
Total OPEB liability - beginning	31,109,608	30,638,978
Total OPEB liability - ending (a)	$ 30,275,675	$ 31,109,608
Plan fiduciary net position		
Contributions - employer	$ 956,707	$ 1,486,183
Net investment income	82,176	96,723
Benefit payments	(956,707)	(1,486,183)
Administrative expense	(4,836)	(5,077)
Net changes in plan fiduciary net position	77,340	91,646
Plan fiduciary net position - beginning	1,140,823	1,049,177
Plan fiduciary net position - ending (b)	$ 1,218,163	$ 1,140,823
Board's net OPEB liability - ending (a) - (b)	$ 29,057,512	$ 29,968,785
Plan fiduciary net position as a percentage of total OPEB liability	4.02%	3.67%
Covered employee payroll	$ 23,950,813	$ 25,234,000
Net liability as a percentage of covered payroll	121%	119%
Annual money-weighted rate of return, net of investment expense	7.22%	8.37%

This schedule is presented to illustrate the requirement to show the information for 10 years.
Information prior to June 30, 2017 is not available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in Benefit Terms - There were no benefit changes during the year.

Changes in Assumptions
The assumption change affecting the decrease in the net OPEB liability was the change in the discount rate from 3.13% to 3.87%. This was offset somewhat by the update in expected and actual experience trends.

BOARD OF EDUCATION OF GARRETT COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - MARYLAND STATE RETIREMENT AND PENSION SYSTEM

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Board's percentage share of the ERS net pension liability	0.015%	0.016%	0.016%	0.014%
Board's proportionate share of the ERS net pension liability	$ 3,318,137	$ 3,827,956	$ 3,248,091	$ 2,551,859
State's proportionate share of the TRS net pension liability	46,727,480	50,860,342	41,722,945	32,876,591
TOTAL	$ 50,045,617	$ 54,688,298	$ 44,971,036	$ 35,428,450
Board's covered employee payroll	$ 28,198,755	$ 28,668,571	$ 28,356,891	$ 28,126,622
Board's proportionate share of the net pension liability as a percentage of its covered payroll.	11.77%	13.35%	11.45%	9.07%
Plan fiduciary net position as a percentage of the total pension liability	69.38%	65.79%	68.78%	71.87%

This schedule is presented to illustrate the requirement to show the information for 10 years. Information prior to June 30, 2015 is not available.

SCHEDULE OF BOARD'S CONTRIBUTIONS MARYLAND STATE RETIREMENT AND PENSION SYSTEM

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Contractually required contributions - ERS	$ 312,320	$ 316,062	$ 329,429	$ 335,089
Contributions in relation to the contractually required contribution - Employee Retirement System	(312,320)	(316,062)	(329,429)	(335,089)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Board's covered-employee payroll	$ 28,198,755	$ 28,668,571	$ 28,356,891	$ 28,126,622
Contributions as a percentage of covered-employee payroll -Employee Retirement System	1.11%	1.10%	1.16%	1.19%

This schedule is presented to illustrate the requirement to show the information for 10 years. Information prior to June 30, 2015 is not available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in Benefit Terms - There were no benefit changes during the year.

Changes in Assumptions
Adjustments to the roll-forward liabilities were made to reflect the following changes in assumptions in the 2017 valuation:

- Salary increase range assumptions changed from 3.3% - 9.2% to 3.15% - 9.15%
- Rates of expected inflation changed from 2.7% general, 3.2% wage to 2.65% general to 3.15% wage
- The discount rate used for calculating the present value decreased from 7.55% to 7.50%

OTHER SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION OF GARRETT COUNTY

SCHOOL ACTIVITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND BALANCES BY SCHOOL
For the Year Ended June 30, 2018

	Balances July 01, 2017	Revenues	Expenditures	Balances June 30, 2018
ELEMENTARY				
Accident	$ 27,987	$ 26,239	$ 25,425	$ 28,801
Broadford	34,293	62,672	65,255	31,710
Crellin	1,606	6,861	6,102	2,365
Friendsville	8,223	10,869	12,350	6,742
Grantsville	7,896	33,999	34,367	7,528
Hickory Environmental	9,940	22,958	20,227	12,671
Route 40	5,961	14,435	19,058	1,338
Swan Meadow	6,375	13,190	16,882	2,683
Yough Glades	26,114	14,542	13,432	27,224
Total Elementary	128,395	205,765	213,098	121,062
MIDDLE AND SENIOR HIGH				
Northern High	137,003	455,816	452,843	139,976
Northern Middle	79,396	82,156	77,067	84,485
Southern High	156,199	499,025	473,436	181,788
Southern Middle	55,335	78,684	84,207	49,812
Total Middle and Senior High	427,933	1,115,681	1,087,553	456,061
TOTAL SCHOOLS	$ 556,328	$ 1,321,446	$ 1,300,651	$ 577,123