

**THE BOARD OF EDUCATION OF
WORCESTER COUNTY**

AUDITED FINANCIAL STATEMENTS

For the year ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

The Board of Education of Worcester County
Newark, Maryland

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Worcester County, a component unit of Worcester County, Maryland ("the Board"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Worcester County, Maryland, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board of Education of Worcester County, Maryland and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board of Education of Worcester County, Maryland's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of Worcester County's basic financial statements. The additional supplementary information, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information 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 30, 2024, on our consideration of the Board of Education of Worcester County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board of Education of Worcester County, Maryland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Education of Worcester County's internal control over financial reporting and compliance.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, with "LLP" in a smaller, sans-serif font to the right.

Salisbury, Maryland
September 30, 2024

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

The Board of Education of Worcester County
Newark, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Worcester County, Maryland (the "Board"), a component unit of Worcester County, Maryland, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 30, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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Salisbury, Maryland
September 30, 2024

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2024

This section of the Board of Education of Worcester County's annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year that ended on June 30, 2024 and a comparison with the results of the fiscal year ended June 30, 2023. Please read this section in conjunction with the District's financial statements, notes to the financial statements, and supplemental information, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year (FY) ended June 30, 2024 include the following:

- Net position is (\$90,990,919), an increase of \$39,396,898 or 30.21% over the prior year.
- Total General Fund balance equals \$2,294,990, a decrease of \$1,293,631 from the prior year.
- Unassigned General Fund balance equals \$567,011, no change from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

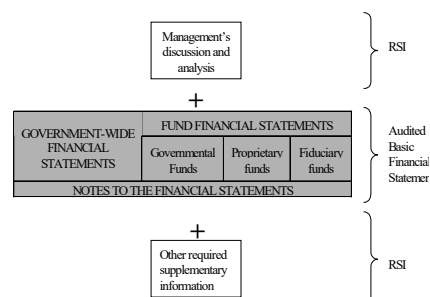
The financial section of the annual report consists of four parts; (1) Independent Auditor's Report, (2) required supplementary information which includes the management's discussion and analysis (this section), (3) the basic financial statements, and (4) supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-and long-term* financial information about the activities the district operates like *businesses*.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

As an example Figure 1 shows how the various parts of this annual report are arranged and related to one another. Figure 2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure 1 –
Organization of Board of
Education's Annual Financial Report



THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2024

Figure 2

Major Features of the District-Wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as instruction, special education and building maintenance, and community education	Activities the district operates similar to private businesses: Food Service Operation	Instances in which the district administers resources on behalf of someone else, such as scholarships and Student Activities Fund
Required financial statements	<ul style="list-style-type: none"> * Statement of net position * Statement of activities 	<ul style="list-style-type: none"> * Balance sheet * Statement of revenue, expenditures and changes in fund balances 	<ul style="list-style-type: none"> * Statement of net position * Statement of revenue, expenses, and changes in fund net position * Statement of cash flows 	<ul style="list-style-type: none"> * Statement of Fiduciary net position * Statement of changes in fiduciary net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2024

Figure 2 (Continued)

Major Features of the District-Wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of asset/liability information	All assets and liabilities, both financial and capital, short term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two district-wide statements report the District's *net position* and any changes. Net position, which is the difference between the District's assets and liabilities, is one way to measure the District's financial health or *position*. District-wide statements provide a means to analyze the district's financial activities as follows:

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the condition of school buildings and other facilities. In the district-wide financial statements the District's activities are shown in one category.
- *Governmental activities* - Most of the District's basic services are included here, such as regular and special education, transportation, maintenance and operation of plant, administration, and student services. County and state aid funds most of these activities.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2024

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds* - focusing on its most significant or major funds - not the District as a whole. Fund accounting is a method the District uses to keep track of specific sources of funding and spending on particular programs:

- State law requires some funds.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (e.g., federal grants).

The District has three kinds of funds:

1. *Governmental funds* - Most of the district's basic services are included in governmental funds, which generally focus on (1) *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
2. *Proprietary funds* - The Food Service operation is the only fund accounted for as proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
3. *Fiduciary funds* - The District is the trustee, or agent, for assets that belong to others, which include several scholarship funds to assist students in continuing their education past high school. The Student Activities Fund and the OPEB Trust Fund are also accounted for as fiduciary funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's *combined* net position was (\$90,990,919) on June 30, 2024. This represents an increase of 30.21 percent from the prior year. (See Table 1.)

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2024

Table 1

THE BOARD OF EDUCATION OF WORCESTER COUNTY STATEMENT OF NET POSITION JUNE 30, 2024

<u>A S S E T S</u>	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2024	2023	2024	2023	2024	2023
Current and Other Assets	\$ 15,094,041	\$ 23,624,530	\$ 1,541,234	\$ 1,500,611	\$ 16,635,275	\$ 25,125,141
Capital Assets	204,867,427	209,869,000	133,793	138,110	205,001,220	210,007,110
TOTAL ASSETS	219,961,468	233,493,530	1,675,027	1,638,721	221,636,495	235,132,251
Deferred outflows	31,414,391	46,888,231	-	-	31,414,391	46,888,231
<u>L I A B I L I T I E S</u>						
Current Liabilities	12,655,104	20,787,531	22,212	36,308	12,677,316	20,823,839
Long-Term Liabilities	103,182,185	148,560,260	-	-	103,182,185	148,560,260
TOTAL LIABILITIES	115,837,289	169,347,791	22,212	36,308	115,859,501	169,384,099
Deferred inflows	228,182,304	243,024,200	-	-	228,182,304	243,024,200
<u>N E T P O S I T I O N</u>						
Investment in Capital Assets, Net of Related Debt	202,374,574	205,028,942	133,793	138,110	202,508,367	205,167,052
Restricted	54,678	53,963	-	-	54,678	53,963
Unrestricted	(295,072,986)	(337,073,135)	1,519,022	1,464,303	(293,553,964)	(335,608,832)
TOTAL NET POSITION	\$ (92,643,734)	\$ (131,990,230)	\$ 1,652,815	\$ 1,602,413	\$ (90,990,919)	\$ (130,387,817)

Changes in net position. The District's total revenues and other financing sources were \$183,256,591 for the year ended June 30, 2024. (See Table 2.) The county appropriations of \$100,006,640 accounted for approximately 54.57 percent of total revenue for the year. Another 29.7 percent came from federal, state and local grant program revenues of \$54,428,219. This includes contributions to Other Post-Employment Benefits (OPEB) that totaled \$3,868,211. General state aid was \$18,755,230 or 10.23 percent of total funding. Capital contributions of \$1,833,482 represented 1 percent of total revenue. The remainder came from charges for services, and investment earnings. The total cost of all programs and services was \$139,496,503. Approximately 72.1 percent of the District's expenses were related to providing direct educational services to students. Administrative activities of the District accounted for approximately 3.5 percent of total expenses. Total revenues exceeded total expenditures, increasing net position by \$39,396,897 from last year.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2024

Table 2

THE BOARD OF EDUCATION OF WORCESTER COUNTY CHANGES IN NET POSITION JUNE 30, 2024

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		BOARD OF EDUCATION TOTAL		PERCENT OF CHANGE
	2024	2023	2024	2023	2024	2023	
REVENUES							
Program Revenues:							
Charges for Services	\$ 3,254,664	\$ 3,406,851	\$ 448,952	\$ 616,834	\$ 3,703,616	\$ 4,023,685	-8.0%
Federal and State Grants	45,751,651	33,880,625	3,916,528	3,108,976	49,668,179	36,989,601	34.3%
OPEB Contributions	8,676,568	8,984,877	-	-	8,676,568	8,984,877	-3.4%
Capital Contributions	1,833,482	10,003,140	-	-	1,833,482	10,003,140	-81.7%
General Revenues:							
County Appropriation	100,006,640	100,285,947	-	-	100,006,640	100,285,947	-0.3%
State Formula Aid	18,755,230	16,418,949	-	-	18,755,230	16,418,949	14.2%
Other	564,763	1,701,502	48,113	173,213	612,876	1,874,715	-67.3%
TOTAL REVENUES	178,842,998	174,681,891	4,413,593	3,899,023	183,256,591	178,580,914	2.6%
EXPENSES							
Instruction and Special							
Education	103,675,355	105,896,703	-	-	103,675,355	105,896,703	-2.1%
Administration	5,020,907	2,373,696	-	-	5,020,907	2,373,696	111.5%
Support Services	30,800,241	26,436,426	4,363,191	3,519,211	35,163,432	29,955,637	17.4%
TOTAL EXPENSES	139,496,503	134,706,825	4,363,191	3,519,211	143,859,694	138,226,036	4.1%
INCREASE (DECREASE) IN NET POSITION*	\$ 39,346,495	\$ 39,975,066	\$ 50,402	\$ 379,812	\$ 39,396,897	\$ 40,354,878	

Governmental Activities

The increase in net position for governmental activities was \$39,346,495 in 2024. Charts 1 and 2 present a breakdown of the District's revenues for 2023 and 2024. Charts 3 and 4 present a breakdown of the District's expenses for 2023 and 2024.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2024

Chart 1
Board of Education of Worcester County
Revenues - FY2023

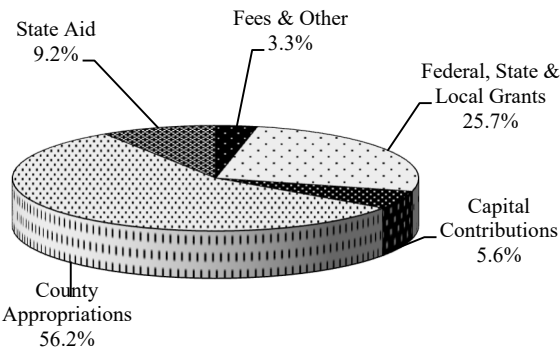
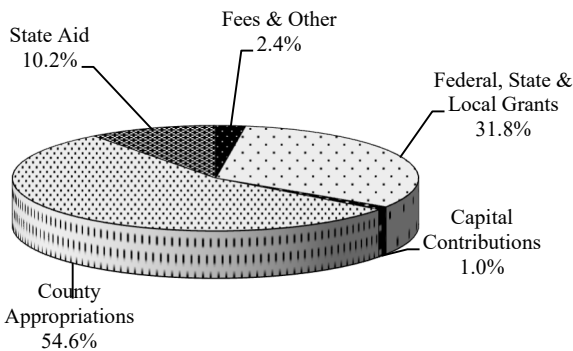


Chart 2
Board of Education of Worcester County
Revenues - FY2024



THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2024

Chart 3
Board of Education of Worcester County
Expenditures - FY 2023

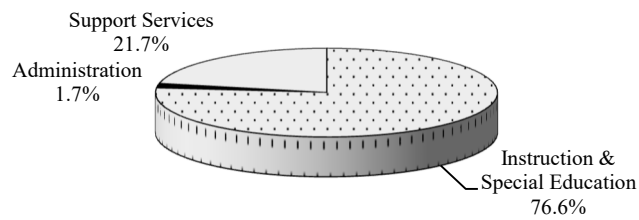
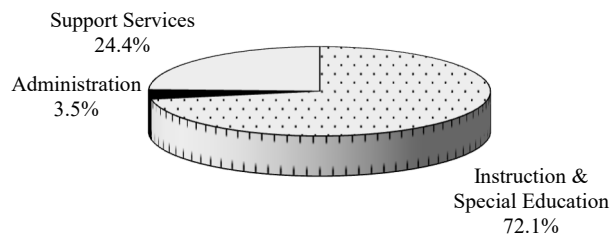


Chart 4
Board of Education of Worcester County
Expenditures - FY 2024



THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2024

Business-type Activities

Revenues of the District's only business-type activity, the food service operation, increased by \$514,570 to \$4,413,593 and expenses increased by \$843,980 to \$4,363,191. (Refer to Table 2.). This resulted in an operating profit of \$50,402. While our food service operations continued to operate at a profit in FY24, we did experience increases in both food cost and in labor costs tied to the increase minimum wage requirement. The Board left meal prices unchanged in FY25. (Table 3). Nine of our eligible schools enrolled in the Community Eligibility Provision (CEP) Program beginning in September, 2023. Under this Federal Program, all students in those schools are provided meals for free. The Board will continue to monitor the operations of our food service fund and evaluate the need for any meal price adjustments at our non-CEP schools in FY26.

