THE BOARD OF EDUCATION OF SOMERSET COUNTY

AUDITED FINANCIAL STATEMENTS

For the year ended June 30, 2025

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, 2025, 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, 2025, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2025, the Board adopted new accounting guidance from the Governmental Accounting Standards Board (GASB) Statement No. 101, "Compensated Absences," and Statement No. 102, "Certain Risk Disclosures." Our opinion is not modified with respect to these matters.

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 October 2 2025, 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.

UHY LLP

Salisbury, Maryland
October 2, 2025

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, 2025, 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 October 2, 2025.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be a material weakness.

Finding Number 2025-01 – Financial Close and Reconciliation

Criteria: Internal control over financial reporting should include timely reconciliations of key financial accounts. These controls are essential to prepare reliable financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: For the fiscal year ended 2025, it was observed that no reconciliations were prepared or documented for accounts receivable (to include employee receivables), accounts payable (to include accrued payroll), and deferred revenue, with the exception of the restricted grants fund.

Cause: The absence of reconciliations was due to inadequate oversight by finance management and resource constraints or insufficient staff training on reconciliation requirements.

Effect: Failure to prepare reconciliations can lead to undetected errors or fraud, misstatements in financial reporting and difficulty in identifying and resolving discrepancies in a timely manner. Without proper reconciliations, management cannot provide assurance that account balances are accurate, even if no adjustments are ultimately required. This weakens the internal control environment and increases the risk of undetected misstatements.

Recommendation: Management should establish and enforce formal procedures requiring timely preparation and independent review of all key account reconciliations and assign responsibility to appropriate staff for reconciliation preparation and to supervisors for review. Management should train relevant finance staff on proper reconciliation practices and documentation standards.

Identification of Repeat Finding: This is a 1st year finding.

Views of Responsible Officials: Finance staff will complete training to ensure they understand and apply proper reconciliation practices and documentation standards. Formal procedures will be implemented to enforce the timely preparation of all key account reconciliations, along with an independent review process. If, after training, staff are still unable to complete reconciliations effectively, the Board will consider engaging a consultant to assist with the reconciliation or review processes.

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*.

The School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on The Board of Education of Somerset County's response to the findings identified in our audit and described above. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

UHY LLP

Salisbury, Maryland
October 2, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2025

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, 2025. 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, 2025, include the following:

- Net position for the Governmental Activities totaled $63,449,360 an increase of $15,348 or .02% from the prior year.
- General Fund assigned fund balance (subsequent year expenditures) equals $658,810, an increase of $302,874 from the prior year.
- Unassigned General Fund balance equals $372,845, a decrease of $253,379 from the prior year.
- The Food Service fund had a loss of $32,943. Excluding depreciation, the fund showed a loss of $15,213.

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 24 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.

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

Net Position

The Board's *combined* net position was $64,078,169 on June 30, 2025. This was a decrease of $17,595 from the prior year.

STATEMENT OF NET POSITION

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	FY2025	FY 2024	FY2025	FY 2024	FY2025	FY 2024
Current and other assets	$ 7,671,372	$ 8,852,648	$ 687,413	$ 601,972	$ 8,358,785	$ 9,454,620
Capital assets	87,794,615	87,474,222	183,765	201,495	87,978,380	87,675,717
Total assets	95,465,987	96,326,870	871,178	803,467	96,337,165	97,130,337
Deferred outflows	4,878,099	5,816,788	-	-	4,878,099	5,816,788
Current and other liabilities	6,536,596	7,776,431	164,865	58,494	6,701,461	7,834,925
Long-term liabilities	26,021,512	25,898,818	77,504	83,221	26,099,016	25,982,039
Total liabilities	32,558,108	33,675,249	242,369	141,715	32,800,477	33,816,964
Deferred inflows	4,336,618	5,034,397	-	-	4,336,618	5,034,397
Investment in capital assets, net of related debt	87,794,615	87,474,222	183,765	201,495	87,978,380	87,675,717
Unrestricted	(24,345,255)	(24,040,210)	445,044	460,257	(23,900,211)	(23,579,953)
Total net position	$ 63,449,360	$ 63,434,012	$ 628,809	$ 661,752	$ 64,078,169	$ 64,095,764

Implementation of New Accounting Standard

Effective July 1, 2024, the Board implemented GASB Statement No. 101, Compensated Absences. This Statement requires recognition of a liability for certain compensated absence benefits. The cumulative effect of adopting GASB 101 resulted in a decrease of $2,084,714 in beginning combined net position for fiscal year 2025.

It was not practicable to determine the liability as of June 30, 2023; therefore, fiscal year 2024 comparative information in Table 2 and Table 3 have not been restated and is presented as previously reported. Additional details of this adjustment are provided in Note 13 to the financial statements.

THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE (Continued)

Changes in Net Position

The Board's total revenues were $72,551,859 for the year ended June 30, 2025. (See Table 2) The State and County general appropriations accounted for approximately 68.5% of total revenue for the year. The remaining funds (31.5%) came from program revenues and investment earnings. The total cost of all programs and services was $72,569,454. Expenses surpassed revenues, decreasing net position $17,595 from last year.

