THE BOARD OF EDUCATION OF SOMERSET COUNTY

AUDITED FINANCIAL STATEMENTS

For the year ended June 30, 2024

THE BOARD OF EDUCATION OF SOMERSET COUNTY

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INDEPENDENT AUDITOR'S REPORT

The Board of Education of Somerset County
Westover, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of The Board of Education of Somerset County, a component unit of Somerset 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 and each major fund of The Board of Education of Somerset 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 Somerset 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 Somerset 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 Somerset 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 Somerset 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, schedule of revenues and expenditures – budget and actual – general fund, schedule of the proportionate share of the net pension liability, schedule of board contributions – pension plans, schedule of changes in the board's net OPEB liability and related ratios, and notes to required supplementary information 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 Somerset County's basic financial statements. The accompanying schedule of appropriations and expenditures – general fund – budgetary basis, schedule of revenues, expenditures and changes in fund net position – proprietary funds – budgetary basis, combining schedule of additions, deductions and changes due to school activities funds – school activities funds and notes to additional supplementary information 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 schedule of appropriations and expenditures – general fund – budgetary basis, schedule of revenues, expenditures and changes in fund net position – proprietary funds – budgetary basis, combining schedule of additions, deductions and changes due to school activities funds – school activities funds and notes to 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 Somerset 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 Somerset 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 Somerset County's internal control over financial reporting and compliance.



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 Somerset County
Westover, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of The Board of Education of Somerset County, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise The Board of Education of Somerset County'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 of Education of Somerset County'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 of Education of Somerset County's internal control. Accordingly, we do not express an opinion on the effectiveness of The Board of Education of Somerset County'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 of Education of Somerset County's financial statements are free of 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.



Salisbury, Maryland
September 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2024

This section of the Board of Education of Somerset County's annual financial report presents our discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the Board's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

- Net position for the Governmental Activities totaled $65,436,487 a decrease of $1,833,900 or -2.73% from the prior year.
- General Fund assigned fund balance (subsequent year expenditures) equals $355,936, a decrease of $890,889 from the prior year.
- Unassigned General Fund balance equals $626,224, an increase of $270,288 from the prior year.
- The Food Service fund had a loss of $4,940. Excluding depreciation, the fund showed a profit of $12,846.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the Management's Discussion and Analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the Board:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the Board's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Board, reporting the Board's operations in *more detail* than the government-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 Board operates like *businesses.*

Government-Wide Statements

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the Board'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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The two government-wide statements report the Board's net position and how they have changed. Net position, which is the difference between the Board's assets and liabilities, is one way to measure the Board's financial health or *position*.

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Board, additional non-financial factors such as changes in the condition of school buildings and other facilities must be considered.

In the government-wide financial statement the Board's activities are shown in two categories:

- *Governmental activities* – Most of the Board's basic services are included here, such as regular and special education, transportation, administration, school administration and other student services. Local county and state aid finance most of these activities. School activity funds are now included here with the adoption of GASB 84.
- *Business-Type activities* – The Board's food service operation is included here. The Board operates cafeterias at the schools where breakfast and lunch are served.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's *funds* – focusing on its most significant or "major" funds – not the Board as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (e.g. federal and state grants).

The Board has two kinds of funds:

- *Governmental funds* – Most of the Board'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 Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on page 23 which explains the relationship (or differences) between them. In FY2021, the Board implemented the provisions of GASB 84, Fiduciary Activities. School Activity Funds that were formerly reported separately as a Fiduciary Fund are now reported as a governmental fund.
- *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 government-wide statements.

THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2024

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

Net Position

The Board's *combined* net position was $66,180,478 on June 30, 2024. This was a decrease of $1,838,840 from the prior year.

STATEMENT OF NET POSITION

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	TOTAL
	FY2024	FY 2023	FY2024	FY 2023	FY2024	FY 2023
Current and other assets	$ 8,852,648	$ 8,988,761	$ 601,972	$ 671,066	$ 9,454,620	$ 9,659,827
Capital assets	87,474,222	87,549,804	201,495	125,369	87,675,717	87,675,173
Total assets	96,326,870	96,538,565	803,467	796,435	97,130,337	97,335,000
Deferred outflows	5,816,788	6,508,930	-	-	5,816,788	6,508,930
Current and liabilities	7,478,434	7,067,293	49,247	40,463	7,527,681	7,107,756
Long-term liabilities	24,194,340	24,149,740	10,229	7,041	24,204,569	24,156,781
Total liabilities	31,672,774	31,217,033	59,476	47,504	31,732,250	31,264,537
Deferred inflows	5,034,397	4,560,075	-	-	5,034,397	4,560,075
Investment in capital assets, net of related debt	87,474,222	87,549,804	201,495	125,369	87,675,717	87,675,173
Unrestricted	(22,037,735)	(20,279,417)	542,496	623,562	(21,495,239)	(19,655,855)
Total net position	$ 65,436,487	$ 67,270,387	$ 743,991	$ 748,931	$ 66,180,478	$ 68,019,318

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE (Continued)

Changes in Net Position

The Board's total revenues were $73,258,307 for the year ended June 30, 2024. (See Table 2) The State and County general appropriations accounted for approximately 65.7% of total revenue for the year. The remaining funds (34.3%) came from program revenues and investment earnings. The total cost of all programs and services was $75,097,147. Expenses surpassed revenues, decreasing net position $1,838,840 from last year.

Table 2

THE BOARD OF EDUCATION OF SOMERSET COUNTY
STATEMENT OF ACTIVITIES
June 30, 2024

	Governmental Activities		Business- Type Activities		Total	Total
	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
REVENUES						
Program revenues						
Charges for services	$ 687,745	$ 577,637	$ 72,538	$ 73,852	$ 760,283	$ 651,489
Federal and state grants	20,473,672	20,086,200	2,567,012	2,449,139	23,040,684	22,535,339
Capital contributions	1,111,423	1,500,631	68,843	12,000	1,180,266	1,512,631
General revenues						
County appropriation	10,274,508	10,626,325	-	-	10,274,508	10,626,325
State formula aid	37,826,294	35,587,012	-	-	37,826,294	35,587,012
Other	116,114	64,969	60,158	34,876	176,272	99,845
Total revenue	70,489,756	68,442,774	2,768,551	2,569,867	73,258,307	71,012,641
EXPENSES						
Instruction and special education	39,576,192	38,059,125	-	-	39,576,192	38,059,125
Administration	2,263,149	3,510,542	-	-	2,263,149	3,510,542
Support services	2,175,432	1,903,099	2,773,491	2,580,136	4,948,923	4,483,235
Fixed Charges	14,605,399	14,147,779	-	-	14,605,399	14,147,779
Building Operations and Maintenance	5,771,495	5,385,862	-	-	5,771,495	5,385,862
Transportation	3,859,045	3,747,872	-	-	3,859,045	3,747,872
Other	4,072,944	3,903,683	-	-	4,072,944	3,903,683
Total expenses	72,323,656	70,657,962	2,773,491	2,580,136	75,097,147	73,238,098
Increase (decrease) in net position **	$ (1,833,900)	$ (2,215,188)	$ (4,940)	$ (10,269)	$ (1,838,840)	$ (2,225,457)

** excludes transfers from other funds

Business-Type Activities

Revenues of the Board's only business-type activity, the food service operation, increased $198,684 to $2,768,551 and expenses increased by $193,355. (Refer to Table 2).

THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2024

FINANCIAL ANALYSIS OF THE BOARD'S FUNDS

The financial performance of the Board as a whole is reflected in its governmental funds as well. As the Board completed the year, its governmental funds reported a general fund balance of $1,217,064 a decrease of $569,642 from last year's ending fund balance.

GENERAL FUND

The General Fund includes the primary operations of the Board 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 3 for a summary of General Fund revenues and expenditures.

The excess of expenditures over revenues was $569,642 for the year ended June 30, 2024 compared to an excess of expenditures over revenues of $1,191,047 for FY 2023. The major changes in both revenues and expenditures results from the following:

1. State of Maryland revenues increased by $2,239,282. This increase is due to the districts now being funded using the Blueprint for Maryland's Education formulas. The per-pupil amount for FY23 was $8,310. Based on the Blueprint, the amount for FY24 was $8,642 per pupil. The per-pupil amounts are outlined in the Blueprint law.

2. Other Revenues increased by $51,145. The increase is due the increase in several revenue sources. Due to a rise in interest rates, Interest Income increased by $15,000. Small Grants revenue increased by $12,000.

3. Instructional Salaries increased by $537,265. The increase in Instructional Salaries is attributed to the negotiated COLA of 4% for FY24.

4. Special Education costs increased by $389,845. The increase is due to the increased cost of having to hire consultants to provide some of the services required by student IEPs. The district has struggled to hire Speech Pathologists as employees and has to had outsource these services to contractors. We also had an increase in Non-Public Placement costs of $131,041 in FY24.