<u>TABLE 3</u>	School Year 2023-2024		School Year 2024-2025	
	MEAL PRICES		MEAL PRICES	
	Elementary	Secondary	Elementary	Secondary
Paid Breakfast	\$ 1.40	\$ 1.40	\$1.40	\$ 1.40
Paid Lunch	2.45	2.85	2.45	2.85
Paid Milk	.55	.55	.55	.55

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a *combined* fund balance of \$3,878,975, a decrease of \$1,330,699 over last year's ending fund balance. Revenues for the District's governmental funds were \$166,298,219 an increase of \$3,749,467 over last year. Total expenditures were \$167,655,144 for the year, an increase of \$5,079,527 over the prior year.

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and maintenance and operations of all school facilities. See Table 4 for a summary of General Fund revenues and expenditures. The school system continues to efficiently manage the funds provided from various funding agencies, predominately our local government (the Worcester County Commissioners) and the State of Maryland.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2024

Table 4

GENERAL FUND REVENUES

	Fiscal Year	Fiscal Year	Increase	%
REVENUES	2024	2023	(Decrease)	Incr. (Decr.)
Worcester County Appropriations	\$ 97,323,998	\$ 97,553,847	\$ (229,849)	-0.2%
Worcester County Retirement & Pension Contribution	3,409,648	3,421,770	(12,122)	-0.4%
State of Maryland	25,147,288	22,283,398	2,863,890	12.9%
State of Maryland Share of Retirement & Pension Contribution	6,696,702	6,533,892	162,810	2.5%
Restricted Federal, State, & Other Programs	28,067,674	17,644,352	10,423,322	59.1%
Other Sources	736,678	1,820,173	(1,083,495)	-59.5%
TOTAL REVENUES	\$ 161,381,988	\$ 149,257,432	\$ 12,124,556	8.1%

GENERAL FUND EXPENDITURES

EXPENDITURES				
Administration	\$ 2,032,628	\$ 1,892,294	\$ 140,334	7.4%
Mid-Level Administration	8,871,411	8,890,493	(19,082)	-0.2%
Instructional Salaries	50,135,914	48,555,206	1,580,708	3.3%
Textbooks and Classroom Supplies	2,449,489	3,932,048	(1,482,559)	-37.7%
Other Instructional Costs	1,043,878	1,267,322	(223,444)	-17.6%
Special Education	12,665,542	12,606,442	59,100	0.5%
Pupil Personnel Services	400,841	391,208	9,633	2.5%
Health Services	1,161,776	1,131,714	30,062	2.7%
Pupil Transportation	7,853,942	7,815,067	38,875	0.5%
Operation of Plant	9,418,588	9,596,323	(177,735)	-1.9%
Maintenance of Plant	1,586,508	1,477,307	109,201	7.4%
Fixed Charges	25,857,608	23,645,509	2,212,099	9.4%
Capital Outlay	1,049,696	510,990	538,706	105.4%
Restricted Programs	28,067,674	17,644,352	10,423,322	59.1%
Worcester County Retirement & Pension Contribution	3,409,648	3,421,770	(12,122)	-0.4%
State of Maryland Share of Retirement & Pension Contribution	6,696,702	6,533,892	162,810	2.5%
TOTAL EXPENDITURES	\$ 162,701,845	\$ 149,311,937	\$ 13,389,908	9.0%

DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,319,857)	(54,505)	(1,265,352)	2321.5%
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OTHER FINANCING SOURCES

Proceeds from long-term right-of-use leases	26,226	-	26,226	100.0%
TOTAL OTHER FINANCING SOURCES	26,226	-	26,226	100.0%

EXCESS (DEFICIENCY) OF REVENUES

(USES) OVER EXPENDITURES	<u>\$ (1,293,631)</u>	<u>\$ (54,505)</u>	<u>\$ (1,239,126)</u>	2273.4%
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THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2024

General fund revenues were up \$12,124,556. Local appropriations were less in FY24 due to the County's decision to allocate funding at the minimum required Maintenance of Effort (MOE) funding level. State aid revenue was \$2,863,890 higher with a major portion of this increase directly tied to a large increase in the number of our students identified as Free and Reduced Meal Students (FARMS). Increases in Federal revenues were directly tied to the Board's continue spending of the Federal ESSER grants that expire 9/30/24. Other revenue was lower due to one-time revenue recognized in FY23 related to the sale of our used iPads. The majority of the variances under expenditures are related to the FY24 employee salary increase and increase in bus contractor rates. The large variance in the category of Textbooks and Classroom Supplies is directly related to the refresh of our student and teacher iPad devices that occurred in FY23.

Capital Projects Fund

All funds for school construction come from either the Worcester County Commissioners or the State of Maryland. Both levels of government either allocate general tax revenue proceeds or provide bond proceeds for specific school construction projects. The Board has no legal authority to borrow funds. During FY 2024, the Board received county funding of \$1,687,047. These funds were used to pay costs related to several projects including playground equipment, safety upgrades at various schools, roof repairs and various other school related projects. The school system also received \$146,435 in State school construction funding to partially fund a new playground at Cedar Chapel Special School. The Capital Projects School Construction Fund revenues exceeded FY 2024 expenditures by \$715 resulting in a fund balance of \$54,678 at June 30, 2024.

Fiduciary Fund

The following funds are accounted for as Fiduciary Funds:

- (1) Private Purpose Trust Funds: Funds held in trust for specific purposes such as student scholarships and awards total \$340,661 as of June 30, 2024.
- (2) Retiree Benefit Trust Fund (OPEB Trust Fund) – Funds held in trust to fund health care cost of retirees. Total assets of \$45,949,943 as of June 30, 2024.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2024

GENERAL FUND BUDGETARY HIGHLIGHTS

Five categories of our FY24 budget had actual expenditures that exceeded the original budget. The category of Administration had higher than planned expenditures due to higher than budgeted expenditures in the areas of legal services and in the area of memberships, dues and subscriptions. The category of Instructional Support had higher than planned expenditures due to higher than budgeted software costs. Costs in the Student Transportation category were higher due to the fuel supplement paid to our bus contractors, after-school programs and additional costs related to transporting our Families in Transition (FIT) students. Expenses in the budget categories of both Operation of Plant and Maintenance of Plant were higher due to the increased costs of the supplies needed to operate and maintain our buildings. The inter-category and intra-category budget transfers were approved by our Board at the August meeting. The inter-category budget transfers were approved by our County Commissioners at their September 3, 2024 meeting. The Board ended the FY24 year with a budget surplus of \$795,918. The Board has assigned \$228,907 of the FY24 surplus to be used to fund after-school programs in FY25. The Board will leave \$567,011 in unassigned fund balance and this amount will be available to be utilized as revenue in our FY26 operating budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2024, the District has invested over \$305.5 million in a broad range of capital assets, including land, school buildings, athletic facilities, furniture and equipment. (More detailed information about capital assets can be found in Note 2 to the financial statements.) Total depreciation expense for the year totaled \$7.15 million.

Construction - Next Five Years

Annually, the Board of Education prepares and submits to the State Interagency Commission on School Construction (IAC) and our local government a 5-Year Capital Improvement Program (CIP).

The FY 2025 CIP included a request for State construction funding for the Snow Hill Middle School/Cedar Chapel Special School roof replacement project which began in June 2024 and was complete in September 2024. The CIP also included a request for State design funding for the Pocomoke Elementary School roof replacement project, scheduled to begin in summer 2025. Design for the roof replacement project is in progress.

The FY 2026 CIP includes a request for construction funding for the Pocomoke Elementary roof replacement project. The CIP also includes a design funding request for the Buckingham Elementary Replacement School. At their September 2024 meeting, the Worcester County Board of Education approved the "Two-School" option recommended by the Buckingham Elementary Replacement School Workgroup. This option was one of the four offered by the IAC that would allow some State funding approval. The option involves the County's commitment to fund the construction of a new Buckingham Elementary School directly followed by the County funding a replacement Berlin Intermediate School.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2024

The Workgroup consisted of Board of Education members, County Commissioners, the IAC Executive Director and staff, State Senator Carozza, WCPS leadership and BES leadership. The "Two-School" option will provide nearly \$49 million of State construction funding for the construction of Buckingham Elementary and Berlin Intermediate replacement schools. Pending approval of the "Two-School" option and execution of a Memorandum of Understanding by the Worcester County Commissioners, design of the Buckingham Replacement School will commence. Future projects included in the FY26 CIP include the Berlin Intermediate Replacement School,

Long-Term Liabilities

At year-end, the District had \$103,182,185 for amounts due or payable after one year. This amount consists of the following:

- \$786,122 of accrued compensated absences which is an obligation resulting primarily from accrued annual leave which is due and payable to employees upon termination, \$6,512,440 in net pension liability, \$968,948 in financed purchases, \$83,867 in right-to-use leases and \$94,830,808 for other post-employment benefits.

FACTORS BEARING ON THE DISTRICTS' FUTURE

- (1) The global pandemic Coronavirus (COVID-19) has impacted every part of our society including our State and Local economies. A major concern to our school system was the potential impact that school closures and on-line learning may have had on student achievement. The Federal government has issued major funding awards to help with student learning recovery. Worcester has utilized a significant amount of the federal funding to purchase resources that will aid in assessing our students progress and making sure that we have the resources in place to help our students and we do not experience an achievement gap. Other uses of these funds include upgrading our computer and network infrastructure and security and improving indoor air quality in our school buildings. The remaining COVID-19 grants are ending on September 30, 2024.
- (2) Worcester County Public Schools (WCPS) provides post-employment health insurance benefits to their retirees. Implementation of GASB Statement No. 75 resulted in a Net OPEB liability on our district-wide financial statements of \$94,830,808 as of June 30, 2024. Our local government has historically funded the cost of health insurance for all school system employees including retirees. As part of this partnership, the Worcester County Government established and funded a trust to pay the costs of retiree health insurance. In support of continuing to address this issue, our County Commissioners voted to increase the County income tax rate in FY20 and to apply the resulting increase in revenue to funding the both the County and WCPS OPEB liability. This resulted in an additional \$2,500,000 in OPEB funding that is now included in our operating budgets. In the FY25 budget the County Commissioner's included an additional \$1,587,052 in our funding to be used for OPEB funding in FY25 and future years. This brings the total to \$4,455,198 included our annual operating budget that is allocated to OPEB funding. This continued partnership will be crucial as we work to ensure adequate resources are available to continue to meet our obligations to current and future retirees.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2024

- (3) The Board of Education has a growing list of capital projects. The list includes:
- Buckingham Elementary School project – A Feasibility Study for the Buckingham Elementary School began in July 2022 and was completed in December 2022. Educational Specifications were completed in May 2023 and Conceptual Planning was completed in September 2023. Following denial of our FY24 and FY25 CIP requests for Buckingham Elementary state funding, the Worcester County Board of Education formed the Buckingham Elementary Replacement School Workgroup in May 2024. The Workgroup completed its work in August 2024 and in September 2024 the Board of Education approved the Workgroup recommendation of a “Two-School” option; replacement of Buckingham Elementary followed by replacement of Berlin Intermediate School. This option will secure \$48.9 million of State school construction funding. The option will be reviewed by the Worcester County Commissioners in October 2024.
 - Berlin Intermediate School project – The renovation or replacement of Berlin Intermediate School will follow the construction of the Buckingham Elementary Replacement School. Timelines are to be determined through a Memorandum of Understanding between the state Interagency Commission on School Construction (IAC) and the Worcester County government.
 - A future renovation or replacement of Snow Hill Elementary School.
 - A roof replacement project at Pocumoke Elementary School. State funding for this project is requested in the FY 2026 CIP. Pending funding approval, the project will begin in summer 2025.
 - Future roof replacement projects at Worcester Technical High School, Ocean City Elementary School and Stephen Decatur High School.

As more buildings age, delays in funding projects will compound the costs and logistics of the Capital Improvement Program.

- (4) The State of Maryland created the Kirwan Commission in FY18 to study current needs and current funding formulas for public schools in Maryland. This commission met for two years and submitted a preliminary report to the State Legislature in the spring of 2019 with recommendations on how to improve public education in our State. The recommendations include a move to all day universal pre-kindergarten, teacher salary increases, additional funding for students with disabilities, and more resources for supplemental instruction. Estimates to fully implement the recommendations included in this report total almost \$4 billion over the next ten years. The Blueprint for Maryland's Future bill, including the items recommended by the Kirwan Commission passed in the State Legislature and is now law. Our school system feels that many of the recommendations included in the approved Blueprint bill will be beneficial to both students and staff. Our Board is concerned on how it will be funded and that based on current state funding formulas a majority of the funding liability necessary to implement requirements included in the approved legislation will be placed on our local government. Without the necessary increases in both State and Local funding, implementation of the Blueprint requirements with the timelines currently in place will require future reductions in staffing and current programs offered to our students. Our Board will continue to follow implementation of the Blueprint law and the impact on our school system.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2024

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office, at the Board of Education of Worcester County, 6270 Worcester Highway, Newark, Maryland 21841.