Table 2

THE BOARD OF EDUCATION OF SOMERSET COUNTY
STATEMENT OF ACTIVITIES
June 30, 2025

	Governmental Activities		Business- Type Activities		Total	Total
	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024
REVENUES						
Program revenues						
Charges for services	$ 656,369	$ 687,745	$ 83,684	$ 72,538	$ 740,053	$ 760,283
Federal and state grants	17,146,193	20,473,672	2,598,086	2,567,012	19,744,279	23,040,684
Capital contributions	2,243,966	1,111,423	-	68,843	2,243,966	1,180,266
General revenues						
County appropriation	10,463,154	10,274,508	-	-	10,463,154	10,274,508
State formula aid	39,235,421	37,826,294	-	-	39,235,421	37,826,294
Other	63,420	116,114	61,566	60,158	124,986	176,272
Total revenue	69,808,523	70,489,756	2,743,336	2,768,551	72,551,859	73,258,307
EXPENSES						
Instruction and special education	36,535,684	39,576,192	-	-	36,535,684	39,576,192
Administration	2,912,533	2,263,149	-	-	2,912,533	2,263,149
Support services	2,049,013	2,175,432	2,776,279	2,773,491	4,825,292	4,948,923
Fixed Charges	13,854,521	14,605,399	-	-	13,854,521	14,605,399
Building Operations and Maintenance	5,908,558	5,771,495	-	-	5,908,558	5,771,495
Transportation	4,042,336	3,859,045	-	-	4,042,336	3,859,045
Other	4,490,530	4,072,944	-	-	4,490,530	4,072,944
Total expenses	69,793,175	72,323,656	2,776,279	2,773,491	72,569,454	75,097,147
Increase (decrease) in net position **	$ 15,348	$ (1,833,900)	$ (32,943)	$ (4,940)	$ (17,595)	$ (1,838,840)

** excludes transfers from other funds

Business-Type Activities

Revenues of the Board's only business-type activity, the food service operation, decreased $25,215 to $2,743,336 and expenses decreased by $2,788. (Refer to Table 2).

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 $1,304,995 an increase of $87,931 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 revenues over expenditures was $87,931 for the year ended June 30, 2025 compared to an excess of expenditures over revenues of $751,991 for FY 2024. The major changes in both revenues and expenditures results from the following:

1. State of Maryland revenues increased by $1,409,127. This increase is due to the districts now being funded using the Blueprint for Maryland's Education formulas. The per-pupil amount for FY24 was $8,642. Based on the Blueprint, the amount for FY25 was $8,789 per pupil. The per-pupil amounts are outlined in the Blueprint law.

2. State share of retirement and pension contribution revenue and expenditures increased by 496,633.

Table 3

GENERAL FUND REVENUES

	FY 2025	FY 2024	Increase (Decrease)	% of Incr. (Decr.)
REVENUES				
Somerset County Appropriations	$ 10,463,154	$ 10,274,508	$ 188,646	1.8%
State of Maryland	39,235,421	37,826,294	1,409,127	3.7%
State share of retirement and pension contribution	3,218,235	2,721,602	496,633	18.2%
Other	63,420	116,114	(52,694)	-45.4%
Total Revenues	52,980,230	50,938,518	2,041,712	4.0%

GENERAL FUND EXPENDITURES

	FY 2025	FY 2024	Increase (Decrease)	% of Incr. (Decr.)
EXPENDITURES				
Administration	1,847,469	1,810,621	36,848	2.0%
Mid-level Administration	4,886,980	4,796,339	90,641	1.9%
Instructional salaries	16,467,707	16,321,795	145,912	0.9%
Textbooks & instructional supplies	381,242	470,439	(89,197)	-19.0%
Other instruction costs	848,999	768,640	80,359	10.5%
Special Education	4,800,982	4,921,166	(120,184)	-2.4%
Student personnel services	272,151	435,427	(163,276)	-37.5%
Health services	559,138	587,819	(28,681)	-4.9%
Transportation of pupils	3,747,705	3,714,204	33,501	0.9%
Operation of plant	3,654,099	3,850,270	(196,171)	-5.1%
Maintenance of plant	1,358,804	1,291,397	67,407	5.2%
Fixed charges	10,848,788	10,000,790	847,998	8.5%
State share of retirement and pension contribution	3,218,235	2,721,602	496,633	18.2%
Total expenditures	52,892,299	51,690,509	1,201,790	2.3%
Excess/(Deficiency) of revenues over expenditures	$ 87,931	$ (751,991)	$ 839,922	

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 decrease of $4,878,035 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 were available for use through September 30, 2024. In FY25, SCPS spent $2,569,654 in ESSER III funds, the only remaining funds to be used in FY25, a decrease of $3,957,098 from FY24 use of ESSER II and ESSER III funds. The ESSER III grant ended on September 30, 2024.

Spending of the Maryland LEADs grant funds decreased in FY25 by $127,610. The Maryland LEADs grant ended on September 30, 2024.

The increase of $144,626 in State of Maryland grant funds is due to an increase in blueprint funding that offset several state grants which ended in FY24.

Table 4

RESTRICTED GRANT REVENUE

	FY 2025	FY 2024	Increase (Decrease)	% Incr. (Decr.)
REVENUES				
Federal through State	$ 8,086,195	$ 13,143,273	$ (5,057,078)	-38.48%
State of Maryland	5,807,346	5,662,720	144,626	2.55%
Reimbursements and Other Income	34,417	-	34,417	100.00%
Total Revenues	$ 13,927,958	$ 18,805,993	$ (4,878,035)	-25.94%

CAPITAL PROJECTS FUND

The Board has no legal authority to borrow funds.

SCHOOL ACTIVITY FUNDS

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

During FY 2025 the Board's eight (8) schools collected revenues and incurred expenditures for various student activities (See Table 5).

Table 5

SCHOOL ACTIVITIES FUNDS

	FY 2025	FY 2024	Increase (Decrease)	% Incr. (Decr.)
Additions	$ 656,369	$ 687,745	$ (31,376)	-4.56%
Deductions	(647,194)	(653,700)	6,506	-1.00%
Beginning balance due to school activities funds	327,712	293,667	34,045	11.59%
Ending Balance due to School Activities Fund	$ 336,887	$ 327,712	$ 9,175	2.80%

THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2025

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:

	Original Approved FY 2025 Budget	Category Increases	Category Transfers	Final Amended FY 2025 Budget
REVENUES				
Somerset County	$ 10,462,407	$ -	$ -	$ 10,462,407
State of Maryland	39,272,341	-	-	39,272,341
Other	100,000	-	-	100,000
Prior Year's Fund Balance	355,936	-	-	355,936
Total Revenues	50,190,684	-	-	50,190,684
EXPENDITURES				
Administration	1,809,000	40,000	-	1,849,000
Mid-level Administration	5,001,630	-	(100,000)	4,901,630
Instructional Salaries and Wages	16,117,374	360,000	-	16,477,374
Instructional Textbooks and Supplies	459,850	-	(50,000)	409,850
Other Instructional Costs	968,116	-	(100,000)	868,116
Student Personnel Services	439,098	-	-	439,098
Health Services	619,872	-	-	619,872
Fixed Charges	11,085,200	-	(200,000)	10,885,200
Student Transportation	3,875,479	-	(100,000)	3,775,479
Operation of Plant	3,508,317	150,000	-	3,658,317
Maintenance of Plant	1,436,652	-	-	1,436,652
Special Education	4,870,096	-	-	4,870,096
Capital Outlay	-	-	-	-
Total Expenditures	$ 50,190,684	$ 550,000	$ (550,000)	$ 50,190,684

After these revisions, the actual General Fund and Capital expenditures matched the budget. Actual expenditures and encumbrances were under budget by $532,400. Actual revenues exceeded expenditures by $103,711. The Board utilized the FY 2023 fund balance designated for FY 2025 (excess of revenues over expenditures) in the amount of $355,936 and assigned funds for future program expenses in the amount of $86,802. This leaves an unreserved, undesignated fund balance of $372,845 to be carried forward to FY 2027.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2025, the Board has invested $139,895,954 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 and amortization expense for the year was $3,436,430 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 - A limited renovation is underway at CAHS. The renovations will encompass complete interior cosmetic renovations as well as new mechanical, electrical, and plumbing systems throughout. The exterior will receive partial cosmetic renovations as well as complete window and door replacement. The HVAC will receive significant improvements including a new 4 pipe system allowing for year-round temperature control and improved interior air changeout and humidity control. The project has been approved through the CIP program and has an approved budget of $44,000,000.00. Final completion of this occupied renovation is slated to be completed in FY29.

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 FY26, we will request funding to complete the design process. In FY27, we will request the construction funding needed to complete the project.

Greenwood Elementary School - A feasibility study is wrapping up now having been approved through the CIP for FY25. EDPSECS are currently being completed and are in MSDE review. For FY26, we will be requesting design funding.

Long-Term Liabilities

- At year-end, the Board had $26,099,016 in amounts due or payable after one year. This amount consists of compensated absences ($2,708,665) which includes vacation, sick (limited to 260 days at $70 per day), comp time, and salary related expenses required under GASB 101. Also included in this amount is the Other Post Employment Benefit (OPEB) liability ($17,686,604) for future health insurance costs for retirees in compliance with GASB 75, an amount for the net pension liability required under GASB 68 ($5,413,386), and the intangible right-to-use lease liability required under GASB 87 ($290,361).

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 $17,686,604 as of June 30, 2025. 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 2025 the State contributed $3,218,235 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 support 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 funding follows the students, and that 75% of funding be allocated directly to the schools based on student counts. 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.

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, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,871,344	$ 1,426,032	$ 5,297,376
Due from other governmental agencies	2,858,739	170,231	3,028,970
Inventory	-	32,439	32,439
Internal balances	941,289	(941,289)	-
Land	487,602	-	487,602
Construction in progress	2,935,640	-	2,935,640
Capital and intangible assets, net	84,371,373	183,765	84,555,138
TOTAL ASSETS	95,465,987	871,178	96,337,165
DEFERRED OUTFLOWS OF RESOURCES			
Pensions (see Note 8)	2,833,828	-	2,833,828
Other post-employment benefits (see Note 10)	2,044,271	-	2,044,271
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,878,099	-	4,878,099
LIABILITIES			
Accounts payable:			
Vendors	658,048	151,337	809,385
Payroll deductions and withholdings	1,944,645	4,916	1,949,561
Due to other governments	10,943	-	10,943
Accrued salaries	284,456	-	284,456
Unearned revenue	3,162,856	-	3,162,856
Long-term liabilities:			
Due within one year	475,648	8,612	484,260
Due in more than one year	26,021,512	77,504	26,099,016
TOTAL LIABILITIES	32,558,108	242,369	32,800,477
DEFERRED INFLOWS OF RESOURCES			
Pensions (see Note 8)	131,013	-	131,013
Other post-employment benefits (see Note 10)	4,205,605	-	4,205,605
TOTAL DEFERRED INFLOWS OF RESOURCES	4,336,618	-	4,336,618
NET POSITION			
Net investment in capital assets	87,794,615	183,765	87,978,380
Unrestricted	(24,345,255)	445,044	(23,900,211)
TOTAL NET POSITION	$ 63,449,360	$ 628,809	$ 64,078,169

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, 2025

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental Activities			
Current:			
Administration	$ 2,912,533	$ -	$ 974,098
Mid-level administration	5,405,670	-	542,508
Instructional services	25,421,300	-	5,125,657
Special education	5,708,714	-	907,732
Student personnel services	1,438,435	-	1,166,284
Health services	610,578	-	51,440
Student transportation	4,042,336	-	290,054
Operation of plant and equipment	4,484,352	-	1,416,245
Maintenance of plant	1,424,206	-	318,439
Fixed charges	13,854,521	-	2,460,653
Community services	514,984	-	514,984
Food service	31,000	-	31,000
School activities	647,194	656,369	-
Capital outlay	79,117	-	128,864
State of Maryland share of retirement and pension contribution	3,218,235	-	3,218,235
Total Governmental Activities	69,793,175	656,369	17,146,193
Business-Type Activities			
Food services	2,776,279	83,684	2,598,086
Totals	$ 72,569,454	$ 740,053	$ 19,744,279

General Revenues
State of Maryland
Somerset County appropriation
Reimbursements and other income