5. Operation of Plant costs decreased by $239,325. This decrease is the result of no new leases being added in to this category in FY24. In FY23, Operation of Plant costs included $445,324 in the future value of lease costs. The inclusion of these costs is required under GASB 87. Proceeds from these long-term leases and related expenses are included in the Statement of Revenue and Expenditures but are not reported in the Budgetary Basis schedules.

6. Capital Outlay decreased by $321,888. There were no large capital outlay projects in FY24.

THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2024

Table 3

GENERAL FUND REVENUES

	FY 2024	FY 2023	Increase (Decrease)	% of Incr. (Decr.)
REVENUES				
Somerset County Appropriations	$ 10,274,508	$ 10,626,325	$ (351,817)	-3.3%
State of Maryland	37,826,294	35,587,012	2,239,282	6.3%
State share of retirement and pension contribution	2,721,602	2,553,772	167,830	6.6%
Other	116,114	64,969	51,145	78.7%
Total Revenues	50,938,518	48,832,078	2,106,440	4.3%

GENERAL FUND EXPENDITURES

EXPENDITURES				
Administration	1,810,621	1,734,475	76,146	4.4%
Mid-level Administration	4,796,339	4,631,779	164,560	3.6%
Instructional salaries	16,321,795	15,784,530	537,265	3.4%
Textbooks & instructional supplies	470,439	435,474	34,965	8.0%
Other instruction costs	768,640	757,213	11,427	1.5%
Special Education	4,921,166	4,531,321	389,845	8.6%
Student personnel services	435,427	402,232	33,195	8.3%
Health services	587,819	583,807	4,012	0.7%
Transportation of pupils	3,714,204	3,719,737	(5,533)	-0.1%
Operation of plant	3,850,270	4,089,595	(239,325)	-5.9%
Maintenance of plant	1,291,397	1,237,812	53,585	4.3%
Fixed charges	10,000,790	9,953,937	46,853	0.5%
Capital outlay	-	321,888	(321,888)	0.0%
State share of retirement and pension contribution	2,721,602	2,553,772	167,830	6.6%
Total expenditures	51,690,509	50,737,572	952,937	1.9%
Excess/(Deficiency) of revenues over expenditures	$ (751,991)	$ (1,905,494)	$ 1,153,503	

RESTRICTED GRANT FUNDS

These funds are used to account for grants from Federal, State and Local sources. Grants provide a major source of revenue for specific educational programs not funded by the General Fund. Programs include initiatives for Special Education students, programs for adults to earn a GED or another alternative method to obtain a high school diploma for students from families who are socially and economically depressed. Table 4 below reflects an overall increase of $390,527 in grant funds from the prior year. Grant funding will vary as most are subject to availability and qualifications as well as a selection and approval process.

Due to the ongoing Covid 19 pandemic, Congress authorized three relief packages to aid states and municipalities as they recover from the devastating financial impact that Covid 19 has had on the United States. Local Educational Agencies were allocated a portion of these funds to assist in the education of students during the pandemic and to address learning losses that occurred due to the pandemic. These funds can also be used to upgrade or repair ventilation systems, offset losses in FNS programs and to offset other costs that can be attributed to mitigating the spread of Covid 19. SCPS' allocations are as follows: ESSER 1- $1,347,240, ESSER II- $6,009,403, and ESSER III - $13,496,264. These funds are available for use through September 30, 2024. In FY24, SCPS spent $337,177 in ESSER II funds and $6,189,575 in ESSER III funds. The ESSER II grant ended on September 30, 2023, and was fully spent. Somerset County Public Schools has filed a late liquidation request with MSDE so that we may have an extended time period in which to liquidate our ESSER III funds. Even though we will have extra time in which to spend out the funds, the balance of the grant must be fully encumbered by September 30, 2024.

Spending of the Maryland LEADs grant funds decreased in FY24 by $1,570,085 as no Retention bonuses were paid in FY24. The Maryland LEADs grant ends on September 30, 2024, as the grant is part of the Covid Relief funds provided by the Federal Government.

The increase of $820,687 in State of Maryland grant funds is due to the increase in Concentration of Poverty funds. Crisfield High School was added as a Concentration of Poverty school in FY24 and received the Personnel grant. All other schools received increases in funds due to the Per Pupil portion of the grant.

Table 4

RESTRICTED GRANT REVENUE

	FY 2024	FY 2023	Increase (Decrease)	% Incr. (Decr.)
REVENUES				
Federal through State	$ 13,143,273	$ 13,484,269	$ (340,996)	-2.53%
State of Maryland	5,662,720	4,860,033	802,687	16.52%
Reimbursements and Other Income	-	71,164	(71,164)	-100.00%
Total Revenues	$ 18,805,993	$ 18,415,466	$ 390,527	2.12%

CAPITAL PROJECTS FUND

The Board has no legal authority to borrow funds. During FY 2024, the Board received State funding of $57,500, which is recorded on these financial statements. State Aging School's funds ($57,500) were received to refinish the gym floors at Deal Island Elementary School.

SCHOOL ACTIVITY FUNDS

The following funds are now accounted for as Governmental funds as a result of the implementation of GASB 84.

During FY 2024 the Board's eight (8) schools collected revenues and incurred expenditures for various student activities (See Table 5).

Table 5

SCHOOL ACTIVITIES FUNDS

	FY 2024	FY 2023	Increase (Decrease)	% Incr. (Decr.)
Additions	$ 687,745	$ 577,637	$ 110,108	19.06%
Deductions	(653,700)	(673,727)	20,027	-2.97%
Beginning balance due to school activities funds	293,667	389,757	(96,090)	-24.65%
Ending Balance due to School Activities Fund	$ 327,712	$ 293,667	$ 34,045	11.59%

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board revised the annual operating and capital budgets. These budget amendments, which received both Board and County Commissioner approval for all categorical changes were made to avoid budget overruns. During the year the following amendments were approved to the budget:

GENERAL FUND BUDGETARY HIGHLIGHTS, continued

	Original Approved FY 2024 Budget	Category Increases	Category Transfers	Final Amended FY 2024 Budget
REVENUES				
Somerset County	$ 10,274,508	$ -	$ -	$ 10,274,508
State of Maryland	37,760,232	-	-	37,760,232
Other	100,000	-	-	100,000
Prior Year's Fund Balance	1,059,425	-	-	1,059,425
Total Revenues	49,194,165	-	-	49,194,165
EXPENDITURES				
Administration	1,840,491	-	-	1,840,491
Mid-level Administration	4,930,349	-	(80,000)	4,850,349
Instructional Salaries and Wages	16,043,436	350,000	-	16,393,436
Instructional Textbooks and Supplies	555,868	-	-	555,868
Other Instructional Costs	1,357,379	-	(475,000)	882,379
Student Personnel Services	433,902	10,000	-	443,902
Health Services	607,673	-	-	607,673
Fixed Charges	10,024,589	50,000	-	10,074,589
Student Transportation	3,760,007	-	(165,000)	3,595,007
Operation of Plant	3,750,830	140,000	-	3,890,830
Maintenance of Plant	1,218,267	90,000	-	1,308,267
Special Education	4,858,774	80,000	-	4,938,774
Capital Outlay	-	-	-	-
Total Expenditures	$ 49,381,565	$ 720,000	$ (720,000)	$ 49,381,565

After these revisions, the actual General Fund and Capital expenditures matched the budget. Actual expenditures and encumbrances were under budget by $576,631. Actual revenues exceeded expenditures by $626,224. The Board utilized the FY 2022 fund balance designated for FY 2024 (excess of revenues over expenditures) in the amount of $1,246,825. This leaves an unreserved, undesignated fund balance of $626,224 to be carried forward to FY 2026. The excess fund balance from FY 2024 is primarily attributed excess funds in Textbooks, Instructional Supplies and Fixed Charges categories.

THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2024

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2024, the Board has invested $136,156,861 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 subsequent note to the financial statements.) Total depreciation expense for the year was $3,382,501 in governmental and business-type activities.

Construction – Next Five Years

Annually, the Board of Education prepares and submits to the State Interagency Commission on School Construction (IAC) and the local county government a 5-year capital improvement plan (CIP). Our 5 year CIP includes:

Crisfield High School- We will complete a limited renovation in order to upgrade electrical switchgear and plumbing systems. We will be renovating all student restrooms to make them ADA compliant as well as upgrading our science rooms and other various upgrades throughout the building. Other upgrades include a new administration suite and a secure vestibule.

Somerset Intermediate School- We will be planning and constructing new classrooms that were included in the original plans but not completed due to budget constraints. We will also begin planning for the construction of a new 8th grade wing that will consist of 12 new classrooms. In FY25, we will request funding to complete the Design process. In FY26, we will request the construction funding needed to complete the project.

Greenwood Elementary School- We will begin planning the expansion of GES in order to house grades PreK-5th grade. The existing school building will be upgraded as well. Once complete, the current Princess Anne Elementary school will be closed. In FY25, we will be conducting a feasibility study to determine what the best option is for the school- major renovation versus a total school replacement. In FY26, we will request the construction funding portion of this project.

Washington High School- In FY25 we will be requesting construction funding for HVAC Replacement, interior casework to replace doors, renovating the front office and entrance area to make it more secure and upgrades to student locker rooms.

