



**Calvert County
Public Schools**

Daniel D. Curry, Ed.D.
Superintendent of Schools

1305 Dares Beach Road
Prince Frederick, MD 20678
Telephone: (443) 550-8000
FAX: (410) 286-1358
www.calvertcounty.education

Memorandum

To: Board of County Commissioners of Calvert County

Via: Board of Education of Calvert County

Via: Daniel D. Curry, Superintendent

From: Edith Hutchins, Chief Financial Officer

Date: November 16, 2021

Subject: Request to Increase FY 2022 Operating Budget for Contribution to the OPEB Trust

At the end of FY 2021, Calvert County Public Schools' revenues exceeded expenditures by \$10,098,826.09. These funds rolled to the unassigned fund balance at the end of the fiscal year. The four-year funding formula agreement signed by the Board of Education and the Board of County Commissioners in FY 2017 contained a provision regarding Calvert County Public Schools' unassigned fund balance. The provision stipulated that "any unassigned fund balance in excess of \$5 million will be contributed to the OPEB trust fund for the benefit of the Board of Education."

It is important to note that we process transactions in the prior fiscal year well into the month of August each year. Recording revenues and expenses in the fiscal year to which they pertain is an integral part of accrual basis accounting. This being the case, the unassigned fund balance changes each time we update the financial software for revenue and expenditure accruals for the prior year. We typically finish processing transactions in the prior fiscal year around the 3rd week of August so as to begin preparing schedules for the annual financial audit. During the audit, the auditors may determine that additional entries are needed to ensure the accuracy of our financial reporting. Once the audit has been completed and the financial statements have been issued in September, we can consider the prior year numbers (including the unassigned fund balance) to be final.

On another note, our health insurance provider (CareFirst) holds a rate stabilization fund for Calvert County Public Schools. We receive interest on this fund on a quarterly basis. To properly account for the transaction, the interest is recorded in the rate stabilization account on the balance sheet and the offsetting entry is recorded on the income statement. Because the offsetting credit entry is to the income statement, the interest becomes part of the unassigned fund balance at the end of each fiscal year when savings or deficits roll to the unassigned fund balance. However, the interest should ultimately increase the Committed Fund Balance for Health Insurance account not the Unassigned Fund Balance account. Therefore, we must process a journal entry to transfer the interest from the Unassigned Fund Balance account to the Committed Fund Balance for Health Insurance account as part of our fiscal year-end processing. During the fiscal year-end processing for FY 2021, we

processed a journal entry to transfer \$419.00 of interest accrued on the rate stabilization fund in FY 2021 from the Unassigned Fund Balance account to the Committed Fund Balance for Health Insurance account. Consequently, the balance in the Unassigned Fund Balance account at fiscal year-end was \$10,098,407.28.

The adopted FY 2022 Operating Budget must be increased by \$5,098,408.00 in order to process the contribution in the amount of \$5,098,408.00 to the OPEB trust for the benefit of the Board of Education.

Accordingly, we request approval from the Board of County Commissioners for Calvert County to increase the FY 2022 operating budget by increasing the Prior Year Balance account (which is a revenue account) and the Transfers account in the Board of Education program within the Administration category (which is an expense account) by \$5,098,408.00.

The Board of Education approved the request to increase the FY 2022 operating budget by \$5,098,408.00 as outlined above at the meeting held on November 11, 2021. We respectfully request that the Board of County Commissioners approve the increase to Calvert County Public Schools' FY 2022 operating budget as required by the Annotated Code of Maryland.