Total General Revenues

Change in Net Position

Net Position Beginning of Year, as restated

Net Position End of Year

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

	Net (Expenses) Revenue and changes in Net Position		
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
$ -	$ (1,938,435)	$ -	$ (1,938,435)
-	(4,863,162)	-	(4,863,162)
-	(20,295,643)	-	(20,295,643)
-	(4,800,982)	-	(4,800,982)
-	(272,151)	-	(272,151)
-	(559,138)	-	(559,138)
-	(3,752,282)	-	(3,752,282)
-	(3,068,107)	-	(3,068,107)
-	(1,105,767)	-	(1,105,767)
-	(11,393,868)	-	(11,393,868)
-	-	-	-
-	-	-	-
-	9,175	-	9,175
2,243,966	2,293,713	-	2,293,713
-	-	-	-
2,243,966	(49,746,647)	-	(49,746,647)
-	-	(94,509)	(94,509)
$ 2,243,966	(49,746,647)	(94,509)	(49,841,156)
	39,235,421	-	39,235,421
	10,463,154	-	10,463,154
	63,420	61,566	124,986
	49,761,995	61,566	49,823,561
	15,348	(32,943)	(17,595)
	63,434,012	661,752	64,095,764
	$ 63,449,360	$ 628,809	$ 64,078,169

THE BOARD OF EDUCATION OF SOMERSET COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2025

	General	Restricted Grants	Capital Projects	School Activities	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 3,542,677	$ -	$ -	$ 328,667	$ 3,871,344
Due from governmental and other agencies	1,374,406	1,445,613	30,500	8,220	2,858,739
Due from other funds	1,002,582	1,820,936	-	-	2,823,518
TOTAL ASSETS	$ 5,919,665	$ 3,266,549	$ 30,500	$ 336,887	$ 9,553,601
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable:					
Vendors	$ 525,134	$ 132,914	$ -	$ -	$ 658,048
Payroll deductions and withholdings	1,944,645	-	-	-	1,944,645
Due to other funds	1,820,936	-	61,293	-	1,882,229
Due to other government	10,943	-	-	-	10,943
Accrued salaries and payroll taxes	235,992	48,464	-	-	284,456
Unearned revenue	77,020	3,085,171	665	-	3,162,856
TOTAL LIABILITIES	4,614,670	3,266,549	61,958	-	7,943,177
FUND BALANCES					
Assigned to:					
School activities	-	-	-	336,887	336,887
Subsequent year expenditures	658,810	-	-	-	658,810
Other purposes (encumbrances)	47,985	-	-	-	47,985
Assigned for future program expenses	225,355	-	-	-	225,355
Unassigned	372,845	-	(31,458)	-	341,387
TOTAL FUND BALANCES	1,304,995	-	(31,458)	336,887	1,610,424
TOTAL LIABILITIES AND FUND BALANCES	$ 5,919,665	$ 3,266,549	$ 30,500	$ 336,887	$ 9,553,601

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, 2025

Total fund balances, governmental funds		$ 1,610,424
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.		87,794,615
Deferred outflow of resources		
Pensions (see Note 8)	2,833,828	
Other post-employment benefits (see Note 10)	2,044,271	
		4,878,099
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	(2,923,512)	
Long-term leases	(473,658)	
Net pension liability	(5,413,386)	
Post-employment benefits	(17,686,604)	
		(26,497,160)
Deferred inflow of resources		
Pensions (see Note 8)	(131,013)	
Other post-employment benefits (see Note 10)	(4,205,605)	
		(4,336,618)
Net position of governmental activities in the Statement of Net Position		$ 63,449,360

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, 2025

	General	Restricted Grants	Capital Projects	School Activities	Total Governmental Funds
REVENUES					
Somerset County	$ 10,463,154	$ -	$ -	$ -	$ 10,463,154
Federal government	-	8,086,195	-	-	8,086,195
State Of Maryland	39,235,421	5,807,346	-	-	45,042,767
State Of Maryland on-behalf payments	3,218,235	-	2,243,966	-	5,462,201
Reimbursements and other income	63,420	34,417	-	-	97,837
School activity revenues	-	-	-	656,369	656,369
TOTAL REVENUES	52,980,230	13,927,958	2,243,966	656,369	69,808,523
EXPENDITURES					
Current:					
Administration	1,847,469	974,098	-	-	2,821,567
Mid-level administration	4,886,980	542,508	-	-	5,429,488
Instructional salaries and wages	16,467,707	3,924,368	-	-	20,392,075
Textbooks and instructional supplies	381,242	456,971	-	-	838,213
Other instructional costs	848,999	744,318	-	-	1,593,317
Student personnel services	272,151	1,166,284	-	-	1,438,435
Health services	559,138	51,440	-	-	610,578
Student transportation	3,747,705	290,054	-	-	4,037,759
Operation of plant and equipment	3,654,099	1,416,245	-	-	5,070,344
Maintenance of plant	1,358,804	318,439	-	-	1,677,243
Special education	4,800,982	907,732	-	-	5,708,714
Fringe benefits on-behalf payments	3,218,235	-	-	-	3,218,235
Fixed charges	10,848,788	2,460,653	-	-	13,309,441
Community services	-	514,984	-	-	514,984
Food service	-	31,000	-	-	31,000
School activity expenditures	-	-	-	647,194	647,194
Capital outlay	-	128,864	2,275,424	-	2,404,288
TOTAL EXPENDITURES	52,892,299	13,927,958	2,275,424	647,194	69,742,875
EXCESS OF REVENUES OVER EXPENDITURES	87,931	-	(31,458)	9,175	65,648
Net change in fund balance	87,931	-	(31,458)	9,175	65,648
Fund balances, beginning	1,217,064	-	-	327,712	1,544,776
Fund balances, ending	$ 1,304,995	$ -	$ (31,458)	$ 336,887	$ 1,610,424