In addition, some of the remaining ESSER III funds will be used to upgrade the HVAC system at the Board of Education offices.

Long-Term Liabilities

- At year-end, the Board had $24,194,340 in amounts due or payable after one year. This amount consists of accrued compensated absences ($1,247,509) which is an obligation resulting from accrued annual leave which is due and payable to employees upon retirement. Also included in this amount is the Other Post Employment Benefit (OPEB) liability ($18,113,486) for future health insurance costs for retirees in compliance with GASB 75, an amount for the net pension liability required under GASB 68 ($4,325,862), and the intangible right-to-use lease liability required under GASB 87 ($507,483).

FACTORS BEARING ON THE BOARD'S FUTURE

The Board 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 $18,113,486 as of June 30, 2024. The Board currently funds retiree healthcare premiums as described in Note 10 on a pay- as-you -go basis only. In FY19, our retiree's insurance plan was switched to Laborfirst. Moving to Laborfirst's Medicare Supplemental plan enabled SCPS and its retirees to lower their current out of pocket costs. In FY20, contract language was changed to state that SCPS' cost share amount was equal to 50% of the monthly premium cost for each retiree. As the actuarial cost of the plan increased over time, SCPS' costs would have increased instead of being limited to a specific dollar amount. In FY21, the contract language was changed to re-establish a $3,600 cap per year for each retiree. The change in language served to lower the amount of the Board's future liability. Considering the limited funding available, the Board has opted to not fund any potential liability, instead focusing its funds on instruction. Management plans a continued cooperative effort between the Board and the County Government to fund these benefits in the future. This is particularly critical when considering the economic hardships faced by governments during the current downturn.

In FY 2024 the State contributed $2,721,602 for teacher retirement which is disclosed as an on-behalf payment on the Board's financial statements. The State of Maryland previously funded most of the employee share of retirement costs for employees enrolled in the Teachers Retirement and Pension Systems. Retirement costs for education continue to escalate at the State level primarily due to the salary increases realized during the implementation of the *Bridge to Excellence* (*Thornton*) *Funding*.

The Blueprint for Maryland's Future law was passed by the 2019 Maryland General Assembly. The law was based on policy recommendations outlined in the Interim Report of the Maryland Commission on Innovation and Excellence in Education (the Kirwan Commission). The purpose of the Commission was to review and ultimately, to revise, the current education funding formula for Maryland's school systems. The Blueprint for Maryland's Future defines 5 Pillars as part of the law: Early Childhood Education, High-Quality and Diverse Teachers and Leaders, College and Career Readiness, More Resources for Students to be Successful, and Governance and Accountability.

FACTORS BEARING ON THE BOARD'S FUTURE (Continued)

The new Blueprint Funding formula took effect in FY23. For FY25, Deal Island Elementary School is added to our list of Concentration of Poverty schools. Each Concentration of Poverty school receives a "Personnel" grant as well as a "Per Pupil" grant. This leads to a significant funding increase at each of those schools. These funds can be spent to address mental and behavioral health issues of students as well as provide supports for our most at-risk students. As part of the Blueprint, we must negotiate a Career Ladder for teacher pay. As part of the Career Ladder, all teachers must make a minimum salary of $60,000/ year as of July 1, 2026. We must also begin to phase in the 60/40 work day for teachers. This means that teachers will spend 60% of their day as a classroom teacher and 40% of their day planning, completing Professional Development and providing Reading and Math Interventions for students. The increase in salaries combined with the need for additional teachers to meet the 60/40 requirement will have a large impact on our budgets in the future. The Blueprint will also change the way we fund and manage our schools. For FY25, each district must prepare their budgets in accordance with the Blueprint law. The law requires that 75% of our funding be allocated directly to the schools. We must be able to show that we are budgeting our funds in this manner. This new requirement will alter the way our budgets look in the future. The Accountability Implementation Board formed as the result of the Blueprint law will oversee the implementation of the plan across the State. Due to the timing of the pandemic, some of the original timelines have been shifted into the future. On March 15, 2024, SCPS submitted the second phase of its Blueprint Implementation Plan to the AIB. SCPS' Blueprint plan and additional information regarding the Blueprint and the timeline can be found at https://aib.maryland.gov.

THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2024

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office, Somerset County Board of Education, 7982-A Tawes Campus Drive, Westover, Maryland 21871.

AUDITED FINANCIAL STATEMENTS

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF NET POSITION
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,055,286	$ 3,290,702	$ 6,345,988
Due from other governmental agencies	2,926,985	151,117	3,078,102
Inventory	-	30,530	30,530
Internal balances	2,870,377	(2,870,377)	-
Land	487,602	-	487,602
Capital and intangible assets, net	86,986,620	201,495	87,188,115
TOTAL ASSETS	96,326,870	803,467	97,130,337
DEFERRED OUTFLOWS OF RESOURCES			
Pensions (see Note 8)	2,243,697	-	2,243,697
Other post-employment benefits (see Note 10)	3,573,091	-	3,573,091
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,816,788	-	5,816,788
LIABILITIES			
Accounts payable:			
Vendors	1,221,959	48,312	1,270,271
Payroll deductions and withholdings	3,100,908	935	3,101,843
Due to other governments	10,943	-	10,943
Accrued salaries	564,847	-	564,847
Unearned revenue	2,409,215	-	2,409,215
Long-term liabilities:			
Due within one year	170,562	-	170,562
Due in more than one year	24,194,340	10,229	24,204,569
TOTAL LIABILITIES	31,672,774	59,476	31,732,250
DEFERRED INFLOWS OF RESOURCES			
Pensions (see Note 8)	200,026	-	200,026
Other post-employment benefits (see Note 10)	4,834,371	-	4,834,371
TOTAL DEFERRED INFLOWS OF RESOURCES	5,034,397	-	5,034,397
NET POSITION			
Net investment in capital assets	87,474,222	201,495	87,675,717
Unrestricted	(22,037,735)	542,496	(21,495,239)
TOTAL NET POSITION	$ 65,436,487	$ 743,991	$ 66,180,478

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

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental Activities			
Current:			
Administration	$ 2,263,149	$ -	$ 355,890
Mid-level administration	5,585,555	-	798,165
Instructional services	27,790,654	-	7,691,498
Special education	6,199,983	-	1,278,817
Student personnel services	1,498,933	-	1,063,506
Health services	676,499	-	88,680
Student transportation	3,859,045	-	320,080
Operation of plant and equipment	4,452,866	-	427,166
Maintenance of plant	1,318,629	-	1,683,302
Fixed charges	14,605,399	-	3,408,190
Community services	568,797	-	568,797
Food service	67,979	-	67,979
School activities	653,700	687,745	-
Capital outlay	60,866	-	-
State of Maryland share of retirement and pension contribution	2,721,602	-	2,721,602
Total Governmental Activities	72,323,656	687,745	20,473,672
Business-Type Activities			
Food services	2,773,491	72,538	2,567,012
Totals	$ 75,097,147	$ 760,283	$ 23,040,684
General Revenues			
State of Maryland			
Somerset County appropriation			
Reimbursements and other income			
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.

Capital Grants and Contributions	Net (Expenses) Revenue and changes in Net Position: Governmental Activities	Business-Type Activities	Total
$ -	$ (1,907,259)	$ -	$ (1,907,259)
-	(4,787,390)	-	(4,787,390)
-	(20,099,156)	-	(20,099,156)
-	(4,921,166)	-	(4,921,166)
-	(435,427)	-	(435,427)
-	(587,819)	-	(587,819)
-	(3,538,965)	-	(3,538,965)
-	(4,025,700)	-	(4,025,700)
-	364,673	-	364,673
-	(11,197,209)	-	(11,197,209)
-	-	-	-
-	-	-	-
-	34,045	-	34,045
1,111,423	1,050,557	-	1,050,557
-	-	-	-
1,111,423	(50,050,816)	-	(50,050,816)
68,843	-	(65,098)	(65,098)
$ 1,180,266	(50,050,816)	(65,098)	(50,115,914)
	37,826,294	-	37,826,294
	10,274,508	-	10,274,508
	116,114	60,158	176,272
	48,216,916	60,158	48,277,074
	(1,833,900)	(4,940)	(1,838,840)
	67,270,387	748,931	68,019,318
	$ 65,436,487	$ 743,991	$ 66,180,478

THE BOARD OF EDUCATION OF SOMERSET COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2024