AUDITED FINANCIAL STATEMENTS

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF NET POSITION

June 30, 2024

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,588,103	\$ 512,230	\$ 6,100,333
Investments	4,830,557	-	4,830,557
Accounts receivable:			
Federal, state and other restricted funds	4,639,555	256,440	4,895,995
Miscellaneous	808,390	-	808,390
Internal balances	(772,564)	772,564	-
Non depreciable capital assets	2,635,194	-	2,635,194
Depreciable capital assets, net	202,232,233	133,793	202,366,026
TOTAL ASSETS	219,961,468	1,675,027	221,636,495
DEFERRED OUTFLOWS OF RESOURCES			
Pensions (see Note 4)	2,019,253	-	2,019,253
Other post employment benefits (OPEB) (see Note 7)	29,395,138	-	29,395,138
TOTAL DEFERRED OUTFLOWS OF RESOURCES	31,414,391	-	31,414,391
LIABILITIES			
Accounts payable:			
Vendors	1,103,587	-	1,103,587
Others	741,831	1,126	742,957
Payroll deductions and withholdings	5,488,683	-	5,488,683
Payable to external parties	340,661	-	340,661
Unearned revenue	3,488,472	21,086	3,509,558
Long-term liabilities:			
Portion due or payable within one year:			
Accrued compensated absences	51,832	-	51,832
Financed purchases	1,290,170	-	1,290,170
Right-to-use leases	149,868	-	149,868
Portion due or payable after one year:			
Other post employment benefits	94,830,808	-	94,830,808
Pensions	6,512,440	-	6,512,440
Accrued compensated absences	786,122	-	786,122
Financed purchases	968,948	-	968,948
Right-to-use leases	83,867	-	83,867
TOTAL LIABILITIES	115,837,289	22,212	115,859,501
DEFERRED INFLOWS OF RESOURCES			
Pensions (see Note 4)	72,241	-	72,241
Other post employment benefits (OPEB) (see Note 7)	228,110,063	-	228,110,063
TOTAL DEFERRED INFLOWS OF RESOURCES	228,182,304	-	228,182,304
NET POSITION			
Net investment in capital assets	202,374,574	133,793	202,508,367
Restricted for:			
Capital projects	54,678	-	54,678
Unrestricted	(295,072,986)	1,519,022	(293,553,964)
TOTAL NET POSITION	\$ (92,643,734)	\$ 1,652,815	\$ (90,990,919)

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Administration	\$ 4,740,410	\$ -	\$ 2,633,993	\$ -
Mid-Level Administration	9,446,823	-	575,412	-
Instructional services	72,701,691	172,629	12,062,485	-
Special education	15,734,934	-	5,461,053	-
Student personnel services	400,841	-	-	-
Health services	1,475,312	-	313,536	-
Student transportation	8,415,757	-	4,562,212	-
Operation of plant and equipment	13,462,294	-	6,125,846	-
Maintenance of plant	1,591,038	-	4,530	-
Fixed charges	369,376	-	15,160,689	-
Community services	25,352	-	25,352	-
Capital outlay	509,746	-	-	1,833,482
Food services	79,403	-	79,403	-
School activities	3,119,818	3,082,035	-	-
State of Maryland and county share of retirement and pension contribution	7,423,708	-	7,423,708	-
Total Governmental Activities	139,496,502	3,254,664	54,428,219	1,833,482
Business-Type Activities				
Food Services	4,363,191	448,952	3,916,528	34,172
Totals	\$ 143,859,693	\$ 3,703,616	\$ 58,344,747	\$ 1,867,654

General Revenues

State of Maryland
Worcester County appropriation
Unrestricted investment earnings and other revenues

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

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

Net (Expenses) Revenue
and changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,106,417)	\$ -	\$ (2,106,417)
(8,871,411)	-	(8,871,411)
(60,466,577)	-	(60,466,577)
(10,273,881)	-	(10,273,881)
(400,841)	-	(400,841)
(1,161,776)	-	(1,161,776)
(3,853,545)	-	(3,853,545)
(7,336,448)	-	(7,336,448)
(1,586,508)	-	(1,586,508)
14,791,313	-	14,791,313
-	-	-
1,323,736	-	1,323,736
-	-	-
(37,783)	-	(37,783)
-	-	-
(79,980,137)	-	(79,980,137)
-	36,461	36,461
(79,980,137)	36,461	(79,943,676)
18,755,230	-	18,755,230
100,006,640	-	100,006,640
564,763	13,941	578,704
119,326,633	13,941	119,340,574
39,346,496	50,402	39,396,898
(131,990,230)	1,602,413	(130,387,817)
\$ (92,643,734)	\$ 1,652,815	\$ (90,990,919)

THE BOARD OF EDUCATION OF WORCESTER COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2024

	General	Capital Projects	School Activities	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,058,796	\$ -	\$ 1,529,307	\$ 5,588,103
Investments	4,830,557	-	-	4,830,557
Accounts receivable:				
Federal, state and other restricted funds	4,345,773	293,782	-	4,639,555
Other	808,367	23	-	808,390
Due from other funds	241,220	13,339	-	254,559
TOTAL ASSETS	\$ 14,284,713	\$ 307,144	\$ 1,529,307	\$ 16,121,164
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable:				
Vendors	\$ 1,092,341	\$ 11,246	\$ -	\$ 1,103,587
Others	741,831	-	-	741,831
Payroll deductions and withholdings	5,540,515	-	-	5,540,515
Due to other funds	1,126,564	241,220	-	1,367,784
Deferred revenue - Federal, state and other restricted funds	3,488,472	-	-	3,488,472
TOTAL LIABILITIES	11,989,723	252,466	-	12,242,189
COMMITMENTS AND CONTINGENCIES				
FUND BALANCES				
Fund Balance:				
Restricted for fund purposes	-	54,678	-	54,678
Assigned to:				
School activities	-	-	1,529,307	1,529,307
Insurance reserve	22,024	-	-	22,024
Subsequent year's expenditures	567,011	-	-	567,011
Encumbrances- various purposes	560,300	-	-	560,300
Capital and technology projects	349,737	-	-	349,737
After school programs	228,907	-	-	228,907
Unassigned	567,011	-	-	567,011
TOTAL FUND BALANCES	2,294,990	54,678	1,529,307	3,878,975
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,284,713	\$ 307,144	\$ 1,529,307	\$ 16,121,164

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2024

Total fund balances, governmental funds	\$ 3,878,975
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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 are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	204,867,427
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Deferred outflow of resources - pensions (see Note 4)	2,019,253
Deferred outflow of resources - OPEB (see Note 7)	29,395,138

Some liabilities are not due and payable in the current period and therefore are
not reported in the fund financial statements, but are reported in the governmental
activities of the Statement of Net Position.

Accrued compensated absences	(786,122)
Financed purchases	(2,259,118)
Right-to-use leases	(233,735)
Net pension liability	(6,512,440)
Other post retirement employment benefits	<u>(94,830,808)</u>

Total long-term liabilities	(104,622,223)
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Deferred inflow of resources - pensions (see Note 4)	(72,241)
Deferred inflow of resources - OPEB (see Note 7)	<u>(228,110,063)</u>

Net assets of governmental activities in the Statement of Net Position	<u>\$ (92,643,734)</u>
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The Notes to Financial Statements are an integral part of this statement.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2024

	General	Restricted Grants	Capital Projects	School Activities	Total Governmental Funds
REVENUES					
Worcester County Appropriations	\$ 100,006,640	\$ -	\$ 1,687,047	\$ -	\$ 101,693,687
State of Maryland	25,147,288	-	146,435	-	25,293,723
On behalf State of Maryland	6,696,702	-	-	-	6,696,702
On behalf County - retirement and pension contribution	727,006	-	-	-	727,006
Restricted Federal, state and other local funds	-	28,067,674	-	-	28,067,674
Other sources	736,678	-	714	-	737,392
School activity revenues	-	-	-	3,082,035	3,082,035
TOTAL REVENUES	133,314,314	28,067,674	1,834,196	3,082,035	166,298,219
EXPENDITURES					
Current:					
Administration	2,032,628	2,633,993	-	-	4,666,621
Mid-level administration	8,871,411	575,412	-	-	9,446,823
Instructional salaries and wages	50,135,914	5,844,136	-	-	55,980,050
Textbooks and instructional supplies	2,449,489	2,908,738	-	-	5,358,227
Other instructional costs	1,043,878	3,309,611	-	-	4,353,489
Student personnel services	400,841	-	-	-	400,841
Health services	1,161,776	313,536	-	-	1,475,312
Student transportation	7,853,942	561,815	-	-	8,415,757
Operation of plant and equipment	9,418,588	6,125,846	-	-	15,544,434
Maintenance of plant	1,586,508	4,530	-	-	1,591,038
Fixed charges	28,540,250	2,615,910	-	-	31,156,160
School activity expenditures	-	-	-	3,119,818	3,119,818
Special education	12,665,542	3,069,392	-	-	15,734,934
Food services	-	79,403	-	-	79,403
Community services	-	25,352	-	-	25,352
On behalf County - retirement and pension contribution	727,006	-	-	-	727,006
On behalf State of Maryland - retirement and pension contribution	6,696,702	-	-	-	6,696,702
Capital outlay	1,049,696	-	1,833,481	-	2,883,177
TOTAL EXPENDITURES	134,634,171	28,067,674	1,833,481	3,119,818	167,655,144
EXCESS REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(1,319,857)	-	715	(37,783)	(1,356,925)
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term right-of-use leases	26,226	-	-	-	26,226
Net Change in fund balances	(1,293,631)	-	715	(37,783)	(1,330,699)
Fund balances, beginning	3,588,621	-	53,963	1,567,090	5,209,674
Fund balances, ending	\$ 2,294,990	\$ -	\$ 54,678	\$ 1,529,307	\$ 3,878,975

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2024

Net change in fund balances, governmental funds \$ (1,330,699)

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 their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital asset additions	2,377,295	
Depreciation & amortization expense	<u>(7,378,868)</u>	
Total		(5,001,573)

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences	(9,962)	
Decrease in pension expense due to deferred financing outflow	322,682	
Increase in pension expense due to net pension liability	(823,284)	
Decrease in pension expense due to deferred financing inflows	408,490	
Decrease in post-employment benefits expense due to deferred financing outflow	(15,796,522)	
Decrease in post-employment benefits expense due to net OPEB liability	44,796,753	
Decrease in post-employment benefits expense due to deferred financing inflow	<u>14,433,406</u>	
		43,331,563

Lease proceeds provide current financial resources to governmental funds but increase long-term liabilities in the statement of net position. Repayment of lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, the net effect of lease borrowings and repayments was:

2,347,205

Change in net position of governmental activities \$ 39,346,496

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF FUND NET POSITION

PROPRIETARY FUNDS

June 30, 2024

	Enterprise Fund Food Services
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 512,230
Due from other governments	256,440
Due from general fund	<u>772,564</u>
Total current assets	<u>1,541,234</u>
Noncurrent assets:	
Furniture and equipment	421,005
Less: accumulated depreciation	<u>(287,212)</u>
Total noncurrent assets	<u>133,793</u>
TOTAL ASSETS	<u>1,675,027</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,126
Unearned revenue	<u>21,086</u>
Total current liabilities	<u>22,212</u>
COMMITMENTS AND CONTINGENCIES	
NET POSITION	
Invested in capital assets	133,793
Unrestricted	<u>1,519,022</u>
TOTAL NET POSITION	<u>\$ 1,652,815</u>

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION BUSINESS-TYPE ACTIVITIES

Year Ended June 30, 2024

	Enterprise Fund Food Services
OPERATING REVENUES	
Food service sales	\$ 448,952
OPERATING EXPENSES	
Salaries and wages	1,577,245
Fringe benefits	347,113
Contracted services	37,170
Food and food related supplies	2,046,254
Nonfood supplies	126,825
Other charges	1,660
Value of USDA commodities donated	199,315
Commodity processing	9,120
Depreciation	18,489
TOTAL OPERATING EXPENSES	4,363,191
OPERATING LOSS	(3,914,239)
NONOPERATING REVENUES	
Interest income	13,941
Grant and local revenue	20,000
State of Maryland:	
Reimbursement of food costs	209,971
Federal through state:	
Reimbursement of food costs	3,507,242
Donation of food commodities	199,315
Total Federal through state	3,706,557
TOTAL NONOPERATING REVENUES	3,950,469
Change in net position before contributions and transfers	36,230
Capital contribution - equipment	14,172
Change in net position	50,402
Net position beginning of year	1,602,413
Net position end of year	\$ 1,652,815