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, 2025

Net change in fund balances, governmental funds		$ 65,648
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	3,739,093	
Depreciation and amortization expense	(3,418,700)	
Total		320,393
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	590,131	
Increase in pension expense due to net pension liability	(1,087,524)	
Decrease in pension expense due to deferred financing inflows	69,013	
Increase in post-employment benefits expense due to deferred financing outflow	(1,528,820)	
Decrease in post-employment benefits expense due to net OPEB liability	426,882	
Increase in post-employment benefits expense due to deferred financing inflow	628,766	
Increase in accrued compensated absences	356,472	
Total		(545,080)
Repayment of long-term leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position		174,387
Change in net position of governmental activities		$ 15,348

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, 2025

	Enterprise Fund Food Services
ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,426,032
Due from other governments	170,231
Inventory of food, at cost	32,439
Total current assets	1,628,702
Noncurrent assets:	
Equipment	1,339,557
Less: accumulated depreciation	(1,155,792)
Total noncurrent assets	183,765
TOTAL ASSETS	1,812,467
LIABILITIES	
Current liabilities:	
Accounts payable	151,337
Due to other funds	941,289
Accrued payroll	4,916
Accrued compensated absences	8,612
Total current liabilities	1,106,154
Long-term liabilities:	
Accrued compensated absences	77,504
TOTAL LIABILITIES	1,183,658
NET POSITION	
Invested in capital assets	183,765
Unrestricted	445,044
TOTAL NET POSITION	$ 628,809

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, 2025

	Enterprise Fund Food Services
OPERATING REVENUES	
Food Service Sales	$ 83,684
OPERATING EXPENSES	
Operation Of Plant	4,133
Fixed Charges	357,000
Salaries And Wages	886,703
Contracted Services	90
Food and Food Related Supplies	1,507,230
Other Charges	3,393
Depreciation	17,730
TOTAL OPERATING EXPENSES	2,776,279
OPERATING LOSS	(2,692,595)
NONOPERATING REVENUES	
Interest Income	61,566
State Of Maryland:	
Reimbursement Of Food Costs	29,772
Federal Through State:	
Reimbursement Of Food Costs	2,472,845
Donation Of Food Commodities	95,469
Total Federal Through State	2,568,314
TOTAL NONOPERATING REVENUES	2,659,652
Change in net position	(32,943)
Net position beginning of year, as restated	661,752
Net position end of year	$ 628,809

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, 2025

	Enterprise Fund Food Services
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from user charges	$ 83,684
Cash payments to employees for services and fringe benefits	(1,246,074)
Cash payments to suppliers for goods and services	(1,310,645)
Cash payments for other operating expenses	(7,616)
Net cash used for operating activities	(2,480,651)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Non-operating grants received	2,483,503
Proceeds from other funds (net of repayments)	(1,929,088)
Net cash provided by noncapital financing activities	554,415
CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES	
Interest on investments	61,566
Net cash provided by investing activities	61,566
Net change in cash and cash equivalents	(1,864,670)
Cash and equivalents, beginning of year	3,290,702
Cash and equivalents, end of year	$ 1,426,032
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating loss	$ (2,692,595)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	17,730
Donated commodities used	95,469
Changes in operating assets and liabilities:	
Inventory of food, at cost	(1,909)
Accounts payable and accrued liabilities	100,654
Net cash used for operating activities	$ (2,480,651)
NONCASH ACTIVITIES	
During the year the board received food commodities from the U.S. Department of Agriculture	$ 95,469

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 recognizes a liability for compensated absences that meet the criteria outlined in GASB Statement No. 101. A liability is recognized when the leave is attributable to services already rendered, accumulates and carries forward, and it is more likely than not that the leave will be used or paid in the future. The measurement of the liability is based on the employees' pay rates at the end of the reporting period. 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, 2025 totaled $47,985.

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.

P. New Accounting Policies

The Board Adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* and Statement No. 102, *Certain Risk Disclosures* at July 1, 2024. GASB Statement No. 101's objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model. The Board has determined to restate its Statement of Net Position and Statement of Fund Net Position at June 30, 2024. See Note 13 for additional information. GASB Statement No. 102's objective is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The Board has not identified any events associated with a concentration or constraint that would require disclosure.

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.

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

B. Custodial Risk - continued

At June 30, 2025, the Board's funds were invested as follows:

	Governmental Activities	Business-Type Activities
Demand deposits	$ 2,731,712	$ 1,426,032
Savings deposits	1,139,632	-
TOTAL	$ 3,871,344	$ 1,426,032
CARRYING VALUE	$ 3,871,344	$ 1,426,032

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	4,002,814	1,426,032
TOTAL	$ 4,252,814	$ 1,426,032

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, 2025, the Board also has amounts due from governmental agencies of $2,858,750 and $170,231 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, 2025, 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	$ 941,289	$ -
Due to restricted funds	-	1,820,936
Due from capital projects fund	61,293	-
Restricted grants		
Due from general fund	1,820,936	-
Capital projects		
Due to general fund	-	61,293
BUSINESS-TYPE ACTIVITIES		
Enterprise fund - food service		
Due to general fund	-	941,289
TOTAL ALL FUNDS	$ 2,823,518	$ 2,823,518

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

THE BOARD OF EDUCATION OF SOMERSET COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2025

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2025 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	-	2,935,640	-	2,935,640
Total capital assets not being depreciated	487,602	2,935,640	-	3,423,242
Capital assets being depreciated:				
Buildings	124,662,577	126,682	-	124,789,259
Land improvements	4,686,230	10,800	-	4,697,030
Furniture, fixtures and equipment	3,743,527	665,971	-	4,409,498
Vehicles	340,572	-	-	340,572
Total capital assets being depreciated	133,432,906	803,453	-	134,236,359
Less accumulated depreciation:				
Buildings	(41,971,702)	(2,823,418)	-	(44,795,120)
Land improvements	(3,168,112)	(120,614)	-	(3,288,726)
Furniture, fixtures and equipment	(1,635,733)	(276,734)	-	(1,912,467)
Vehicles	(297,163)	(18,575)	-	(315,738)
Total accumulated depreciation	(47,072,710)	(3,239,341)	-	(50,312,051)
Total capital assets being depreciated, net	86,360,196	(2,435,888)	-	83,924,308
Intangible right-to-use assets:				
Leased equipment	896,796	-	-	896,796
Less accumulated amortization	(270,372)	(179,359)	-	(449,731)
Total intangible right-to-use assets, net	626,424	(179,359)	-	447,065
GOVERNMENTAL ACTIVITIES CAPITAL AND INTANGIBLE ASSETS, NET	$ 87,474,222	$ 320,393	$ -	$ 87,794,615
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated:				
Equipment	$ 1,339,557	$ -	$ -	$ 1,339,557
Less accumulated depreciation:				
Equipment	(1,138,062)	(17,730)	-	(1,155,792)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 201,495	$ (17,730)	$ -	$ 183,765