	General	Restricted Grants	Capital Projects	School Activities	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 2,735,794	$ -	$ -	$ 319,492	$ 3,055,286
Due from governmental and other agencies	1,015,955	1,872,310	30,500	8,220	2,926,985
Due from other funds	2,017,579	882,633	-	-	2,900,212
TOTAL ASSETS	$ 5,769,328	$ 2,754,943	$ 30,500	$ 327,712	$ 8,882,483
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable:					
Vendors	$ 882,127	$ 339,832	$ -	$ -	$ 1,221,959
Payroll deductions and withholdings	3,100,908	-	-	-	3,100,908
Due to other funds	-	-	29,835	-	29,835
Due to other government	10,943	-	-	-	10,943
Accrued salaries and payroll taxes	481,266	83,581	-	-	564,847
Unearned revenue	77,020	2,331,530	665	-	2,409,215
TOTAL LIABILITIES	4,552,264	2,754,943	30,500	-	7,337,707
FUND BALANCES					
Assigned to:					
School activities	-	-	-	327,712	327,712
Subsequent year expenditures	355,936	-	-	-	355,936
Other purposes (encumbrances)	63,765	-	-	-	63,765
Assigned for other programs	50,000	-	-	-	50,000
Assigned for program expenses	88,556	-	-	-	88,556
Assigned - Career Counseling Program	32,583	-	-	-	32,583
Unassigned	626,224	-	-	-	626,224
TOTAL FUND BALANCES	1,217,064	-	-	327,712	1,544,776
TOTAL LIABILITIES AND FUND BALANCES	$ 5,769,328	$ 2,754,943	$ 30,500	$ 327,712	$ 8,882,483

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

THE BOARD OF EDUCATION OF SOMERSET COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2024

Total fund balances, governmental funds		$ 1,544,776
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.		87,474,222
Deferred outflow of resources		
Pensions (see Note 8)	2,243,697	
Other post-employment benefits (see Note 10)	3,573,091	
		5,816,788
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. Those liabilities consist of:		
Accrued compensated absences	(1,277,509)	
Long-term leases	(648,045)	
Net pension liability	(4,325,862)	
Post-employment benefits	(18,113,486)	
		(24,364,902)
Deferred inflow of resources		
Pensions (see Note 8)	(200,026)	
Other post-employment benefits (see Note 10)	(4,834,371)	
		(5,034,397)
Net position of governmental activities in the Statement of Net Position		$ 65,436,487

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

THE BOARD OF EDUCATION OF SOMERSET 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					
Somerset County	$ 10,274,508	$ -	$ -	$ -	$ 10,274,508
Federal government	-	13,143,273	-	-	13,143,273
State Of Maryland	37,826,294	5,662,720	57,500	-	43,546,514
State Of Maryland on-behalf payments	2,721,602	-	-	-	2,721,602
Reimbursements and other income	116,114	-	-	-	116,114
School activity revenues	-	-	-	687,745	687,745
TOTAL REVENUES	50,938,518	18,805,993	57,500	687,745	70,489,756
EXPENDITURES					
Current:					
Administration	1,810,621	355,890	-	-	2,166,511
Mid-level administration	4,796,339	798,165	-	-	5,594,504
Instructional salaries and wages	16,321,795	6,171,187	-	-	22,492,982
Textbooks and instructional supplies	470,439	713,303	-	-	1,183,742
Other instructional costs	768,640	807,008	-	-	1,575,648
Student personnel services	435,427	1,063,506	-	-	1,498,933
Health services	587,819	88,680	-	-	676,499
Student transportation	3,714,204	320,080	-	-	4,034,284
Operation of plant and equipment	3,850,270	427,166	-	-	4,277,436
Maintenance of plant	1,291,397	1,683,302	-	-	2,974,699
Special education	4,921,166	1,278,817	-	-	6,199,983
Fringe benefits on-behalf payments	2,721,602	-	-	-	2,721,602
Fixed charges	10,000,790	3,408,190	-	-	13,408,980
Community services	-	568,797	-	-	568,797
Food service	-	67,979	-	-	67,979
School activity expenditures	-	-	-	653,700	653,700
Capital outlay	-	1,053,923	57,500	-	1,111,423
TOTAL EXPENDITURES	51,690,509	18,805,993	57,500	653,700	71,207,702
EXCESS OF REVENUES OVER EXPENDITURES	(751,991)	-	-	34,045	(717,946)
OTHER FINANCING SOURCES					
Proceeds from long-term leases	182,349	-	-	-	182,349
TOTAL OTHER FINANCING SOURCES	182,349	-	-	-	182,349
Net change in fund balance	(569,642)	-	-	34,045	(535,597)
Fund balances, beginning	1,786,706	-	-	293,667	2,080,373
Fund balances, ending	$ 1,217,064	$ -	$ -	$ 327,712	$ 1,544,776

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

THE BOARD OF EDUCATION OF SOMERSET 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		$ (535,597)
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 outlay, net of disposals	3,289,133	
Depreciation and amortization expense	(3,364,715)	
Total		(75,582)
Proceeds from long-term leases are revenues in the governmental funds but increases in liabilities in the statement of net position		(182,349)
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:		
Decrease in pension expense due to deferred financing outflow	661,001	
Increase in pension expense due to net pension liability	(958,466)	
Decrease in pension expense due to deferred financing inflows	84,517	
Increase in post-employment benefits expense due to deferred financing outflow	(1,353,143)	
Decrease in post-employment benefits expense due to net OPEB liability	917,679	
Increase in post-employment benefits expense due to deferred financing inflow	(558,839)	
Increase in accrued compensated absences	10,832	
Total		(1,196,419)
Repayment of long-term leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position		156,047
Change in net position of governmental activities		$ (1,833,900)

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

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2024

	Enterprise Fund Food Services
ASSETS	
Current assets:	
Cash and cash equivalents	$ 3,290,702
Due from other governments	151,117
Inventory of food, at cost	30,530
Total current assets	3,472,349
Noncurrent assets:	
Equipment	1,339,557
Less: accumulated depreciation	(1,138,062)
Total noncurrent assets	201,495
TOTAL ASSETS	3,673,844
LIABILITIES	
Current liabilities:	
Accounts payable	48,312
Due to other funds	2,870,377
Accrued payroll	935
Total current liabilities	2,919,624
Long-term liabilities:	
Accrued compensated absences	10,229
TOTAL LIABILITIES	2,929,853
NET POSITION	
Invested in capital assets	201,495
Unrestricted	542,496
TOTAL NET POSITION	$ 743,991

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

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2024

	Enterprise Fund Food Services
OPERATING REVENUES	
Food Service Sales	$ 72,538
OPERATING EXPENSES	
Operation Of Plant	4,036
Fixed Charges	339,752
Salaries And Wages	862,351
Contracted Services	440
Food and Food Related Supplies	1,547,323
Other Charges	1,803
Depreciation	17,786
TOTAL OPERATING EXPENSES	2,773,491
OPERATING LOSS	(2,700,953)
NONOPERATING REVENUES	
Interest Income	60,158
State Of Maryland:	
Reimbursement Of Food Costs	53,688
Federal Through State:	
Reimbursement Of Food Costs	2,441,475
Donation Of Food Commodities	71,849
Total Federal Through State	2,513,324
TOTAL NONOPERATING REVENUES	2,627,170
CAPITAL CONTRIBUTION - equipment	68,843
Change in net position	(4,940)
Net position beginning of year	748,931
Net position end of year	$ 743,991

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

THE BOARD OF EDUCATION OF SOMERSET 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	$ 72,538
Cash payments to employees for services and fringe benefits	(1,205,783)
Cash payments to suppliers for goods and services	(1,459,025)
Cash payments for other operating expenses	(6,279)
Net cash used for operating activities	(2,598,549)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Non-operating grants received	2,433,036
Proceeds from other funds (net of repayments)	1,892,985
Net cash provided by noncapital financing activities	4,326,021
CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES	
Purchases of equipment	(25,069)
Interest on investments	60,158
Net cash provided by investing activities	35,089
Net change in cash and cash equivalents	1,762,561
Cash and equivalents, beginning of year	1,528,141
Cash and equivalents, end of year	$ 3,290,702
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating loss	$ (2,700,953)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	17,786
Donated commodities used	71,849
Changes in operating assets and liabilities:	
Inventory of food, at cost	797
Accounts payable and accrued liabilities	11,972
Net cash used for operating activities	$ (2,598,549)
NONCASH ACTIVITIES	
During the year the board received food commodities from the U.S. Department of Agriculture	$ 71,849
Capital contributions of equipment	68,843

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

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Board is the basic level of government which has financial accountability and control over all activities related to public school education in Somerset County, Maryland. The Board of Education receives substantial appropriations from and is subject to the indirect control of Somerset 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 non-fiduciary 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 are 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 as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, unless labeled otherwise.

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 is the proprietary fund. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Note 1. Summary of Significant Accounting Policies - continued

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

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.

Non-exchange 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 non-exchange 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.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

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 governmental funds:

General Fund

All financial resources appropriated for current operating expenditures, exclusive of certain restricted funds, are accounted for in the General Fund.

Restricted Funds

These funds are used to account for revenue sources that are legally restricted to expenditure for a specific purpose, such as federal, state and local grants.

Capital Projects Fund

This fund accounts for financial resources that are restricted to construction of new buildings, additions and alterations and acquisitions of equipment. Revenue is recognized from other governmental entities.

School Activities Fund

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

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.

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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivery 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 nonoperating revenues and expenses.

D. Budgetary Data

All funds, other than school activity 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 between categories and those approved by the Board within categories.