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2024

	Enterprise Fund Food Services
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from user charges	\$ 448,952
Cash payments to employees for services	(1,577,245)
Cash payments for health and other insurances	(347,113)
Cash payments to suppliers for goods and services	(2,183,859)
Cash payments for facility use and maintenance	(37,170)
Net cash used in operating activities	<u>(3,696,435)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Non operating grants received	3,672,398
Net loans (repayments) to other funds	13,847
Net cash provided by noncapital financing activities	<u>3,686,245</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	<u>13,941</u>
Net change in cash	3,751
Cash and cash equivalents, beginning of year	<u>508,479</u>
Cash and cash equivalents, end of year	<u><u>\$ 512,230</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (3,914,239)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	18,489
Donated commodities used	<u>199,315</u>
Net cash used in operating activities	<u><u>\$ (3,696,435)</u></u>
NONCASH ITEMS	
Donation of food commodities	\$ 199,315
Capital contributions of equipment	14,172

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2024

	Private Purpose Trust Fund	Retiree Benefit Trust Fund
ASSETS		
Cash	\$ -	\$ 767,500
Trust investments:		
Money market funds	-	8,807,537
Fixed income securities	-	19,741,906
Equities securities	-	16,633,000
Due from other funds	340,661	-
	<hr/>	<hr/>
TOTAL ASSETS	340,661	45,949,943
	<hr/>	<hr/>
NET POSITION		
Held in trust for:		
Other postemployment benefits	-	45,949,943
Scholarships, etc.	340,661	-
	<hr/>	<hr/>
TOTAL NET POSITION	\$ 340,661	\$ 45,949,943
	<hr/>	<hr/>

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

Year Ended June 30, 2024

	Private Purpose Trust Fund	Retiree Benefit Trust Fund
ADDITIONS		
Contributions:		
Donations and fees	\$ 120,372	\$ -
Worcester County and Board contributions	-	12,544,779
Plan member contributions	-	526,017
Total contributions	120,372	13,070,796
Investment earnings:		
Interest	21,342	27,013
Increase in fair value of investments	-	2,880,787
Total investment earnings	21,342	2,907,800
 Total additions	 141,714	 15,978,596
DEDUCTIONS		
Plan benefit payments	-	5,351,687
Scholarships, etc.	150,934	-
 Total deductions	 150,934	 5,351,687
 Change in net position	 (9,220)	 10,626,909
Net position held in trust, beginning	349,881	35,323,034
Net position held in trust, ending	\$ 340,661	\$ 45,949,943

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

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Board of Education of Worcester County, Maryland is a component unit of Worcester County, Maryland. These separate financial statements are also included within the basic financial statements of Worcester County.

The Board of Education receives substantial appropriations from and is subject to the indirect control of Worcester County, although the Board has its own separate governing board.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the Board. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to recipients who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Grants and other revenues not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund 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, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues-Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 1. Summary of Significant Accounting Policies (continued)

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

Nonexchange transactions, in which the Board receives value without directly giving equal value in return, include primarily grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursable basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: interest, tuition, grants, fees and rentals.

Unearned revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The government reports the following major governmental funds:

General and Restricted Funds

All financial resources appropriated for current operating expenditures, including restricted grant funds, are accounted for in the General and Restricted Funds.

Capital Projects Fund

This fund accounts for financial resources that are restricted to construction of new buildings, additions and alterations and acquisition of equipment. Revenue is recognized from bond issues in the year that funds are either transferred or receivable from Worcester County.

School Activity Fund

The School Activity Fund is used to account for revenues and expenditures at the schools for, among other things, student insurance and pictures, athletics, clubs and other student activities, and principals' miscellaneous expenditures.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 1. Summary of Significant Accounting Policies (continued)

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

The Board reports the following major proprietary fund:

Food Service Fund

This fund accounts for the activity of the Board's Food Service operation which operates cafeterias in the Board's schools.

The Board also reports the following fund types:

Private Purpose Trust Fund

These funds are held by the Board for scholarships and other student awards.

Retiree Benefit Trust Fund

These funds are held in trust by Worcester County, Maryland, on behalf of the Board, for the benefits of retirees.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Board are charges for lunch, breakfast and catered meals. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Position

Cash and Investments

The Board is authorized to invest any monies in any fund or account over which it has custody or control. The types of investments are specified in accordance with Section 6-222 of the Maryland State Finance and Procurement Article.

Cash in the General Fund and Food Service Funds are pooled into one account in order to maximize investment opportunities. Each fund whose monies are deposited in the account has an equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled cash and cash investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements.

Accounts Receivable

The Board has amounts due from governmental agencies of \$4,895,995 at June 30, 2024. These receivables are due primarily from the Maryland State Department of Education and from Worcester County.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Improvements	20 - 25
Buildings	50
Vehicles	8
Furniture, Fixtures & Equipment	5 - 15

Compensated Absences

Compensated absences are reported as accrued in the government wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in-full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Estimates

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

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

Net Position

In the government-wide financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by grantors, creditors or laws or regulations of other governments.

The Board applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that period. The Board has two items that qualify for reporting in this category. The Board recognizes a deferred outflow of resources related to its pension obligation (Note 4) and OPEB liability (Note 7) for changes in assumptions and the net difference between projected and actual investment earnings on plan investments. These amounts are deferred and recognized as an outflow from resources in the period that the amounts become available.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two items that qualify for reporting in this category. The Board recognizes a deferred inflow of resources related to its pension obligation (Note 4) and OPEB liability (Note 7) for the net difference between projected and actual investment earnings on pension plan investments, changes in assumptions, and differences between expected and actual experience. This item is deferred and recognized as an inflow from resources in the period that the amounts become available.

The deferred outflows and inflows of resources represent reconciling items between the governmental fund financial statements and the government-wide financial statements.

Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Transfers are fund balance amounts reserved and/or assigned in the prior year that received County approval to be spent on capital projects.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

Fund Balance

Fund balances are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable (i.e. inventory or long term receivables), restricted (by external parties or legislation), committed (by resolution of the Board of Education), assigned (by management approval for specific purposes) and unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board. Assigned fund balances is a limitation imposed by a designee of the Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Proprietary fund equity is classified the same as in the government-wide statements.

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are reported as assigned fund balance in the governmental fund financial statements. Encumbrances outstanding at June 30, 2024 that were provided for in the current year's budget for the budgetary basis of accounting but will be accounted for under generally accepted accounting principles in the subsequent year totaled \$560,300.

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The budget is prepared on the budgetary basis of accounting. The budget establishes a limit on the amounts that the Board may appropriate and sets annual limits as to the amount of expenditures at a level of control selected by the Board. The legal level of control has been established by the Board at the category level within each fund.

The budget may be amended during the year if projected increases or decreases in revenue are identified. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original budget was adopted. The amounts reported in the final budgeted amounts reflect amendments approved by the County government during the year between categories and those approved by the Board within categories.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 2. Detailed Notes on All Funds

A. Deposits and Investments

Custodial Risk

The Annotated Code of Maryland (Article 95, Section 22) requires that deposits with financial institutions by local boards of education be collateralized. Collateral for repurchase agreements must be at least 102% of market value of principal and accrued interest. The Board's collateral is held by a custodian in accordance with Section 6-209(c) of the State Finance and Procurement Article of the Annotated Code of Maryland and acceptable collateral is as specified under Section 6-202 of the same document.

These collateralization requirements are established to reduce custodial risk which is the risk that in the event of a bank failure, the Board's deposits may not be returned to it.

At June 30, 2024, the Board's funds were invested as follows:

	CARRYING VALUE
Cash and cash equivalents	\$ 6,100,333
Invested in Maryland Local Government Investment Pool	\$ 4,830,557

Investments of \$4,830,557 reported in the governmental funds consist of U.S. Government Securities made through the State of Maryland Local Government Investment Pool which provide local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 94 22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Safe Deposit and Trust Company, which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP is rated AAA by Standard and Poors. The fair value of the pool is the same as the value of the pool shares. Investments are recorded at cost, which approximates market value. Statutes authorize the Board to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal securities and repurchase agreements, collateralized certificates of deposit, bankers acceptance or money market funds.

The Board's exposure to interest rate and credit risk is minimal, as all investments are in cash and MLGIP and are thus precluded from having to sell below original cost. Custodial credit risk is mitigated by attempting to have all investments fully collateralized by securities. Cash is invested pursuant to the Annotated Code of Maryland and County Code.

The bank balances were exposed to custodial credit risk as follows:

	Governmental Activities	Business-Type Activities
Insured	\$ 250,000	\$ 250,000
Uninsured and Collateral Held by Pledging Bank's Trust Department in the Board's Name	7,090,348	262,230
Uninsured and Undercollateralized	-	-
TOTAL	\$ 7,340,348	\$ 512,230

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 2. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investment – Retiree Benefit Trust Fund

Investments of \$45,949,943 in the Retiree Benefit Trust Fund by type and maturity at June 30, 2024 were as follows:

	<u>1 Year</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>	<u>Rate</u>
M&T Investments:					
Cash	\$ 767,500	\$ -	\$ -	\$ 767,500	
Money Market	8,807,537	-	-	8,807,537	
Fixed Income:					
U.S. Treasury	1,668,257	3,686,433	1,668,589	7,023,279	0.63 - 5.00%
U.S. Government Agency	245,335	1,086,477	1,836,388	3,168,200	1.50 - 6.00%
Other Fixed Income	69,374	698,761	8,782,292	9,550,427	0.4 - 6.2%
Equities	16,633,000	-	-	16,633,000	N/A
Totals	<u>\$28,191,003</u>	<u>\$ 5,471,671</u>	<u>\$12,287,269</u>	<u>\$45,949,943</u>	

Investments at Fair Value

Government Accounting Standards Board Statement (GASB) No. 72, *Fair Value Measurements and Application*, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. GASB 72 established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 – that are observable for the asset or liability, either directly or indirectly (for example, quoted prices in active markets for similar assets or liabilities)
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a combination of prevailing market prices and interest payments that are discounted at prevailing interest rates for similar instruments. The Board has no Level 3 investments.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 2. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

As of June 30, 2024, the Board had the following recurring fair value measurements:

	Level 1	Level 2	Level 3	Total
Debt Securities:				
Corporate and foreign bonds	\$ -	\$ 1,655,991	\$ -	\$ 1,655,991
Fixed income funds	7,894,436	-	-	7,894,436
	<u>7,894,436</u>	<u>1,655,991</u>	<u>-</u>	<u>9,550,427</u>
Equity Securities:				
Mutual funds	16,633,000	-	-	16,633,000
Other investments:				
Money market	8,807,537	-	-	8,807,537
U.S. Treasury	7,023,279	-	-	7,023,279
U.S. Government Agency	3,168,200	-	-	3,168,200
	<u>18,999,016</u>	<u>-</u>	<u>-</u>	<u>18,999,016</u>
Total investment by fair value level	<u>\$ 43,526,452</u>	<u>\$ 1,655,991</u>	<u>\$ -</u>	<u>\$ 45,182,443</u>

B. Interfund Receivables - Payables

At June 30, 2024, the interfund account balances are as follows:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
GOVERNMENTAL ACTIVITIES:		
GENERAL FUND		
Due from/to Food Service Fund	\$ -	\$ 772,564
Due from/to Capital Projects Fund	241,220	13,339
Due to School Activities Fund	-	-
Due to Trust Fund	-	340,661
Sub-Total	<u>241,220</u>	<u>1,126,564</u>
CAPITAL PROJECTS FUND		
Due from/to General Fund	13,339	241,220
BUSINESS-TYPE ACTIVITIES:		
ENTERPRISE FUND		
Due from/to General Fund	772,564	-
FIDUCIARY NET POSITION		
Due from General Fund	<u>340,661</u>	<u>-</u>
TOTAL ALL FUNDS	<u>\$ 1,367,784</u>	<u>\$ 1,367,784</u>