Note 5. Capital Assets - continued

Depreciation and amortization for governmental activities is allocated as follows:

	Depreciation	Amortization
Administration	$ 97,504	$ 3,062
Student transportation	-	87,232
Operation of plant and equipment	518,942	89,065
Instruction	2,622,895	-
TOTAL	$ 3,239,341	$ 179,359

Note 6. Long-Term Liabilities

Long-term liabilities for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
GOVERNMENTAL ACTIVITIES					
Net OPEB liability	$ 18,113,486	$ -	$ 426,882	$ 17,686,604	$ -
Net pension liability	4,325,862	1,087,524	-	5,413,386	-
Intangible right-to-use leases	648,045	-	174,387	473,658	183,297
Compensated absences	3,279,984	-	356,472	2,923,512	292,351
Total	$ 26,367,377	$ 1,087,524	$ 957,741	$ 26,497,160	$ 475,648
BUSINESS-TYPE ACTIVITIES					
Compensated absences	$ 92,468	$ -	$ 6,352	$ 86,116	$ 8,612

The change in the compensated absences liability is presented as a net change in the chart above.

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.

The Board is a member of 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. Currently, ESMEC keeps on hand a recommended conservative reserve of 7.5% for medical, drug, dental, and vision. As of April 2025, the Boards' funds held by ESMEC exceeded the recommended conservative reserve by $1,830,259. 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

<u>Teachers' and Employees' Pension System - continued</u>

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, 2025. 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, 2025 the Board's total payroll for all employees was $38,219,278. Total covered payroll was $33,516,063. 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 2025 was $1,451,999. In addition, the State of Maryland contributed $3,218,235 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, 2025, 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:

	2025
Board's proportionate share of the net pension liability (Employees' Systems)	$ 5,413,386
State's proportionate share of the net pension liability (Teachers' Systems)	27,342,078
Total	$ 32,755,464

The net pension liability was measured as of June 30, 2024, 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, 2024, the Board's proportion of the net pension liability was .021%, which was substantially the same as its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Board recognized pension expense for the employees system of $1,051,033 in the government-wide financial statements and $622,653 in the fund financial statements. At June 30, 2025, 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	$ 365,238	$ -
Net difference between projected and actual investment earnings on pension plan investments	390,991	-
Differences between expected and actual experience	559,128	(131,013)
Change in proportion	895,818	-
Board contributions subsequent to measurement date	622,653	-
Total	$ 2,833,828	$ (131,013)

Note 8. Pension Plans – continued

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

The $622,653 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, 2026. The deferred outflows and inflows related to non-investment activity are being amortized over the remaining service life ranging from 5.44 to 5.52 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, 2025:

Year Ending June 30,	Deferred Outflows (Inflows)
2026	$ 499,565
2027	822,924
2028	422,962
2029	244,586
2030	90,112
Total	$ 2,080,149

Actuarial Assumptions

The total pension liability in the June 30, 2024 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	2.5% general, 3% wage
Salary increases	3.0% to 22.5%, including inflation
Discount rate	6.80%
Investment rate of return	6.80%
Mortality	Fully generational - PB-2010/MP2021 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%	6.0%
Private Equity	16%	8.5%
Rate Sensitive	20%	2.4%
Credit Opportunity	9%	5.4%
Real Assets	15%	5.5%
Absolute Return	6%	3.9%
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%	$ 7,867,518
Current discount rate	6.80%	$ 5,413,386
1% increase	7.80%	$ 3,367,695

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 2025, the Board contributed $598,053 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 $17,686,604 was measured as of June 30, 2025, 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, 2025:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 7/1/2024	$ 18,113,486	$ -	$ 18,113,486
Changes for the year:			
Service cost	670,202	-	670,202
Interest cost	750,119	-	750,119
Differences between expected and actual experience	-	-	-
Assumption changes	(1,249,150)	-	(1,249,150)
Contributions - employer		598,053	(598,053)
Net investment income	-	-	-
Benefit payments	(598,053)	(598,053)	-
Administrative expense	-	-	-
Plan changes	-	-	-
Net changes	(426,882)	-	(426,882)
Balances at 6/30/2025	$ 17,686,604	$ -	$ 17,686,604

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 $17,686,604, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $30,759,669, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 57.50 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, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date:	June 30, 2025
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 4.81%. 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, 2025. The prior valuation used was 4.21%.
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 4.81%, 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	3.81%	$ 20,022,820
Current discount Rate	4.81%	$ 17,686,604
1% increase	5.81%	$ 15,760,976

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%	$ 16,912,559
Current discount Rate	7.5% to 4.5%	$ 17,686,604
1% increase	8.5% to 5.5%	$ 18,624,950

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

For the year ended June 30, 2025, the Board will recognize OPEB expense in the amount of $1,071,225 on the government-wide statements. At June 30, 2025, 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	$ 76,785	$ (1,387,232)
Changes of assumptions	1,967,486	(2,818,373)
Total	$ 2,044,271	$ (4,205,605)

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)
2026	$ (461,891)
2027	(488,007)
2028	(759,778)
2029	(364,933)
2030	(86,725)
Thereafter	-
	$ (2,161,334)

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%.

The future minimum lease payments are as follows:

	Total Lease Payments to Maturity		
	Principal	Interest	Total
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	$ 473,658	$ 33,370	$ 507,028

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, 2025 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.