E. Inventories

Inventories of the Food Service Fund are stated at cost, determined on a FIFO basis. Food received from the USDA is included at values stated by the USDA but is offset by a deferred credit until consumed.

Inventories of material and supplies are charged to expenditures when consumed, rather than when purchased or donated.

F. 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 Board as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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:

ASSETS	YEARS
Land improvements	20
Buildings and improvements	7 - 50
Equipment	5 - 15
Vehicles	8

Note 1. Summary of Significant Accounting Policies – continued

G. Accrued Compensated Absences

The Board of Education accrues a liability for certain compensated absences (primarily vacation pay) that employees have earned but have not yet been paid. Expenditures in the statement of revenues and expenditures for such items are the amounts paid during the year with expendable available financial resources. All accrued compensated absences are recorded in the government-wide financial statements.

H. Unearned Revenue

Unearned revenue consists of federal and state grants and other revenues that have not been expended by the end of the fiscal year.

I. 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.

J. Cash and Cash Equivalents

For purposes of the statement of cash flows for the proprietary fund, the Board considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

K. 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.

Note 1. Summary of Significant Accounting Policies - continued

L. 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 8) and OPEB liability (Note 10) for changes in assumptions and contributions subsequent to the measurement date. 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 8) and OPEB liability (Note 10) for the net difference between projected and actual investment earnings on pension plan investments. 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.

M. 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.

N. Encumbrance Accounting

In the fund financial statements, reservations for fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Assigned for encumbrances represents encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the Board but not completed as of the close of the fiscal year. Encumbrances outstanding at June 30, 2024 totaled $63,765.

Note 1. Summary of Significant Accounting Policies - continued

O. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Cash, Cash Equivalents, and Investments

A. Deposits and Investments

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

B. 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:

	Governmental Activities	Business-Type Activities
Demand deposits	$ 2,847,371	$ 3,290,702
Savings deposits	207,915	-
TOTAL	$ 3,055,286	$ 3,290,702
CARRYING VALUE	$ 3,055,286	$ 3,290,702

Note 2. Cash, Cash Equivalents, and Investments - continued

B. Custodial Risk - continued

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

	Governmental Activities	Business-Type Activities
Insured	$ 250,000	$ -
Uninsured and collateral held by pledging Bank's trust department in the Board's name	3,841,804	3,290,699
TOTAL	$ 4,091,804	$ 3,290,699

C. Credit Risk

The Board’s exposure to investment rate and credit risk is minimal, as all investments are in cash and are thus precluded from having to sell or liquidate below original cost.

Note 3. Due from Governmental Agencies

As of June 30, 2024, the Board also has amounts due from governmental agencies of $2,926,985 and $151,117 for governmental and business-type activities, respectively. These receivables are due primarily from the Maryland State Department of Education, from Somerset County and from nonprofit agencies located on the Eastern Shore.

Note 4. Interfund Receivables - Payables

At June 30, 2024, the interfund account balances, prior to eliminations on the statement of net position - government-wide financial statements, are as follows:

	Due From Other Funds	Due To Other Funds
GOVERNMENTAL ACTIVITIES		
General fund		
Due from food services fund	$ 1,987,744	$ -
Due from restricted funds	-	-
Due from capital projects fund	29,835	-
Restricted grants		
Due from food services fund	882,633	-
Capital projects		
Due to general fund	-	29,835
BUSINESS-TYPE ACTIVITIES		
Enterprise fund - food service		
Due to general fund	-	1,987,744
Due to restricted funds	-	882,633
TOTAL ALL FUNDS	$ 2,900,212	$ 2,900,212

Due to/from other funds represent advances of cash for operating needs. There were no transfers during the year.

Note 5. Capital Assets

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

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	$ 487,602	$ -	$ -	$ 487,602
Construction in progress	248,150	-	(248,150)	-
Total capital assets not being depreciated	735,752	-	(248,150)	487,602
Capital assets being depreciated:				
Buildings	123,844,538	1,758,864	(940,825)	124,662,577
Land improvements	3,735,238	950,992	-	4,686,230
Furniture, fixtures and equipment	3,577,526	477,720	(311,719)	3,743,527
Vehicles	340,572	-	-	340,572
Total capital assets being depreciated	131,497,874	3,187,576	(1,252,544)	133,432,906
Less accumulated depreciation:				
Buildings	(40,118,060)	(2,854,643)	1,001,001	(41,971,702)
Land improvements	(3,074,081)	(94,031)	-	(3,168,112)
Furniture, fixtures and equipment	(1,825,052)	(229,582)	418,901	(1,635,733)
Vehicles	(278,588)	(18,575)	-	(297,163)
Total accumulated depreciation	(45,295,781)	(3,196,831)	1,419,902	(47,072,710)
Total capital assets being depreciated, net	86,202,093	(9,255)	167,358	86,360,196
Intangible right-to-use assets:				
Leased equipment	714,447	182,349	-	896,796
Less accumulated amortization	(102,488)	(167,884)	-	(270,372)
Total intangible right-to-use assets, net	611,959	14,465	-	626,424
GOVERNMENTAL ACTIVITIES CAPITAL AND INTANGIBLE ASSETS, NET	$ 87,549,804	$ 5,210	$ (80,792)	$ 87,474,222
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Construction in progress	$ 12,000	$ -	$ (12,000)	$ -
Capital assets being depreciated:				
Equipment	1,427,670	93,912	(182,025)	1,339,557
Less accumulated depreciation:				
Equipment	(1,314,301)	(17,786)	194,025	(1,138,062)
Total capital assets being depreciated, net	113,369	76,126	12,000	201,495
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 125,369	$ 76,126	$ -	$ 201,495

Note 5. Capital Assets - continued

Depreciation and amortization for governmental activities is allocated as follows:

	Depreciation	Amortization
Administration	$ 96,225	$ 3,062
Student transportation	-	75,757
Operation of plant and equipment	512,132	89,065
Instruction	2,588,474	-
TOTAL	$ 3,196,831	$ 167,884

Note 6. Changes in Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
GOVERNMENTAL ACTIVITIES					
Net OPEB liability	$ 19,031,165	$ -	$ 917,679	$ 18,113,486	$ -
Net pension liability	3,367,396	958,466	-	4,325,862	-
Intangible right-to-use leases	621,743	182,349	156,047	648,045	140,562
Accrued Compensated Absences	1,288,341	275,669	286,501	1,277,509	30,000
Total	$ 24,308,645	$ 1,416,484	$ 1,360,227	$ 24,364,902	$ 170,562
BUSINESS-TYPE ACTIVITIES					
Accrued Compensated Absences	$ 7,041	$ 3,188	$ -	$ 10,229	$ -

Long term liabilities are normally paid from the General Fund.

Note 7. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board is a member of the Maryland Association of Boards of Education Group Insurance Pool (“the Pool”), a public entity risk pool currently operating as a common risk management and insurance program for fourteen of the twenty-four Boards of Education. The Pool was formed in 1986 when several boards of education through Maryland joined together to pool their casualty risks. Property insurance coverage was added in 1988 and workers compensation in 2000.

The Board pays an annual premium to the Pool for its property and casualty insurance coverage. It is intended for the Pool to be self-sustaining through member premiums. Reinsurance is carried through commercial companies for claims which exceed coverage limits as specified in the agreement.

Note 7. Risk Management - continued

Should the Pool encounter a deficit in its casualty and/or property funds, the deficit may be made up from additional assessments of Boards' participating in the deficit pool year in an amount equal to the ratio of the Board's annual premium to the total annual premium contributed by all Boards in the year in which the deficit occurred.

The Board continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Other than the legal settlement discussed in prior audits, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

In 2004, the Board joined the Eastern Shore of Maryland Educational Consortium (ESMEC) Health Alliance Trust, a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that ESMEC be self-sustaining through member premiums. Callable deficits, which are paid to ESMEC to cover potential shortfalls, are 5% of total premiums for medical and 7% of total premiums for drug, dental, and vision. Currently, ESMEC keeps on hand a recommended conservative reserve of 7.5% for medical and 10.5% for drug, dental, and vision. As of March 2024, the Boards' funds held by ESMEC exceeded the recommended conservative reserve by $1,574,821. All funds held by ESMEC are restricted to being used only for health care expenses.

Note 8. Pension Plans

Plan Description

The State Retirement Agency (the 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 to State employees, teachers, police, judges, legislators, and employees of participating governmental units. 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.

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.

Note 8. Pension Plans – continued

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.

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:

<u>Teachers' and Employees' Retirement Systems</u>

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.

Note 8. Pension Plans - continued

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

Teachers' and Employees' Retirement Systems – continued

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 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, 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.

Note 8. Pension Plans - continued

Teacher's and Employees' Retirement Systems and Teachers' and Employees' Pension Systems

Teachers' and Employees' Pension System - continued

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%.

Employer Contributions:

For the year ended June 30, 2024 the Board's total payroll for all employees was $40,308,400. Total covered payroll was $35,636,959. 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 Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, 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 $1,400,644. In addition, the State of Maryland contributed $2,721,602 on behalf of the Board. The Board has recognized the State 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.