Due to/from other funds represent advances of cash for operating needs.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 2. Detailed Notes on All Funds (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,886,779	\$ -	\$ -	\$ 1,886,779
Construction in Progress	170,367	578,048	-	748,415
Total Capital Assets, not Being Depreciated	2,057,146	578,048	-	2,635,194
Capital Assets, Being Depreciated:				
Buildings and Improvements	290,257,671	1,568,719	-	291,826,390
Furniture, Fixtures, Equipment and Vehicles	13,197,395	204,302	-	13,401,697
Total Capital Assets, being Depreciated	303,455,066	1,773,021	-	305,228,087
Less Accumulated Depreciation for:				
Buildings	(88,852,530)	(5,319,369)	-	(94,171,899)
Furniture, Fixtures, Equipment and Vehicles	(7,206,107)	(1,838,893)	-	(9,045,000)
Total Accumulated Depreciation	(96,058,637)	(7,158,262)	-	(103,216,899)
Total Capital Assets, being Depreciated, Net	207,396,429	(5,385,241)	-	202,011,188
Intangible right-to-use assets:				
Leased equipment and vehicles	1,506,981	26,226	-	1,533,207
Less accumulated amortization	(1,091,556)	(220,606)	-	(1,312,162)
Total intangible right-to-use assets, net	415,425	(194,380)	-	221,045
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 209,869,000	\$ (5,001,573)	\$ -	\$ 204,867,427
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Being Depreciated:				
Machinery, Equipment and Vehicles	\$ 406,833	\$ 14,172	\$ -	\$ 421,005
Less Accumulated Depreciation for:				
Machinery, Equipment and Vehicles	(268,723)	(18,489)	-	(287,212)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 138,110	\$ (4,317)	\$ -	\$ 133,793

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 2. Detailed Notes on All Funds (continued)

C. Capital Assets (continued)

Depreciation and amortization for governmental activities is allocated as follows:

Administration	\$ 73,789
Instruction Services	7,009,925
Operation of Plant	<u>295,155</u>
TOTAL	<u>\$ 7,378,868</u>

D. Changes In Long-Term Debt

During the year ended June 30, 2024, the following changes occurred in long-term liabilities:

	Balance at July 1, 2023	Additions	Reductions	Balance at June 30, 2024	Due in One Year
Net OPEB liability	\$ 139,627,561	\$ -	\$ 44,796,753	\$ 94,830,808	\$ -
Net pension liability	5,689,156	823,284	-	6,512,440	-
Financed purchases	4,405,066	-	2,145,948	2,259,118	1,290,170
Intangible right-to-use leases	434,992	26,226	227,483	233,735	149,868
Long-Term portion of accrued compensated absences	826,265	61,794	50,105	837,954	51,832
	<u>\$ 150,983,040</u>	<u>\$ 911,304</u>	<u>\$ 47,220,289</u>	<u>\$ 104,674,055</u>	<u>\$ 1,491,870</u>

E. Fiduciary Fund Types

The net position of the private purpose trust fund at June 30, 2024 consists of the following:

John Postley Fund	\$ 89,939
Old Home Prize Fund	19,355
Gladys C. Burbage Scholarship Fund	208,029
John Coleman Scholarship Fund	2,574
Mark Pilchard Scholarship Fund	1,746
Stephen Decatur - JROTC	13,182
Other	<u>5,836</u>
TOTAL	<u>\$ 340,661</u>

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 3. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has joined the Maryland Association of Boards of Education Workers' Compensation Group Insurance Fund (the Fund), a public entity risk pool currently providing workers compensation coverage for participating boards of education in the State of Maryland. The Board pays an annual premium to the Fund calculated based on projected payroll. The agreement for the Fund provides that it will be self-sustaining through member premiums and will reinsure through commercial companies for claims which exceed coverage limits as specified in the agreement. Should the Fund encounter deficits in its casualty and/or property funds, this deficit may be made up from additional assessments of boards participating in the deficit Fund. The Board continues to carry commercial insurance for all other risks of loss, including general liability, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance in the last three years.

Note 4. Pension Plans

The State Retirement Agency is the administrator of the Maryland State Retirement and Pension System (the System). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits. The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at www.sra.maryland.gov.

The System's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For purposes of measuring 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 System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Generally, all regular employees of the Board participate in the Employees' Retirement and Pension Systems (Employee's Systems). Teachers employed by the Board generally participate in the Teachers' Retirement and Pensions Systems (Teachers' Systems). Both the Employees' Systems and the Teachers' Systems (collectively the Systems) are cost sharing multiple-employer defined benefit pension plans.

Teachers' and Employees' Retirement Systems and the Teachers' and Employees' Pension Systems

General Plan Policies

The Teachers' Retirement System of the State of Maryland was established on August 1, 1927 and is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland for the purpose of providing retirement allowances and other benefits to teachers in the State. In addition, on January 1, 1980, the Teachers' Pension System of the State of Maryland was established. In this regard, teachers hired on or after January 1, 1980 become members of the Teachers' Pension System, unless they elect to join an optional retirement program. Until December 31, 2004, existing members of the Teachers' Retirement System had the option of remaining in the Teachers' Retirement System or transferring to the Teachers' Pension System.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 4. Pension Plans (continued)

Teachers' and Employees' Retirement Systems and the Teachers' and Employees' Pension Systems (continued)

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension system was established. Until December 31, 2004, existing members of the Employees' Retirement System had the option of remaining in the Employees' Retirement System or transferring to the Employees' Pension System.

Significant Plan Benefits and Policies

The following is a general description of the significant plan benefits and related contribution requirements for the Teachers' and Employees' Retirement Systems and the Teachers' and Employees' Pension Systems:

Teachers' and Employees' Retirement Systems

Retirement Benefits:

A member may retire with full benefits after attaining the age of 60, or after completing 30 years of creditable service regardless of age. The annual retirement allowance is equal to 1/55 of a member's average final compensation (i.e. average of the member's three highest years of annual earnable compensation) multiplied by the number of years and months of accumulated creditable service. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age. Retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments (COLAs) are applied to all allowances payable for the year, however, the method by which the COLA is computed depends upon elections made by members and is tied to member contributions.

Vested Allowance:

A member terminating employment before attaining retirement age but after completing 5 years of creditable service becomes eligible for a vested retirement allowance, provided the member lives to the age of 60 and does not withdraw his or her accumulated contributions. Members terminating employment before attaining retirement age and before completing 5 years of creditable service are refunded their accumulated contributions plus earned interest.

Employee and Employer Contributions:

Members of the Teachers' and Employees' Retirement System are required to contribute to the systems a fixed percentage of their regular salaries and wages (e.g. 7% or 5%, depending on the COLA option selected). The contributions are deducted from each member's salary and wage payment and are remitted to the systems on a regular, periodic basis.

Teachers' and Employees' Pension System

Pension Benefits:

A member may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. On retirement from service, a member shall receive an annual service pension allowance. The annual pension allowance is equal to 1.2% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued prior to July 1,

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 4. Pension Plans (continued)

Teachers' and Employees' Pension System (continued)

1998 and 1.8% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.

Vested Allowance:

A member terminating employment before attaining retirement age, but after completing 5 years of eligibility service, becomes eligible for a vested pension allowance provided the member lives to age 62. Members terminating employment before attaining retirement age and before completing 5 years of eligibility service are refunded their accumulated contributions plus earned interest.

Employee Contributions:

Effective July 1, 2011, members of the Teachers' and Employees' Pension Systems are required to contribute to the systems 7% of their regular salaries and wages up to the social security wage base in the year ending June 30, 2024. The contributions are deducted from each member's salary and wage payments and are remitted to the systems on a regular, periodic basis.

For members enrolled on and after July 1, 2011, the employee contribution is 7%; vesting requires ten years of eligible service; service retirement is at age 65 with ten years of eligibility service or based on the Rule of 90 (age and service must equal 90); early service retirement is age 60 with 15 years of eligibility service; average final compensation is a five year average; and the benefit multiplier per year is 1.5%.

Teachers' and Employees' Retirement Systems and Teachers' and Employees' Pension Systems

Employer Contributions:

For the year ended June 30, 2024 the Board's total payroll for all employees was \$91,544,964. Total covered payroll was \$80,466,871. Covered payroll refers to all compensation paid by the Board to active employees covered by either the Teachers' Systems or Employees' Systems.

In accordance with state law, the Board is required to pay 100% of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. The related payment for fiscal year ending 2024 was \$3,429,156. In addition, the State of Maryland contributed \$6,696,702 on behalf of the Board. The Board has recognized the State on-behalf payments as both a revenue and expense.

During fiscal year 2024, the Board reported expense of \$727,006 related to the Employees' Systems in the fund financial statements. This amount was paid directly by the County and the Board has recognized the County on-behalf payments as both a revenue and expense.

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

Because the State of Maryland pays the unfunded liability for the Teachers' Systems and the Board pays the normal cost for the Teachers' Systems, the Board is not required to record its' share of the unfunded pension liability for the Teachers' Systems, the State of Maryland is required to record that liability. The Board is required to record a liability for the Employees' Systems.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 4. Pension Plans (continued)

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

At June 30, 2024, the Board reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Board. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

	2024
Board's proportionate share of the net pension liability (Employees' Systems)	\$ 6,512,440
Board's proportionate share of the net pension liability (Teachers' Systems)	<u>61,698,512</u>
Total	<u>\$ 68,210,952</u>

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Boards proportion of the net pension liability was calculated as follows by the System(s):

1. Net pension liability for the entire System was calculated. For purposes of funding the System, all calculations are determined on an actuarial basis and are completed through the development of rates based on two separate asset pools, one for employees of the State of Maryland and one for primary government employees.
2. Determined the total contributions to the System by the State and by the primary governments, inclusive of any underfunding of contributions.
3. Based on the number of participants at each Board of Education, calculate the difference between what each Board would have contributed if they funded at the rate of all other participating governments and what the Board actually contributed. The difference between what the Board contributed and what they would have contributed if they funded at the rate of the other participating governments, is then added to the total contribution to the System, to calculate the System's adjusted contribution.
4. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution. At June 30, 2023, the Board's proportion was approximately .0282777%, which was substantially the same as its proportion measured as of June 30, 2022. Due to the proportion remaining substantially the same, the pension expense related to the change in proportion from June 30, 2022 to June 30, 2023 for the net pension liability, deferred financing outflows and inflows is recognized as pension expense in the government-wide financial statements.

For the year ended June 30, 2024, the Board recognized pension expense for the employees system of \$4,248,274 in the government wide financial statements and \$4,156,162 in the fund financial statements. At June 30, 2024, 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 in assumptions	\$ 447,579	\$ (23,122)
Net difference between projected and actual investment earnings on pension plan investments	582,532	-
Difference between actual and expected experience	-	(49,119)
Change in proportion and share of contributions	262,136	-
Board contributions subsequent to measurement date	<u>727,006</u>	<u>-</u>
Total	<u>\$ 2,019,253</u>	<u>\$ (72,241)</u>

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 4. Pension Plans (continued)

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

In addition, there is \$727,006 of deferred outflows of resources resulting from the Board’s contributions to the Employees’ Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life ranging from 5.44 to 5.72 years. The net difference in investment earnings is being amortized over a closed five year period. The following table shows the amortization of these balances:

	<u>Year End June 30,</u>	
2025	\$	241,083
2026		156,205
2027		626,177
2028		157,190
2029		<u>39,351</u>
Total	\$	<u>1,220,006</u>

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.25% general, 2.75% wage
Salary increases	projected range from 2.75% to 11.25% per year
Discount rate	6.80%
Investment rate of return	6.80%
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality improvements scale for males and females.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 4. Pension Plans (continued)

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

Investments

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees 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	34%	6.9%
Private Equity	16%	8.6%
Rate Sensitive	20%	2.6%
Credit Opportunity	9%	5.6%
Real Assets	15%	5.4%
Absolute Return	6%	4.4%
Total	100%	

Discount rate

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

Sensitivity of the Boards Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate	Board's Net Pension Liability
1% decrease	5.80%	\$ 9,656,630
Current discount rate	6.80%	\$ 6,512,440
1% increase	7.80%	\$ 3,903,307

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 5. Budget Calendar

The following calendar reflects the sequence of events for the preparation and adoption of the operating budget of The Board of Education of Worcester County:

APPROXIMATE DATE	PROCEDURE PERFORMED
September - November	Budget request forms and questionnaires prepared by schools and various departments and then returned to the central office.
December	Public input session is held to assist in preparation of the budget.
December - February	Budget formulation and Superintendent's review.
February - March	Board reviews budget and a second public session is held. The Board then adopts the proposed operating budget.
March	Budget due to County Administrator.
May	In early May, the Board of Education presents the proposed budget to the Worcester County Commissioners. In mid May, the County Commissioners hold a public budget hearing. By the last Tuesday in May, the budget is approved by the County Commissioners.
June	The Board of Education adopts the approved operating budget at the regular montly Board meeting.

Note 6. Commitments and Contingencies

The Board regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years.

The Board receives a substantial amount of its support from Federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the board.