Note 13. Prior Period Restatement

The Board has determined to restate its Statement of Net Position and Statement of Fund Net Position at June 30, 2024. The determination was made to restate these financial statements in connection with the fiscal year 2025 implementation of the Government Accounting Standard's Board's Statement No. 101, Compensated Absences. This statement's objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model.

Statement of Net Position

	As Previously Reported	GASB 101 Adjustment	As Restated
Governmental Activities:			
Net position			
Net investment in capital assets	$ 87,474,222	$ -	$ 87,474,222
Unrestricted	(22,037,735)	(2,002,475)	(24,040,210)
	$ 65,436,487	$ (2,002,475)	$ 63,434,012
Business-Type Activities:			
Net position			
Net investment in capital assets	$ 201,495	$ -	$ 201,495
Unrestricted	542,496	(82,239)	460,257
	$ 743,991	$ (82,239)	$ 661,752

Statement of Fund Net Position - Proprietary Funds

	As Previously Reported	GASB 101 Adjustment	As Restated
Enterprise Fund Food Services:			
Net position			
Invested in capital assets	$ 201,495	$ -	$ 201,495
Unrestricted	542,496	(82,239)	460,257
	$ 743,991	$ (82,239)	$ 661,752

REQUIRED SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF SOMERSET COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2025

	Budget			Variance With Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Somerset County	$ 10,462,407	$ 10,462,407	$ 10,463,154	$ 747
State Of Maryland:				
Current expense	16,417,459	16,417,459	16,417,459	-
Special education	3,131,220	3,131,220	3,131,220	-
Transportation	2,481,956	2,481,956	2,481,956	-
Transportation - boat	35,000	35,000	35,000	-
Nonpublic placement	20,000	20,000	-	(20,000)
Compensatory education	12,036,817	12,036,817	12,036,817	-
Limited english proficiency	971,846	971,846	971,846	-
Targeted Aid	2,560,697	2,560,697	2,549,489	(11,208)
Other state revenues	28,683	28,683	22,971	(5,712)
Guaranteed tax base	1,588,663	1,588,663	1,588,663	-
Total State Of Maryland	39,272,341	39,272,341	39,235,421	(36,920)
Reimbursements and other income	100,000	100,000	63,420	(36,580)
TOTAL REVENUES	49,834,748	49,834,748	49,761,995	(72,753)
EXPENDITURES				
Administration	1,809,000	1,849,000	1,847,575	1,425
Mid-level administration	5,001,630	4,901,630	4,886,980	14,650
Instructional salaries and wages	16,117,374	16,477,374	16,472,731	4,643
Textbooks and instructional supplies	459,850	409,850	362,856	46,994
Other instructional costs	968,116	868,116	811,802	56,314
Student personnel services	439,098	439,098	272,151	166,947
Health services	619,872	619,872	560,338	59,534
Student transportation	3,875,479	3,775,479	3,747,705	27,774
Operation of plant and equipment	3,508,317	3,658,317	3,654,099	4,218
Maintenance of plant	1,436,652	1,436,652	1,392,277	44,375
Special education	4,870,096	4,870,096	4,800,982	69,114
Fixed charges	11,085,200	10,885,200	10,848,788	36,412
TOTAL EXPENDITURES	50,190,684	50,190,684	49,658,284	532,400
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(355,936)	(355,936)	103,711	459,647
OTHER FINANCING SOURCES				
Designated from June 30, 2023 for June 30, 2025 Expenditures	355,936	355,936	355,936	-
Assigned for future program expenses	-	-	(86,802)	(86,802)
TOTAL OTHER FINANCING SOURCES	355,936	355,936	269,134	(86,802)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	$ -	$ -	$ 372,845	$ 372,845

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, 2025

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, 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%
June 30, 2024	0.0205797%	$ 5,413,386	$ 27,342,078	$ 32,755,464	$ 35,636,959	15.19%	$67,909,708,000	$94,214,144,000	72.08%

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, 2025

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)
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%
2025	$2,074,652	$2,074,652	$0	$33,516,063	6.19%

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	2025
Total OPEB liability								
Service cost	$ 552,635	$ 580,267	$ 627,943	$ 1,964,988	$ 977,487	$ 835,516	$ 735,403	$ 670,202
Interest cost	712,837	730,419	713,182	751,523	467,681	683,798	776,934	750,119
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	(1,249,150)
Benefit payments	(854,007)	(767,522)	(648,821)	(504,746)	(531,211)	(470,021)	(442,874)	(598,053)
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)	$ (426,882)
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	18,113,486
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	$ 17,686,604
Covered employee payroll	$ 22,620,341	$ 22,620,341	$ 22,715,700	$ 24,451,244	$ 25,694,485	$ 30,507,970	$ 25,246,088	$ 30,759,669
Total OPEB liability as of % of payroll	85.12%	91.50%	150.81%	89.63%	76.08%	62.38%	71.75%	57.50%

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, 2025

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 56 include all budget revisions.

	Revenues	Expenditures	Assigned/Unassigned Fund Balances
	General June 30, 2025	General June 30, 2025	General June 30, 2025
GAAP basis	$ 52,980,230	$ 52,892,299	$ 1,304,995
On-behalf payments	(3,218,235)	(3,218,235)	-
June 30, 2025 fund balance assigned for June 30, 2026 expenditures	-	-	(884,165)
Expenditures of amounts encumbered during year ended June 30, 2024	-	(63,765)	-
Amounts encumbered and assigned (GAAP) at June 30, 2025 but recognized as expenditures for budgetary purposes	-	47,985	(47,985)
Budgetary basis	$ 49,761,995	$ 49,658,284	$ 372,845

THE BOARD OF EDUCATION OF SOMERSET COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2025

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 2024 actuarial valuation, 2.5% general, 3% wage. In the 2023 actuarial valuation, 2.25% general, 2.75% wage.
Salary increases	In the 2024 actuarial valuation, 3% to 22.5%. In the 2023 actuarial valuation, 2.75% to 11.25%.
Investment rate of return	In the 2024 actuarial valuation, 6.80%. In the 2023 actuarial valuation, 6.80%.
Retirement age	Experienced-based table of rates that are specific to the type of elgibility condition. Last updated for the 2024 valuation pursuant to the 2024 experience study for the period July 1, 2018 to June 30, 2023.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2021 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 4.21% at June 30, 2024 to 4.81% at June 30, 2025.
2. The Healthcare cost trend assumption was updated to 7.50% for 2025 decreasing by 0.25% per year until it reaches 4.50%.