Note 8. 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. 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)	$ 4,325,862
State's proportionate share of the net pension liability (Teachers' Systems)	24,114,867
Total	$ 28,440,729

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 based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. As of June 30, 2023, the Board's proportion of the net pension liability was .018%, which was substantially the same as its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Board recognized pension expense for the employees system of $751,791 in the government-wide financial statements and $538,842 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	$ 297,302	$ (15,358)
Net difference between projected and actual investment earnings on pension plan investments	386,945	-
Differences between expected and actual experience	152,041	(184,668)
Change in proportion	868,567	-
Board contributions subsequent to measurement date	538,842	-
Total	$ 2,243,697	$ (200,026)

Note 8. Pension Plans – continued

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

The $538,842 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 outflows and inflows 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 are being amortized over a closed five-year period. These amounts will be recognized in pension expense as follows as of June 30, 2024:

Year Ending June 30,	Deferred Outflows (Inflows)
2025	$ 355,181
2026	298,801
2027	589,229
2028	215,614
2029	46,004
Total	$ 1,504,829

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% price, 2.75% wage
Salary increases	2.75% to 11.25%, including wage inflation
Discount rate	6.80%
Investment rate of return	6.80%
Mortality	Fully generational - PB-2010/MP2018 for males and females

Note 8. 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.

Note 8. Pension Plans - continued

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

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%	$ 6,414,378
Current discount rate	6.80%	$ 4,325,862
1% increase	7.80%	$ 2,592,756

Note 9. Budget Calendar

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

Approximate Date	Procedures Performed
November	Budget packets are sent to A&S staff. Parent, community and staff input is received.
December	Public input session (BOE meeting) School and central office budget conferences begin.
January	School and central office budget conferences continue. Superindendent presents proposed budget to BOE. BOE conducts open budget work sessions.
February	BOE conducts open budget work sessions. BOE adopts budget.
March	Budget submitted to County Commissioners. Non-recurring cost deadline.

Note 10. Other Post-Employment Benefits

Plan Description and Benefits Provided

The Board of Education of Somerset County administers a single-employer defined benefit healthcare plan ("the Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the Board's group health insurance plan, which covers both active and retired members. Benefit provisions are based on contractual agreements with employee groups. Employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' pension system, which are 15 years of service up to age 55 or 10 years of service at age 60. As of June 30, 2024, the date of the last actuarial valuation, approximately 217 retirees and spouses were receiving benefits, and an estimated 391 active employees are potentially eligible to receive future benefits.

Funding Policy

The Board will pay for 50% not to exceed $300 per month of the individual premium for the life of the retiree. Eligible dependents may be covered with the retiree paying 100% of the premium. If the retiree decides to opt out and find insurance elsewhere, the Board will provide a stipend of $1,500 annually towards the cost of insurance. Also, spouses of employees that retire after 7/1/2018 will not be covered under the plan. The spouse must find coverage elsewhere. Spouses of employees that retired prior to 7/1/2018 are grandfathered into the plan. For fiscal year 2024, the Board contributed $442,874 to the plan for approximately 217 eligible retirees and spouses.

Total OPEB Liability

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 total OPEB liability of $18,113,486 was measured as of June 30, 2024, and was determined by an actuarial valuation date of June 30, 2024.

Note 10. Other Post-Employment Benefits – continued

Total OPEB Liability - continued

The Board's total 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 total OPEB liability, fiduciary net position, and the resulting total OPEB liability as of June 30, 2024:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 7/1/2023	$ 19,031,165	$ -	$ 19,031,165
Changes for the year:			
Service cost	735,403	-	735,403
Interest cost	776,934	-	776,934
Differences between expected and actual experience	(2,162,819)	-	(2,162,819)
Assumption changes	175,677	-	175,677
Contributions - employer		442,874	(442,874)
Net investment income	-	-	-
Benefit payments	(442,874)	(442,874)	-
Administrative expense	-	-	-
Plan changes	-	-	-
Net changes	(917,679)	-	(917,679)
Balances at 6/30/2024	$ 18,113,486	$ -	$ 18,113,486

Funding Status and Funding Progress

As of June 30, 2024, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $18,113,486, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $25,246,088, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 71.75 percent.

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 total OPEB liability, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the total OPEB liability is increasing or decreasing over time relative to the total OPEB liability for benefits.

Note 10. Other Post-Employment Benefits – continued

Actuarial Assumptions and Discount Rate

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:

Measurement date:	June 30, 2024
Actuarial valuation date:	June 30, 2024
Actuarial cost method:	Entry Age Normal
Discount Rate:	The discount rate used to measure the total OPEB liability was 4.21%. As the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to AA 20-year municipal bonds. The S&P Municipal Bond 20 Year Rate Index was used to approximate those yields as of June 30, 2024. The prior valuation used was 4.13%.
Mortality:	Pub-2010 Teacher Employee Headcount-weighted with fully generational scale MP-2021. The table is based on the most recent mortality study for governmental employees completed by the Society of Actuaries.
Turnover:	T7 Standard Table Based on the actuary's professional judgement.
Salary scale:	3.00% The assumption reflects management expectation of future salary increases.

Sensitivity of the Total OPEB Liability

The following table presents the Board's total and total OPEB liability using the discount rate of 4.21%, as well as what the total 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 Total OPEB Liability
1% decrease	3.21%	$20,669,982
Current discount Rate	4.21%	$18,113,486
1% increase	5.21%	$16,019,888

Note 10. Other Post-Employment Benefits – continued

Sensitivity of the Total OPEB Liability – continued

The following table presents the Board's total and total OPEB liability using the health care trend rate of 7.5%, decreasing to 4.5%, as well as what the total 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 Total OPEB Liability
1% decrease	6.5% to 3.5%	$17,336,293
Current discount Rate	7.5% to 4.5%	$18,113,486
1% increase	8.5% to 5.5%	$19,060,085

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

For the year ended June 30, 2024, the Board will recognize OPEB expense in the amount of $1,437,177 on the government-wide statements. At June 30, 2024, the Board reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 152,202	$ (1,981,685)
Changes of assumptions	3,420,889	(2,852,686)
Total	$ 3,573,091	$ (4,834,371)

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

Year Ended June 30,	Outflows (Inflows)
2025	$ (75,160)
2026	(187,955)
2027	(214,071)
2028	(485,842)
2029	(211,527)
Thereafter	(86,725)
	$ (1,261,280)

Note 11. Intangible Right-to-Use Assets

The Board implemented the guidance of GASB No. 87, Leases, at July 1, 2021 for accounting and reporting leases that had previously been reported as operating leases. The Board did not have any leases requiring adjustment prior to fiscal year 2023.

On July 1, 2022, the Board entered into a five-year lease agreement for copiers. Payments under the lease agreement total $100,235 per year. For purposes of discounting future payments on this lease, the Board used its incremental borrowing rate in place at the time of lease inception of 4.75%.

In April 2023, the Board entered into a five-year lease agreement for a postage machine. Payments under the lease agreement total $3,745 per year. For purposes of discounting future payments on this lease, the Board used its incremental borrowing rate in place at the time of lease inception of 8.0%.

During fiscal year 2023 and 2024, the Board entered into multiple five-year vehicle leases. Payments under these leases total $86,006 per year. For purposes of discounting future payments on these leases, the Board used the implicit rate found in each lease agreement ranging from 4.6% to 5.8%.

Minimum lease payments over the next five years include:

	Total Lease Payments to Maturity		
	Principal	Interest	Total
2025	$ 174,387	$ 28,738	$ 203,125
2026	183,297	19,829	203,126
2027	192,667	10,459	203,126
2028	84,735	2,902	87,637
2029	12,959	180	13,139
Total	$ 648,045	$ 62,108	$ 710,153

Note 12. 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. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Board has not complied with the rules and regulations governing the grants, refunds, of any money received may be required and the collectability of any related receivable at June 30, 2024 may be impaired. In the opinion of the Board, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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.