The Board is a defendant in various lawsuits. After considering all relevant facts and the opinion of legal counsel, it is management's opinion that such litigation will not have a material adverse effect on the financial position of the Board.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 7. Other Post-Employment Benefits

Plan Description and benefits provided

The Worcester County Public Schools Post-Retirement Medical Benefits Plan (the “Plan”) is an agent multiple employer defined benefit healthcare plan administered by the Board. The Plan provides medical and prescription drug benefits to eligible retirees, their spouses and eligible dependents. All classes of employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers’ pension system described below:

For members hired before July 1, 2011, the earliest retirement eligibility is the earlier of:

- Age 55 with 15 years of service,
- Age 62 with 5 years of service,
- Age 63 with 4 years of service,
- Age 64 with 3 years of service,
- Age 65 with 2 years of service, or
- 30 years of service, regardless of age.

For members hired after July 1, 2011, the earliest retirement eligibility is the earlier of

- Rule of 90 (age plus service is at least 90),
- Age 65 with 10 years of service,
- Age 60 with 15 years of service

In addition, eligible spouses and dependents desiring coverage through the eligible retiree’s plan must be enrolled in the Plan immediately prior to the retiree’s effective date of retirement.

As of July 1, 2023, the date of the last actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	659
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	1,001
	<u>1,660</u>

Funding Policy

The Board provides basic major medical insurance (medicare supplemental program for those over 65) and a prescription drug plan for its retired employees. It is the Board's policy to pay 90% of the cost of such benefits for eligible retirees, dependents and spouses hired prior to July 1, 2015 and 80% for employees hired after July 1, 2015. The Board’s OPEB Trust currently pays for the cost of these benefits on a pay as you go basis. For the year ended June 30, 2024, the OPEB Trust paid for coverage of approximately 659 retirees at a total cost of approximately \$4,800,000. For the year ended June 30, 2024, Worcester County Commissioners funded the trust in the amount of \$8,676,568 to fund future benefits and the Board funded the trust in the amount of \$3,868,211 to fund future benefits.

On behalf of the Board, the Worcester County Commissioners created the Retiree Benefit Trust of the Board of Education of Worcester County (the “Trust”) in order to arrange for the establishment of a reserve to pay promised future health and drug benefits for employee services that have already occurred. The Board intends the contributions to the Trust will qualify as “contributions in relation to the actuarially determined contribution” within the meaning of GASB Statement Number 75 and that the Trust will qualify as a “trust or equivalent arrangement” within the meaning of GASB Statement 75.

Contributions by the Board are solely dependent on the governmental entities that provide funding for the Board. Employee and retiree contributions are not permitted. The trustees of the Trust consist of a five member board who have final authority in all matters pertaining to the Trust.

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 7. Other Post-Employment Benefits (continued)

The Trust prohibits any part of the Trust to be used for or diverted to purposes other than providing benefits to participants and beneficiaries under the Plan. The Trust provides that in no event will the assets of the Trust be transferred to an entity that is not a state, a political subdivision, or an entity the income of which is excluded from taxation under Section 115 of the IRS Code.

Net OPEB Liability

The Board’s net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024.

Actuarial Assumptions

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	4.00%, average, including inflation
Discount rate	7.000%
Healthcare cost trend rates	5.50% for fiscal year 2025, decreasing .0667% per year to an ultimate rate of 4.50% for fiscal year 2039 and later years
Mortality	PubT.H-2010 Mortality Table-Teachers with Mortality Improvement using Scale MP-2020
Retirement Age	Based on results of actuarial experience study with a Census date of June 2020

Investments

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. 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
Cash and cash equivalents	1%	0.2%
Fixed income investments	34%	5.3%
Equities	65%	8.0%
Total	100%	

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 7. Other Post-Employment Benefits (continued)

Discount rate

The discount rate used to measure the total OPEB liability was 7.00% for fiscal year 2024. This is the single equivalent discount rate which represents a blended interest rate based on a long-term rate of return for those payments prior to the Crossover date and a 20-year high grade municipal bond index for all remaining payments after such a crossover date. The rates used are a long-term rate of return of 7.00% and the S & P Municipal Bond 20-year High-Grade rate index as of June 30, 2024 of 4.21%. The projection of cash flows used to determine the discount rate assumed that the Board's contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The periods of projected benefit payments were fiscal years 2024 through 2039.

The annual OPEB expense under GASB Statement No. 75 is equal to the change in the unfunded actuarial accrued liability from the prior year's measurement date to the current year measurement date, with some of the liability changes being deferred to future years. Changes in the actuarial accrued liability due to experience gains or losses or changes in assumptions are recognized over the expected future working lifetime of all plan participants, including retirees.

The Board's net OPEB liability is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The following table shows the components of the Board's net OPEB liability, fiduciary net position, and the resulting net OPEB liability as of June 30, 2024:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2023	\$ 174,950,595	\$ 35,323,034	\$ 139,627,561
Changes for the year:			
Service cost	4,375,552	-	4,375,552
Interest cost	8,887,674	-	8,887,674
Differences between expected and actual experience	(6,636,719)	63,246	(6,699,965)
Changes of assumptions and other inputs	(34,595,317)	-	(34,595,317)
Contributions - County	-	8,676,568	(8,676,568)
Contributions - Board	-	3,868,211	(3,868,211)
Net investment income	-	2,907,800	(2,907,800)
Implicit rate subsidy	-	-	-
Benefit payments (net)	(6,201,034)	(4,825,670)	(1,375,364)
Administrative expense	-	-	-
Other changes	-	(63,246)	63,246
Net changes	(34,169,844)	10,626,909	(44,796,753)
Balances at June 30, 2024	\$ 140,780,751	\$ 45,949,943	\$ 94,830,808

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 7. Other Post-Employment Benefits (continued)

Funding Status and Funding Progress

As of July 1, 2023, the most recent actuarial valuation date, the total OPEB liability for benefits was \$140,780,751, with \$45,949,943 in plan Fiduciary net position, resulting in an unfunded OPEB liability of \$94,830,808. The covered employee payroll was \$67,298,857, and the ratio of the net OPEB liability to the covered payroll was 140.91%.

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

Additional information as of the latest actuarial valuation is as follows:

- *Measurement date* – The Board selected a June 30, 2024 measurement date for fiscal year-end 2024. The measurement date can be any date between the last day of the prior fiscal year and the last day of the current fiscal year.
- *Cost method* – This valuation uses the Entry Age Normal Funding Method calculated on an individual basis with level percentage of payroll.

Sensitivity of the Total and Net OPEB Liability

The following table presents the Board's total and net OPEB liability using the discount rate of 7.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate	Board's Net OPEB Liability
1% decrease	6.000%	\$113,162,490
Current Discount Rate	7.000%	\$94,830,808
1% increase	8.000%	\$79,752,440

The following table presents the Board's net OPEB liability using the health care trend rate of 5.50%, decreasing to 4.5%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the current rate:

	Health Care Cost Trend Rate	Board's Net OPEB Liability
1% decrease	4.50%	\$77,423,423
Current Healthcare Rate	5.50%	\$94,830,808
1% increase	6.50%	\$116,525,682

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 7. Other Post-Employment Benefits (continued)

OPEB Expense and Deferred Inflows/Outflows of Resources related to OPEB

For the fiscal year ended June 30, 2024, the Board recognized an OPEB credit of \$30,888,858, on the government-wide statements. At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 137,995,897
Changes of assumptions	27,696,190	90,114,166
Net difference between projected and actual earnings on OPEB Plan Investments	1,698,948	-
Total	<u>\$ 29,395,138</u>	<u>\$ 228,110,063</u>

Amounts reported as deferred outflows and inflows of resources related to the OPEB plan will be amortized and expensed over the expected average remaining service life of participants as follows:

Year Ended June 30,	
2025	\$ (39,484,756)
2026	(43,054,654)
2027	(49,772,439)
2028	(49,737,791)
2029	(6,495,481)
Thereafter	(10,169,804)
	<u>\$ (198,714,925)</u>

Changes in assumptions in the most recent actuarial valuation included the discount rate (an increase from 5.172% to 7.00%).

Note 8. Financed Purchases

The Board has entered into non-cancelable contracts that transfer ownership at the end of the contract term, thus the Board has recorded the related obligations and the related assets in the appropriate funds.

Financed purchase obligations at June 30, 2024 consist of the following:

Computer equipment, Apple, Inc., interest imputed at 2.65%; payable in annual installments of approximately \$321,000, through August 2024.	\$ 321,220
Computer equipment, Apple, Inc., interest imputed at 2.65%; payable in one initial annual installment of approximately \$459,000 and successive annual installments of approximately \$969,000, including interest through August 2025.	1,937,898
	<u>\$ 2,259,118</u>

The Board of Education of Worcester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2024

Note 8. Financed Purchases (continued)

The computer equipment contracts are secured by the equipment financed under the related agreement. In the event of nonappropriation of funds in a given year, the lease would be deemed terminated.

Future minimum lease payments under the financed purchase obligations, which will be funded from the General fund and partially from an appropriation from Worcester County, are as follows:

2025	\$	1,356,601
2026		1,000,571
		<hr/> 2,357,172
Less amounts representing interest		(98,054)
Present value of net minium lease payments	\$	<hr/> 2,259,118

Interest expense on the above financed purchases was approximately \$125,000 for the year ended June 30, 2024.

The cost of items acquired under capital lease arrangements, as included in capital assets, totaled \$8,074,262, and the related accumulated depreciation was \$4,855,925 at June 30, 2024.

Note 9. Intangible Right-to-Use Assets

In accordance with GASB Statement No. 87, *Leases*, the Board recognizes the value of right-to-use assets leased under long-term contracts along with a related lease liability.

The Board has a variety of lease agreements in place for vehicles. Payments under the vehicle leases total approximately \$38,000 per year. The lease agreements in place for these vehicles began during fiscal years 2021 through 2024 and will expire through fiscal year 2029. For purposes of discounting future payments on these leases the Board used the imputed interest rate in the lease agreement, ranging from 4.50% to 8.90%.

The Board has a variety of lease agreements in place for copiers. Payments under the copier leases total approximately \$206,000 per year. The lease agreements will expire through fiscal year 2026. For purposes of discounting future payments on these leases the Board used its incremental borrowing rate in place at the time of lease inception, 2.65%.

Leased vehicles and equipment and accumulated amortization of the right-to-use assets are outlined in Note 2.

Lease payments over the next five years are as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 149,868	\$ 7,024	\$ 156,892
2026	60,560	2,330	62,890
2027	12,838	876	13,714
2028	5,575	436	6,011
2029	4,894	124	5,018
	<hr/> \$ 233,735	<hr/> \$ 10,790	<hr/> \$ 244,525

Interest expense on the above intangible right-to-use assets was approximately \$12,000 for the year ended June 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF WORCESTER COUNTY

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2024**

	UNRESTRICTED			
	BUDGET			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
UNRESTRICTED REVENUES				
County Appropriation	\$ 100,006,640	\$ 100,006,640	\$ 100,006,640	\$ -
State of Maryland and Federal	25,147,288	25,147,288	25,147,288	-
Other Sources	225,452	225,452	736,678	511,226
TOTAL UNRESTRICTED REVENUES	125,379,380	125,379,380	125,890,606	511,226
UNRESTRICTED EXPENDITURES				
Administration	1,896,875	2,032,636	2,032,628	8
Instructional Support Services	8,858,806	8,918,511	8,918,504	7
Instructional Salaries	51,186,259	50,228,949	50,135,914	93,035
Textbooks and Instructional Supplies	2,530,849	2,530,849	2,495,331	35,518
Other Instruction Costs	1,131,659	1,057,659	1,057,419	240
Student Personnel Services	404,886	404,886	400,841	4,045
Health Services	1,161,956	1,161,956	1,161,776	180
Student Transportation	7,560,354	7,853,949	7,853,942	7
Operation of Plant and Equipment	8,915,759	9,506,174	9,506,169	5
Maintenance of Plant	1,195,757	1,615,591	1,615,583	8
Fixed Charges	28,009,000	28,541,065	28,540,250	815
Capital Outlay	233,188	233,188	223,989	9,199
Special Education	12,861,043	12,861,043	12,719,418	141,625
TOTAL UNRESTRICTED EXPENDITURES	125,946,391	126,946,456	126,661,764	284,692
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(567,011)	(1,567,076)	(771,158)	795,918
OTHER FINANCING SOURCES (USES)				
Appropriation from Fund Balance - OPEB	-	1,000,065	1,000,065	-
Appropriation to FY25 Fund balance - After school programs	-	-	(228,907)	(228,907)
Appropriation from Fund Balance	567,011	567,011	567,011	-
TOTAL OTHER FINANCING SOURCES	567,011	1,567,076	1,338,169	(228,907)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ -	\$ -	\$ 567,011	\$ 567,011

See Accompanying Notes To Financial Statements.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Fiscal Year	Measurement Date	Board's Proportion (Percentage) of the NPL A	Board's Proportionate Share of the NPL B	State's Proportionate Share of the NPL C	Total (B+C)	Board's Covered Payroll D	Board's Proportionate Share as a Percentage of Covered Payroll (B / D)	Plan's Total Fiduciary Net Position E	Plan's Total Pension Liability F	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (E / F)
2015	June 30, 2014	0.0215328%	\$ 3,821,376	\$ 51,503,242	\$ 55,324,618	\$ 59,107,236	6.47%	\$ 45,339,988,000	\$ 63,086,719,000	71.87%
2016	June 30, 2015	0.0236638%	\$ 4,917,743	\$ 64,079,160	\$ 68,996,903	\$ 60,120,207	8.18%	\$ 45,789,840,000	\$ 66,571,552,000	68.78%
2017	June 30, 2016	0.0237966%	\$ 5,614,576	\$ 78,792,130	\$ 84,406,706	\$ 60,937,473	9.21%	\$ 45,365,927,000	\$ 68,959,954,000	65.79%
2018	June 30, 2017	0.0215827%	\$ 4,666,979	\$ 73,617,121	\$ 78,284,100	\$ 62,892,100	7.42%	\$ 48,987,184,000	\$ 70,610,885,000	69.38%
2019	June 30, 2018	0.0241899%	\$ 5,075,428	\$ 70,212,964	\$ 75,288,392	\$ 65,337,722	7.77%	\$ 51,827,233,000	\$ 72,808,833,000	71.18%
2020	June 30, 2019	0.0258513%	\$ 5,331,996	\$ 66,384,113	\$ 71,716,109	\$ 68,088,033	7.83%	\$ 53,943,420,000	\$ 74,569,030,000	72.34%
2021	June 30, 2020	0.0258660%	\$ 5,846,065	\$ 73,218,401	\$ 79,064,466	\$ 70,502,097	8.29%	\$ 54,586,037,000	\$ 77,187,399,000	70.72%
2022	June 30, 2021	0.0283201%	\$ 4,248,653	\$ 46,399,612	\$ 50,648,265	\$ 72,709,627	5.84%	\$ 67,604,500,000	\$ 82,606,805,000	81.84%
2023	June 30, 2022	0.0284337%	\$ 6,512,440	\$ 61,750,441	\$ 68,262,881	\$ 77,576,027	8.39%	\$ 64,310,991,000	\$ 84,319,523,000	76.27%
2024	June 30, 2023	0.0282777%	\$ 6,512,440	\$ 61,698,512	\$ 68,210,952	\$ 80,466,871	8.09%	\$ 64,892,973,000	\$ 87,923,284,000	73.81%

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF BOARD CONTRIBUTIONS - PENSION PLANS

Fiscal Year	Measurement Date	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
2015	June 30, 2014	\$ 2,554,208	\$ 2,554,208	\$ -	\$ 59,107,236	4.32%
2016	June 30, 2015	\$ 2,834,217	\$ 2,834,217	\$ -	\$ 60,120,207	4.71%
2017	June 30, 2016	\$ 2,790,974	\$ 2,790,974	\$ -	\$ 60,937,473	4.58%
2018	June 30, 2017	\$ 3,037,678	\$ 3,037,678	\$ -	\$ 62,892,100	4.83%
2019	June 30, 2018	\$ 3,073,056	\$ 3,073,056	\$ -	\$ 65,337,722	4.70%
2020	June 30, 2019	\$ 3,344,518	\$ 3,344,518	\$ -	\$ 68,088,033	4.91%
2021	June 30, 2020	\$ 3,299,496	\$ 3,299,496	\$ -	\$ 70,502,097	4.68%
2022	June 30, 2021	\$ 3,336,310	\$ 3,336,310	\$ -	\$ 72,709,627	4.59%
2023	June 30, 2022	\$ 4,099,646	\$ 4,099,646	\$ -	\$ 77,576,027	5.28%
2024	June 30, 2023	\$ 4,156,162	\$ 4,156,162	\$ -	\$ 80,466,871	5.17%

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2019	2020	2021	2022	2023	2024
Total OPEB liability							
Service cost	\$ 14,629,936	\$ 15,559,700	\$ 14,909,548	\$ 14,945,774	\$ 17,026,529	\$ 9,664,444	\$ 4,375,552
Interest cost	9,394,241	9,957,831	10,329,992	12,070,470	10,084,799	8,076,558	8,887,674
Differences between expected and actual experience	(15,957,568)	-	(11,166,696)	-	(228,081,935)	-	(6,636,719)
Changes of assumptions and other inputs	199,538	10,366,756	17,070,585	43,196,911	(70,161,344)	(13,482,824)	(34,595,317)
Implicit rate subsidy	-	-	(2,256,713)	(3,235,179)	-	-	-
Benefit payments	(5,974,464)	(6,457,472)	(6,577,082)	(6,074,638)	(6,276,315)	(6,303,559)	(6,201,034)
Other changes	(559,286)	344,814	4,255,039	-	-	-	-
Net change in total OPEB liability	\$ 1,732,397	\$ 29,771,629	\$ 26,564,673	\$ 60,903,338	\$ (277,408,266)	\$ (2,045,381)	\$ (34,169,844)
Total OPEB liability, beginning of year	335,432,205	337,164,602	366,936,231	393,500,904	454,404,242	176,995,976	174,950,595
Total OPEB liability, end of year (a)	<u>\$ 337,164,602</u>	<u>\$ 366,936,231</u>	<u>\$ 393,500,904</u>	<u>\$ 454,404,242</u>	<u>\$ 176,995,976</u>	<u>\$ 174,950,595</u>	<u>\$ 140,780,751</u>
Plan fiduciary net position							
Differences between expected and actual experience	\$ 28,645	\$ (221,355)	\$ (929,393)	\$ (3,414,377)	\$ (5,592,988)	\$ (325,374)	\$ 63,246
Contributions	2,500,000	5,385,500	8,724,143	5,568,744	8,100,025	12,133,139	12,544,779
Net investment income	1,582,921	1,075,295	736,994	5,111,494	(3,759,730)	1,815,123	2,907,800
Benefit payments	(5,974,464)	(6,457,472)	(6,577,082)	(6,074,638)	(5,049,651)	(4,455,198)	(4,825,670)
Administrative expense	(1,150)	(3,400)	(1,000)	(5,000)	(1,500)	(4,000)	-
Other changes	(28,645)	221,355	928,393	3,414,377	5,592,988	325,374	(63,246)
Net change in fiduciary net position	\$ (1,892,693)	\$ (77)	\$ 2,883,055	\$ 4,600,600	\$ (710,856)	\$ 9,489,064	\$ 10,626,909
Fiduciary net position, beginning of year	20,953,941	19,061,248	19,061,171	21,944,226	26,544,826	25,833,970	35,323,034
Fiduciary net position, end of year (b)	<u>\$ 19,061,248</u>	<u>\$ 19,061,171</u>	<u>\$ 21,944,226</u>	<u>\$ 26,544,826</u>	<u>\$ 25,833,970</u>	<u>\$ 35,323,034</u>	<u>\$ 45,949,943</u>
Net OPEB Liability (a-b)	<u>\$ 318,103,354</u>	<u>\$ 347,875,060</u>	<u>\$ 371,556,678</u>	<u>\$ 427,859,416</u>	<u>\$ 151,162,006</u>	<u>\$ 139,627,561</u>	<u>\$ 94,830,808</u>
Fiduciary net position as a % of total OPEB liability	5.65%	5.19%	5.58%	5.84%	14.60%	20.19%	32.64%
Covered employee payroll	\$ 62,892,100	\$ 65,337,722	\$ 68,088,033	\$ 70,502,097	\$ 59,155,287	\$ 61,520,779	\$ 67,298,857
Net OPEB liability as of % of payroll	505.79%	532.43%	545.70%	606.87%	255.53%	226.96%	140.91%
Expected average remaining service in years	6.69	6.38	6.02	6.02	6.998	6.998	6.998

Schedule is intended to provide 10-year trend information. Additional years will be displayed as available.

GASB No. 75 was implemented in fiscal year 2018.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS

	2018	2019	2020	2021	2022	2023	2024
Annual money-weighted rate of return, net of investment							
Cash and Cash Equivalents	0.50%	0.50%	0.20%	0.20%	0.20%	0.20%	0.20%
Fixed Income and Equities	5.7% - 8.1%	5.7% - 8.1%	5.3% - 8.0%	5.3% - 8.0%	5.3% - 8.0%	5.3% - 8.0%	5.3% - 8.0%

*Schedule is intended to provide 10-year trend information. Additional years will be displayed as available.
GASB No. 75 was implemented in fiscal year 2018.*

The Board of Education of Worcester County
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2024

Note 1. Budget

The original budget, subsequent supplements and major transfers are approved by the Worcester County Council. Appropriations are for one year and lapse at year end.

A legally adopted budget is prepared for the General Fund only. Amendments to the budget can be made with approval from Worcester County and the Board for intercategory transfers, and by approval of the Board for intracategory transfers. By law, actual expenditures for each category and for each account within categories may not exceed budgeted expenditures.

The Board of Education prepares its budget and accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP basis). Thus, there are two statements of revenues and expenditures in these financial statements for the general fund; the first is prepared in accordance with generally accepted accounting principles and the second is prepared on the budgetary basis in order to compare revenues and expenditures with the budget. One of the differences between the two statements is that increases (decreases) in asset account balances for prepaid expenditures and inventories are accounted for as expenditure reductions or sources (increases or uses) on the GAAP basis financial statements, but not on the budgetary financial statements. In addition, the appropriation from prior year fund balance is accounted for as additional sources for budgetary purposes. Encumbrances are recorded as expenditures for budgetary purposes but as an assignment of fund balance in the GAAP basis financial statements. Finally, the State's share of the pension and retirement fund contribution is recorded as a revenue and expenditure on the GAAP basis financial statements, but is not included on the budgetary financial statements.

Adjustments necessary to convert revenues, expenditures and other financing uses at the end of the year on the GAAP basis to the budgetary basis are as follows:

	Revenues	Expenditures	Balances
	General	General	General
	June 30, 2024	June 30, 2024	June 30, 2024
GAAP Basis	\$ 133,314,314	\$ 134,634,171	\$ 2,294,990
Increase (Decrease):			
State Share of Retirement and Pension Contribution	(6,696,702)	(6,696,702)	-
County Share of Retirement and Pension Contribution	(727,006)	(727,006)	-
Proceeds from right-to-use assets	-	(26,226)	-
Net Effect of Utilization of Encumbrances:			
Reversal of June 30, 2023 Balances	-	(1,082,773)	-
Recording of Balances at June 30, 2024	-	560,300	(560,300)
Insurance Reserve and other	-	-	(22,024)
Budgetary basis	\$ 125,890,606	\$ 126,661,764	\$ 1,712,666

The Board of Education of Worcester County
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2024

Note 2. Pensions

Change in Benefit Terms

There were no significant benefit changes during the year.

Changes in Assumptions

There were no significant assumption changes during the year.

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years for State system
Asset valuation method	5-year smoothed market; 40% recognized in 2021; 15% equally over next four valuations
Inflation	2.25% general, 2.75% wage
Salary increases	Projected range from 2.75% to 11.25% per year
Investment rate of return	6.80%
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for 2019 valuation pursuant to the 2019 experience study for the period July 1, 2014 to June 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality improvements scale for males and females.

The Board of Education of Worcester County
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2024

Note 3. Other Post Employment Benefits

Change in Benefit Terms

There were no significant benefit changes during the year.

Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2023 valuation:

- Discount rate changed from 5.172% to 7.00%

The Board of Education of Worcester County
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2024

Note 3. Other Post Employment Benefits (continued)

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2023
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed period
Amortization period	6.998 years
Inflation	3.00%
Healthcare cost trend rates	5.50% for fiscal year 2025, decreasing .0667% per year to an ultimate rate of 4.50% for fiscal year 2039 and later years
Salary increases	4.00%, average, including inflation
Discount rate- 2024	7.000%
Discount rate- 2023	5.172%
Mortality	PubT.H-2010 Mortality Table-Teachers with Mortality Improvement using Scale MP-2020

Retirement rates	<table> <tr> <th><u>Age</u></th><th><u>BOE</u></th></tr> <tr> <td>55 - 59</td><td>15%</td></tr> <tr> <td>60 - 61</td><td>20%</td></tr> <tr> <td>62 -64</td><td>35%</td></tr> <tr> <td>65</td><td>25%</td></tr> <tr> <td>66 - 69</td><td>35%</td></tr> <tr> <td>70+</td><td>100%</td></tr> </table>	<u>Age</u>	<u>BOE</u>	55 - 59	15%	60 - 61	20%	62 -64	35%	65	25%	66 - 69	35%	70+	100%
<u>Age</u>	<u>BOE</u>														
55 - 59	15%														
60 - 61	20%														
62 -64	35%														
65	25%														
66 - 69	35%														
70+	100%														

Withdrawal rates Table T-1 from the Pension Acutary's Handbook

<u>Age</u>	<u>BOE</u>
20	5.47%
25	4.77%
30	3.54%
35	2.24%
40	1.14%
45	0.57%
50	0.72%
55	1.13%
60	1.69%

Retiree contributions		Pre-Medicare		Medicare Eligible				
		Retiree	Spouse	Retiree	Spouse			
Pre 7/1/15 hires	\$	804	\$	1,408	\$	390	\$	390
7/1/15 & Subsequent hires		1,609		2,817		780		780
Spouse pay-all				14,084				3,900

ADDITIONAL SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF WORCESTER COUNTY

UNRESTRICTED GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGETARY BASIS Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
UNRESTRICTED LOCAL FUNDS				
County appropriation	\$ 100,006,640	\$ 100,006,640	\$ 100,006,640	\$ -
STATE OF MARYLAND FUNDS				
Current expense	8,276,124	8,276,124	8,276,124	-
Transportation	4,000,397	4,000,397	4,000,397	-
Handicapped children	2,391,661	2,391,661	2,391,661	-
Compensatory education	9,988,240	9,988,240	9,988,240	-
Limited english proficiency	490,866	490,866	490,866	-
TOTAL STATE OF MARYLAND FUNDS	25,147,288	25,147,288	25,147,288	-
OTHER FUNDS				
Tuition	70,000	70,000	172,629	102,629
Interest and other	80,000	80,000	521,596	441,596
Reimbursement from restricted Programs	75,452	75,452	42,453	(32,999)
TOTAL OTHER FUNDS	225,452	225,452	736,678	511,226
TOTAL UNRESTRICTED REVENUES	125,379,380	125,379,380	125,890,606	511,226
OTHER FINANCING SOURCES				
Appropriation from Fund balance - OPEB	-	1,000,065	1,000,065	-
Appropriation to FY25 Fund balance - After school programs	-	-	(228,907)	(228,907)
Appropriation from Fund balance	567,011	567,011	567,011	-
TOTAL OTHER FINANCING SOURCES	567,011	1,567,076	1,338,169	(228,907)
TOTAL UNRESTRICTED REVENUES AND OTHER FINANCING SOURCES	\$ 125,946,391	\$ 126,946,456	\$ 127,228,775	\$ 282,319

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES

GENERAL FUND - BUDGETARY BASIS

Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget
ADMINISTRATION				
Salaries and wages	\$ 1,660,242	\$ 1,675,608	\$ 1,675,606	\$ 2
Contracted services	177,242	227,314	227,313	1
Supplies and materials	22,882	43,608	43,606	2
Other charges	35,407	86,105	86,103	2
Land, buildings and equipment	1,102	1	-	1
TOTAL ADMINISTRATION	1,896,875	2,032,636	2,032,628	8
INSTRUCTIONAL SUPPORT SERVICES				
Salaries and wages	8,545,743	8,468,216	8,468,214	2
Contracted services	85,263	84,874	84,872	2
Supplies and materials	161,600	312,697	312,696	1
Other charges	61,200	52,723	52,722	1
Land, buildings and equipment	5,000	1	-	1
TOTAL INSTRUCTIONAL SUPPORT SERVICES	8,858,806	8,918,511	8,918,504	7
INSTRUCTIONAL SALARIES AND WAGES	51,186,259	50,228,949	50,135,914	93,035
TEXTBOOKS AND CLASSROOM SUPPLIES AND MATERIALS	2,530,849	2,530,849	2,495,331	35,518
OTHER INSTRUCTIONAL COSTS				
Contracted services	584,389	524,895	524,661	234
Other charges	411,875	393,037	393,036	1
Land, buildings and equipment	85,395	76,720	76,716	4
Outgoing transfers	50,000	63,007	63,006	1
TOTAL OTHER INSTRUCTIONAL COSTS	1,131,659	1,057,659	1,057,419	240
STUDENT PERSONNEL SERVICES				
Salaries and wages	401,963	398,212	394,169	4,043
Contracted services	750	2,116	2,115	1
Supplies and materials	1,890	2,981	2,980	1
Other charges	283	1,577	1,577	-
TOTAL STUDENT PERSONNEL SERVICES	404,886	404,886	400,841	4,045
HEALTH SERVICES				
Salaries and wages	1,151,836	1,117,265	1,117,090	175
Contracted services	252	5,689	5,688	1
Supplies and materials	8,118	38,537	38,535	2
Other charges	750	464	463	1
Land, buildings and equipment	1,000	1	-	1
TOTAL HEALTH SERVICES	\$ 1,161,956	\$ 1,161,956	\$ 1,161,776	\$ 180

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES - CONTINUED

GENERAL FUND - BUDGETARY BASIS

Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget
STUDENT TRANSPORTATION				
Salaries and Wages	\$ 385,865	\$ 405,285	\$ 405,283	\$ 2
Contracted Services	7,071,769	7,254,717	7,254,715	2
Supplies and Materials	9,636	13,567	13,566	1
Other Charges	93,084	144,130	144,129	1
Land, Buildings and Equipment	-	36,250	36,249	1
TOTAL STUDENT TRANSPORTATION	7,560,354	7,853,949	7,853,942	7
OPERATION OF PLANT				
Salaries and Wages	4,234,351	4,165,451	4,165,449	2
Contracted Services	532,690	613,076	613,076	-
Supplies and Materials	401,120	917,334	917,333	1
Other Charges	3,705,298	3,645,114	3,645,113	1
Land, Buildings and Equipment	42,300	165,199	165,198	1
TOTAL OPERATION OF PLANT	8,915,759	9,506,174	9,506,169	5
MAINTENANCE OF PLANT				
Salaries and Wages	834,264	707,056	707,055	1
Contracted Services	93,738	505,833	505,831	2
Supplies and Materials	229,360	398,334	398,332	2
Other Charges	650	1,391	1,389	2
Land, Buildings and Equipment	37,745	2,977	2,976	1
TOTAL MAINTENANCE OF PLANT	1,195,757	1,615,591	1,615,583	8
FIXED CHARGES				
Insurance and Employee Benefits	28,009,000	28,541,065	28,540,250	815
CAPITAL OUTLAY				
Salaries and Wages	130,880	123,829	114,634	9,195
Contracted Services	450	52,231	52,230	1
Supplies and Materials	1,552	8,162	8,161	1
Other Charges	306	1	-	1
Land, Buildings and Equipment	100,000	48,965	48,964	1
TOTAL CAPITAL OUTLAY	233,188	233,188	223,989	9,199
SPECIAL EDUCATION				
Salaries and Wages	12,116,632	12,116,632	12,021,612	95,020
Contracted Services	403,000	419,510	419,509	1
Supplies and Materials	151,400	166,420	166,418	2
Other Charges	40,011	78,896	78,894	2
Land, Buildings and Equipment	22,000	11,585	11,336	249
Outgoing Transfers	128,000	68,000	21,649	46,351
TOTAL SPECIAL EDUCATION	12,861,043	12,861,043	12,719,418	141,625
TOTAL UNRESTRICTED APPROPRIATIONS AND EXPENDITURES	\$ 125,946,391	\$ 126,946,456	\$ 126,661,764	\$ 284,692

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHOOL ACTIVITIES FUND OPERATIONS

Year Ended June 30, 2024

	Balance June 30, 2023	Receipts	Disbursements	Balance June 30, 2024
ELEMENTARY				
Buckingham	\$ 62,661	\$ 92,642	\$ 108,819	\$ 46,484
Ocean City	45,030	111,004	91,895	64,139
Pocomoke	53,519	82,935	78,480	57,974
Showell	47,440	98,629	71,566	74,503
Snow Hill	21,964	72,765	61,068	33,661
TOTAL ELEMENTARY	230,614	457,975	411,828	276,761
MIDDLE SCHOOL				
Berlin	105,769	115,259	107,470	113,558
Pocomoke	71,525	117,308	107,455	81,378
Snow Hill	70,281	191,357	206,710	54,928
Stephen Decatur	142,987	74,293	104,883	112,397
TOTAL MIDDLE SCHOOL	390,562	498,217	526,518	362,261
HIGH SCHOOL				
Pocomoke	122,462	274,510	275,024	121,948
Snow Hill	196,421	403,477	375,391	224,507
Stephen Decatur	393,894	888,774	942,378	340,290
TOTAL HIGH SCHOOL	712,777	1,566,761	1,592,793	686,745
SPECIALIZED SCHOOL				
Cedar Chapel	46,325	34,490	31,627	49,188
Vocational	186,812	524,592	557,052	154,352
TOTAL SPECIALIZED SCHOOL	233,137	559,082	588,679	203,540
TOTAL SCHOOL ACTIVITY FUND OPERATION	\$ 1,567,090	\$ 3,082,035	\$ 3,119,818	\$ 1,529,307
EXCESS OF RECEIPTS OVER DISBURSEMENTS		\$ (37,783)		

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOOD SERVICE FUND - BUDGETARY BASIS

Year Ended June 30, 2024

	Budget	Actual	Variance With Budget Favorable (Unfavorable)
REVENUES			
Federal and State:			
Reimbursement for food	\$ 2,802,750	\$ 3,916,528	\$ 1,113,778
Other Revenues:			
Grant and donation revenues	20,000	20,000	-
Lunches sold	613,597	448,952	(164,645)
Interest income and other	1,100	13,941	12,841
Total Other Revenues	634,697	482,893	(151,804)
TOTAL REVENUES	3,437,447	4,399,421	961,974
EXPENDITURES			
Food and food related supplies	1,549,315	2,245,569	(696,254)
Commodity processing and storage	35,000	9,120	25,880
Nonfood supplies and other expense	18,700	87,017	(68,317)
Salaries and wages	1,334,434	1,577,245	(242,811)
Fringe benefits	438,653	347,113	91,540
Contracted services	45,245	37,170	8,075
Other charges	2,100	1,660	440
Additional equipment	14,000	39,808	(25,808)
TOTAL EXPENDITURES	3,437,447	4,344,702	(907,255)
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ 54,719	\$ 54,719

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS - COMBINED RESTRICTED AND UNRESTRICTED Year Ended June 30, 2024

REVENUES		
County Appropriation	\$ 100,006,640	
State of Maryland	30,997,207	
Restricted Federal Funds	16,533,709	
Other Sources	<u>1,610,657</u>	149,148,213
TOTAL REVENUES		
OTHER FINANCING SOURCES		
Appropriation from Fund Balance		<u>1,338,169</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 150,486,382
EXPENDITURES		
Administration	4,666,621	
Mid-Level Administration	9,493,916	
Instructional Salaries and Wages	55,980,050	
Textbooks and Classroom Supplies	6,072,068	
Other Instructional Costs	4,173,048	
Pupil Personnel Services	400,841	
Health Services	1,475,312	
Pupil Transportation	8,415,757	
Operation of Plant	10,350,731	
Maintenance of Plant	1,620,113	
Fixed Charges	31,156,160	
Special Education	15,783,615	
Food Services	81,798	
Community Services	25,352	
Capital Planning	<u>223,989</u>	
TOTAL EXPENDITURES		<u>149,919,371</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES		<u>\$ 567,011</u>

The Board of Education of Worcester County
NOTES TO ADDITIONAL SUPPLEMENTARY INFORMATION
For the year ended June 30, 2024

Note 1. Budget

A budget is adopted for the Food Service Fund for internal purposes only.

	Revenues	Expenditures	Change in Fund Balances
	Proprietary	Proprietary	Proprietary
	June 30, 2024	June 30, 2024	June 30, 2024
GAAP basis	\$ 4,399,421	\$ 4,363,191	\$ 36,230
Capital outlay	-	14,172	(14,172)
Capital contribution - equipment	-	(14,172)	14,172
Depreciation	-	(18,489)	18,489
Budgetary basis	\$ 4,399,421	\$ 4,344,702	\$ 54,719