REQUIRED SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF SOMERSET COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2024

	Budget			Variance With Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Somerset County	$ 10,274,508	$ 10,274,508	$ 10,274,508	$ -
State Of Maryland:				
Current expense	16,292,380	16,292,380	16,292,380	-
Special education	2,811,924	2,811,924	2,811,924	-
Transportation	2,432,740	2,432,740	2,432,740	-
Transportation - boat	35,000	35,000	35,000	-
Nonpublic placement	20,000	20,000	85,369	65,369
Compensatory education	11,626,002	11,626,002	11,626,002	-
Limited english proficiency	925,345	925,345	925,345	-
Targeted Aid	1,618,866	1,618,866	1,618,866	-
Other state revenues	55,752	55,752	56,445	693
Guaranteed tax base	1,942,223	1,942,223	1,942,223	-
Total State Of Maryland	37,760,232	37,760,232	37,826,294	66,062
Reimbursements and other income	100,000	100,000	116,114	16,114
TOTAL REVENUES	48,134,740	48,134,740	48,216,916	82,176
EXPENDITURES				
Administration	1,840,491	1,840,491	1,810,621	29,870
Mid-level administration	4,930,349	4,850,349	4,796,339	54,010
Instructional salaries and wages	16,043,436	16,393,436	16,321,795	71,641
Textbooks and instructional supplies	555,868	555,868	467,269	88,599
Other instructional costs	1,357,379	882,379	801,770	80,609
Student personnel services	433,902	443,902	435,427	8,475
Health services	607,673	607,673	586,908	20,765
Student transportation	3,760,007	3,595,007	3,531,855	63,152
Operation of plant and equipment	3,750,830	3,890,830	3,849,989	40,841
Maintenance of plant	1,218,267	1,308,267	1,286,405	21,862
Special education	4,858,774	4,938,774	4,915,766	23,008
Fixed charges	10,024,589	10,074,589	10,000,790	73,799
TOTAL EXPENDITURES	49,381,565	49,381,565	48,804,934	576,631
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,246,825)	(1,246,825)	(588,018)	658,807
OTHER FINANCING SOURCES				
Designated from June 30, 2022 for June 30, 2024 Expenditures	1,246,825	1,246,825	1,246,825	-
Assigned for future program expenses	-	-	(32,583)	(32,583)
TOTAL OTHER FINANCING SOURCES	1,246,825	1,246,825	1,214,242	(32,583)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	$ -	$ -	$ 626,224	$ 626,224

THE BOARD OF EDUCATION OF SOMERSET COUNTY

REQURIED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(AS OF MEASUREMENT DATE)
June 30, 2024

Measurement Date	Board's Proportion (Percentage) of the NPL A	Board's Proportionate Share of the NPL B	Board's Share of State's Proportionate Share of the NPL C	Total (B+C)	Board's Covered Employee Payroll D	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 Fidcuciary Net Position as a Percentage of Total Pension Liability (E / F)
June 30, 2014	0.0062365%	$ 1,106,790	$ 19,938,634	$ 21,045,424	$ 21,896,044	5.05%	$45,339,988,000	$63,086,719,000	71.87%
June 30, 2015	0.0084590%	$ 1,757,925	$ 25,096,984	$ 26,854,909	$ 23,159,421	7.59%	$45,789,840,000	$66,571,552,000	68.78%
June 30, 2016	0.0086191%	$ 2,033,593	$ 30,644,320	$ 32,677,913	$ 24,019,259	8.47%	$45,365,927,000	$68,959,954,000	65.79%
June 30, 2017	0.0082411%	$ 1,782,031	$ 28,922,278	$ 30,704,309	$ 25,112,246	7.10%	$48,987,184,000	$70,610,885,000	69.38%
June 30, 2018	0.0102052%	$ 2,141,214	$ 27,085,498	$ 29,226,712	$ 26,646,713	8.04%	$51,827,233,000	$72,808,833,000	71.18%
June 30, 2019	0.0113864%	$ 2,348,514	$ 26,619,595	$ 28,968,109	$ 27,501,384	8.54%	$53,943,420,000	$74,569,030,000	72.34%
June 30, 2020	0.0119696%	$ 2,705,292	$ 29,916,101	$ 32,621,393	$ 29,411,104	9.20%	$54,586,037,000	$77,187,397,000	70.72%
June 30, 2021	0.0147021%	$ 2,205,659	$ 18,855,898	$ 21,061,557	$ 28,816,529	7.65%	$67,604,500,000	$82,606,805,000	81.84%
June 30, 2022	0.0168298%	$ 3,367,396	$ 25,357,193	$ 28,724,589	$ 31,246,795	10.78%	$64,310,991,000	$84,319,253,000	76.27%
June 30, 2023	0.0187833%	$ 4,325,862	$ 24,114,867	$ 28,440,729	$ 33,031,074	13.10%	$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 SOMERSET COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS - PENSION PLANS
(AS OF FISCAL YEAR)
June 30, 2024

Fiscal Year	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	$924,085	$924,085	$0	$23,159,421	3.99%
2016	$1,073,414	$1,073,414	$0	$24,019,259	4.47%
2017	$1,093,442	$1,093,442	$0	$25,112,246	4.35%
2018	$1,191,144	$1,191,144	$0	$26,646,713	4.47%
2019	$1,254,795	$1,254,795	$0	$27,501,384	4.56%
2020	$1,329,561	$1,329,561	$0	$29,411,104	4.52%
2021	$1,414,450	$1,414,450	$0	$28,816,529	4.91%
2022	$1,491,211	$1,491,211	$0	$31,246,795	4.77%
2023	$1,781,843	$1,781,843	$0	$33,031,074	5.39%
2024	$1,939,486	$1,939,486	$0	$35,636,959	5.44%

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

THE BOARD OF EDUCATION OF SOMERSET COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE BOARD'S OPEB LIABILITY AND RELATED RATIOS

	2018	2019	2020	2021	2022	2023	2024
Total OPEB liability							
Service cost	$ 552,635	$ 580,267	$ 627,943	$ 1,964,988	$ 977,487	$ 835,516	$ 735,403
Interest cost	712,837	730,419	713,182	751,523	467,681	683,798	776,934
Differences between expected and actual experienc	-	-	(893,923)	-	378,453	-	(2,162,819)
Assumption changes	-	901,093	9,583,766	(511,905)	(3,659,225)	(1,567,414)	175,677
Benefit payments	(854,007)	(767,522)	(648,821)	(504,746)	(531,211)	(470,021)	(442,874)
Other changes	-	-	4,176,163	(14,040,307)	-	-	-
Net change in total OPEB liability	$ 411,465	$ 1,444,257	$ 13,558,310	$ (12,340,447)	$ (2,366,815)	$ (518,121)	$ (917,679)
Total OPEB liability, beginning of year,	18,842,517	19,253,982	20,698,239	34,256,549	21,916,101	19,549,286	19,031,165
Total OPEB liability, end of year (a)	$ 19,253,982	$ 20,698,239	$ 34,256,549	$ 21,916,102	$ 19,549,286	$ 19,031,165	$ 18,113,486
Covered employee payroll	$ 22,620,341	$ 22,620,341	$ 22,715,700	$ 24,451,244	$ 25,694,485	$ 30,507,970	$ 25,246,088
Total OPEB liability as of % of payroll	85.12%	91.50%	150.81%	89.63%	76.08%	62.38%	71.75%

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

THE BOARD OF EDUCATION OF SOMERSET 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 Somerset 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 Somerset County and the Board for intercategory transfers, and by approval of the Board for intracategory transfers. By law, actual expenditures for each category may not materially exceed budgeted expenditures. The budgeted amounts presented on page 55 include all budget revisions.

	Revenues	Expenditures	Assigned/Unassigned Fund Balances
	General June 30, 2024	General June 30, 2024	General June 30, 2024
GAAP basis	$ 50,938,518	$ 51,690,509	$ 1,217,064
On-behalf payments	(2,721,602)	(2,721,602)	-
Proceeds from right-to-use assets	-	(182,349)	-
June 30, 2024 fund balance assigned for June 30, 2025 expenditures	-	-	(527,075)
Use of prior year assigned fund balance	-	(19,101)	-
Expenditures of amounts encumbered during year ended June 30, 2023	-	(26,288)	-
Amounts encumbered and assigned (GAAP) at June 30, 2024 but recognized as expenditures for budgetary purposes	-	63,765	(63,765)
Budgetary basis	$ 48,216,916	$ 48,804,934	$ 626,224

THE BOARD OF EDUCATION OF SOMERSET COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2024

Note 2. Pension Plans

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

Changes in Assumptions
There were no changes in assumptions 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 the State Systems,
Asset valuation method	Five-year smoothed market; 40% recognized in 2021; 15% equally over next four valuations
Inflation	In the 2023 actuarial valuation, 2.25% general, 2.75% wage. In the 2022 actuarial valuation, 2.25% general, 2.75% wage.
Salary increases	In the 2023 actuarial valuation, 2.75% to 11.25%. In the 2022 actuarial valuation, 2.75% to 11.25%.
Investment rate of return	In the 2023 actuarial valuation, 6.80%. In the 2022 actuarial valuation, 6.80%.
Retirement age	Experienced-based table of rates that are specific to the type of elgibility condition. Last updated for the 2019 valuation pursuant to the 2018 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.

Note 3. Post-Employment Health Care Benefits

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

Changes in Assumptions
1. The discount rate was changed from 4.13% at June 30, 2023 to 4.21% at June 30, 2024.

Note 3. Post-Employment Health Care Benefits- continued

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Measurement date:	June 30, 2024
Actuarial valuation date:	June 30, 2024
Actuarial cost method:	Entry Age Normal
Discount Rate:	The discount rate used to measure the total OPEB liability was 4.21%. As the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to AA 20-year municipal bonds. The S&P Municipal Bond 20 Year Rate Index was used to approximate those yields as of June 30, 2024. The prior valuation used was 4.13%.
Mortality:	Pub-2010 Teacher Employee Headcount-weighted with fully generational scale MP-2021. The table is based on the most recent mortality study for governmental employees completed by the Society of Actuaries.
Turnover:	T7 Standard Table Based on the actuary's professional judgement.
Salary scale:	3.00% The assumption reflects management expectation of future salary increases.
Retirement age:	Retirement rates are set based on the professional judgment of the actuary according to the following table:

	Probability of Retirement
Age 60-64 & 10+ years of service	20%
Age 65	100%

Utilization:	75%
Valuation of assets:	N/A
Per Capita Claims:	Claims were developed by adjusting the underlying medical premiums for the ages of retirees compared to the underlying active populations. The adjustment was done using actual ages of enrolled participants and aging factors. The retiree pre-65 premium was $7,471 annually and $4,910 post-65.
Trend:	Medical costs were assumed to increase by 7.5% for FY2024 decreasing linearly by 0.25% to an ultimate trend rate of 4.5%. The rates were taken from an analysis of historical trends of various medical plans and a composite of the expected future increases reported in a number of national trend surveys.
Marriage Assumption:	25% married with husbands assumed to be 3 years older than wives. For current retirees actual spousal information and coverage was used.

ADDITIONAL SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF APPROPRIATIONS AND EXPENDITURES
GENERAL FUND - BUDGETARY BASIS
Year Ended June 30, 2024

	Budget			Variance Favorable
	Original	Final	Actual	(Unfavorable)
ADMINISTRATION				
Salaries and wages	$ 1,339,549	$ 1,339,549	$ 1,323,107	$ 16,442
Contracted services	227,862	239,862	239,026	836
Materials and supplies	116,900	143,580	137,883	5,697
Other charges	155,180	115,500	110,240	5,260
Capital outlay	1,000	2,000	365	1,635
TOTAL ADMINISTRATION	1,840,491	1,840,491	1,810,621	29,870
MID-LEVEL ADMINISTRATION				
Salaries and wages	4,150,949	4,230,949	4,230,789	160
Contracted services	-	352,650	340,050	12,600
Materials and supplies	62,300	32,300	27,645	4,655
Other charges	527,150	44,500	36,967	7,533
Capital outlay	189,950	189,950	160,888	29,062
TOTAL MID-LEVEL ADMINISTRATION	4,930,349	4,850,349	4,796,339	54,010
INSTRUCTIONAL SALARIES				
Salaries and wages	16,043,436	16,393,436	16,321,795	71,641
TOTAL INSTRUCTIONAL SALARIES	16,043,436	16,393,436	16,321,795	71,641
INSTRUCTIONAL TEXTBOOKS AND SUPPLIES	555,868	555,868	467,269	88,599
OTHER INSTRUCTIONAL COSTS				
Contracted services	780,790	501,949	481,077	20,872
Other charges	428,039	242,880	205,448	37,432
Capital outlay	148,550	77,550	56,760	20,790
Outgoing transfers	-	60,000	58,485	1,515
TOTAL OTHER INSTRUCTIONAL COSTS	1,357,379	882,379	801,770	80,609
STUDENT PERSONNEL SERVICES				
Salaries and wages	407,540	411,140	404,762	6,378
Contracted services	6,525	7,725	7,621	104
Materials and supplies	9,337	9,337	8,426	911
Other charges	10,500	15,700	14,618	1,082
TOTAL STUDENT PERSONNEL SERVICES	433,902	443,902	435,427	8,475
HEALTH SERVICES				
Salaries and wages	585,673	585,673	581,248	4,425
Contracted services	-	2,500	0	2,500
Materials and supplies	13,500	13,500	796	12,704
Other charges	4,500	2,000	1,209	791
Capital outlay	4,000	4,000	3,655	345
TOTAL HEALTH SERVICES	607,673	607,673	586,908	20,765
FIXED CHARGES				
Insurance and employee benefits	10,024,589	10,074,589	10,000,790	73,799
TOTAL FIXED CHARGES	10,024,589	10,074,589	10,000,790	73,799

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF APPROPRIATIONS AND EXPENDITURES (CONTINUED)
GENERAL FUND - BUDGETARY BASIS
Year Ended June 30, 2024

	Budget			Variance Favorable
	Original	Final	Actual	(Unfavorable)
STUDENT TRANSPORTATION				
Salaries and wages	$ 214,294	$ 214,294	$ 206,511	$ 7,783
Contracted services	3,261,463	3,091,463	3,048,761	42,702
Materials and supplies	5,000	10,000	888	9,112
Other charges	222,850	279,250	275,695	3,555
Capital outlay	56,400	-	-	-
TOTAL STUDENT TRANSPORTATION	3,760,007	3,595,007	3,531,855	63,152
OPERATION OF PLANT				
Salaries and wages	1,624,430	1,590,430	1,569,030	21,400
Contracted services	585,000	612,000	605,650	6,350
Materials and supplies	162,000	183,000	182,973	27
Other charges	1,361,400	1,487,400	1,487,068	332
Capital outlay	18,000	18,000	5,268	12,732
TOTAL OPERATION OF PLANT	3,750,830	3,890,830	3,849,989	40,841
MAINTENANCE OF PLANT				
Salaries and wages	457,517	464,517	464,322	195
Contracted services	626,300	611,300	601,378	9,922
Materials and supplies	131,000	172,700	163,477	9,223
Other charges	3,450	7,750	6,148	1,602
Capital outlay	-	52,000	51,080	920
TOTAL MAINTENANCE OF PLANT	1,218,267	1,308,267	1,286,405	21,862
SPECIAL EDUCATION				
Salaries and wages	4,244,369	4,079,369	4,059,276	20,093
Contracted services	364,785	542,785	542,453	332
Materials and supplies	53,180	53,180	50,918	2,262
Other charges	46,440	263,440	263,119	321
Outgoing transfers	150,000	-	-	-
TOTAL SPECIAL EDUCATION	4,858,774	4,938,774	4,915,766	23,008
TOTAL UNRESTRICTED APPROPRIATIONS AND EXPENDITURES	$ 49,381,565	$ 49,381,565	$ 48,804,934	$ 576,631

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS-BUDGETARY BASIS
Year Ended June 30, 2024

	Enterprise Fund Food Services
OPERATING REVENUES	
Food service sales	$ 72,538
OPERATING EXPENSES	
Operation of plant	4,036
Fixed charges	339,752
Salaries and wages	862,351
Contracted services	440
Food and food related supplies	1,492,788
Other charges	1,803
Capital outlay	79,604
TOTAL OPERATING EXPENSES	2,780,774
OPERATING LOSS	(2,708,236)
NONOPERATING REVENUES	
Interest income	60,158
State Of Maryland:	
Reimbursement of food costs	53,688
Federal through state:	
Reimbursement of food costs	2,441,475
Donation of food commodities	71,849
Total federal through state	2,513,324
TOTAL NONOPERATING REVENUES	2,627,170
CHANGE IN NET POSITION	$ (81,066)

THE BOARD OF EDUCATION OF SOMERSET COUNTY
SCHOOL ACTIVITIES FUNDS

COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS
AND CHANGES IN DUE TO SCHOOL ACTIVITIES FUNDS
Year Ended June 30, 2024

	Due to School Activities Funds Balance June 30, 2023	Additions	Deductions	Transfers	Due to School Activities Funds Balance June 30, 2024
ELEMENTARY SCHOOLS					
Deal Island (Pre-K To 5th Grades)	$ 18,216	$ 13,640	$ 21,836	$ -	$ 10,020
Woodson (Pre-K To 5th Grades)	10,486	102,106	98,243	-	14,349
Princess Anne (Pre-K To 5th Grades)	17,366	27,530	29,350	-	15,546
Greenwood (Pre-K To 5th Grades)	7,947	71,213	67,598	-	11,562
TOTAL ELEMENTARY SCHOOLS	54,015	214,489	217,027	-	51,477
INTERMEDIATE SCHOOLS - 6TH TO 7TH GRADES					
Somerset 6/7 Intermediate	18,310	53,671	50,580	-	21,401
HIGH SCHOOLS - 8TH TO 12TH GRADES					
Crisfield	56,838	120,167	115,442	-	61,563
Washington	47,480	170,581	161,514	-	56,547
TOTAL HIGH SCHOOLS	104,318	290,748	276,956	-	118,110
SPECIALIZED SCHOOLS					
Ewell Elementary Middle School (Pre-K To 7th grade)	17	-	17	-	-
Somerset County Technical High School	117,007	128,837	109,120	-	136,724
TOTAL SPECIALIZED SCHOOLS	117,024	128,837	109,137	-	136,724
TOTAL SCHOOL ACTIVITY	$ 293,667	$ 687,745	$ 653,700	$ -	$ 327,712

THE BOARD OF EDUCATION OF SOMERSET 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	Fund Balances
	Proprietary June 30, 2024	Proprietary June 30, 2024	Proprietary June 30, 2024
GAAP basis	$ 2,699,708	$ 2,773,491	$ 743,991
Depreciation	-	(17,786)	-
Capitalized costs (net of capital equipment contributed)	-	25,069	-
Effect of accrued compensated absences and other	-	-	10,229
Invested in capital assets at June 30, 2024	-	-	(201,495)
Budgetary basis	$ 2,699,708	$ 2,780,774	$ 552,725