Note 3. Post-Employment Health Care Benefits- continued

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Measurement date: June 30, 2025

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 4.81%. 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, 2025. The prior valuation used was 4.21%.

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 FY2025 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, 2025

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
ADMINISTRATION				
Salaries and wages	$ 1,289,842	$ 1,281,842	$ 1,282,253	$ (411)
Contracted services	250,919	287,319	269,469	17,850
Materials and supplies	118,830	164,420	151,158	13,262
Other charges	149,409	114,419	138,977	(24,558)
Capital outlay	-	1,000	5,718	(4,718)
TOTAL ADMINISTRATION	1,809,000	1,849,000	1,847,575	1,425
MID-LEVEL ADMINISTRATION				
Salaries and wages	4,251,485	4,289,985	4,299,067	(9,082)
Contracted services	-	426,850	428,839	(1,989)
Materials and supplies	57,300	32,300	24,360	7,940
Other charges	499,750	61,400	42,668	18,732
Capital outlay	193,095	91,095	92,046	(951)
TOTAL MID-LEVEL ADMINISTRATION	5,001,630	4,901,630	4,886,980	14,650
INSTRUCTIONAL SALARIES				
Salaries and wages	16,117,374	16,477,374	16,472,731	4,643
TOTAL INSTRUCTIONAL SALARIES	16,117,374	16,477,374	16,472,731	4,643
INSTRUCTIONAL TEXTBOOKS AND SUPPLIES	459,850	409,850	362,856	46,994
OTHER INSTRUCTIONAL COSTS				
Contracted services	619,413	639,316	623,297	16,019
Other charges	297,203	188,300	155,057	33,243
Capital outlay	51,500	40,500	33,448	7,052
TOTAL OTHER INSTRUCTIONAL COSTS	968,116	868,116	811,802	56,314
STUDENT PERSONNEL SERVICES				
Salaries and wages	411,661	411,661	255,093	156,568
Contracted services	6,600	6,600	4,320	2,280
Materials and supplies	9,337	9,337	6,990	2,347
Other charges	11,500	11,500	5,748	5,752
TOTAL STUDENT PERSONNEL SERVICES	439,098	439,098	272,151	166,947
HEALTH SERVICES				
Salaries and wages	593,872	593,872	542,712	51,160
Contracted services	-	2,500	399	2,101
Materials and supplies	17,500	17,500	13,638	3,862
Other charges	4,500	2,000	733	1,267
Capital outlay	4,000	4,000	2,856	1,144
TOTAL HEALTH SERVICES	619,872	619,872	560,338	59,534
FIXED CHARGES				
Insurance and employee benefits	11,085,200	10,885,200	10,848,788	36,412
TOTAL FIXED CHARGES	11,085,200	10,885,200	10,848,788	36,412

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF APPROPRIATIONS AND EXPENDITURES (CONTINUED)
GENERAL FUND - BUDGETARY BASIS
Year Ended June 30, 2025

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
STUDENT TRANSPORTATION				
Salaries and wages	$ 214,629	$ 210,629	$ 210,501	$ 128
Contracted services	3,328,500	3,320,700	3,301,016	19,684
Materials and supplies	2,000	2,000	469	1,531
Other charges	282,350	242,150	235,719	6,431
Capital outlay	48,000	-	-	-
TOTAL STUDENT TRANSPORTATION	3,875,479	3,775,479	3,747,705	27,774
OPERATION OF PLANT				
Salaries and wages	1,531,983	1,592,903	1,585,756	7,147
Contracted services	293,500	340,000	346,790	(6,790)
Materials and supplies	162,000	224,850	222,998	1,852
Other charges	1,520,834	1,500,564	1,498,611	1,953
Capital outlay	-	-	(56)	56
TOTAL OPERATION OF PLANT	3,508,317	3,658,317	3,654,099	4,218
MAINTENANCE OF PLANT				
Salaries and wages	470,202	470,202	477,674	(7,472)
Contracted services	754,500	793,500	668,541	124,959
Materials and supplies	152,500	168,200	220,329	(52,129)
Other charges	5,450	4,750	6,713	(1,963)
Capital outlay	54,000	-	19,020	(19,020)
TOTAL MAINTENANCE OF PLANT	1,436,652	1,436,652	1,392,277	44,375
SPECIAL EDUCATION				
Salaries and wages	4,261,546	4,261,546	4,071,183	190,363
Contracted services	368,700	368,700	525,691	(156,991)
Materials and supplies	52,950	52,950	45,177	7,773
Other charges	36,900	186,900	158,931	27,969
Outgoing transfers	150,000	-	-	-
TOTAL SPECIAL EDUCATION	4,870,096	4,870,096	4,800,982	69,114
TOTAL UNRESTRICTED APPROPRIATIONS AND EXPENDITURES	$ 50,190,684	$ 50,190,684	$ 49,658,284	$ 532,400

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, 2025

	Enterprise Fund Food Services
OPERATING REVENUES	
Food service sales	$ 83,684
OPERATING EXPENSES	
Operation of plant	4,133
Fixed charges	357,000
Salaries and wages	893,055
Contracted services	90
Food and food related supplies	1,490,267
Other charges	3,393
Capital outlay	16,963
TOTAL OPERATING EXPENSES	2,764,901
OPERATING LOSS	(2,681,217)
NONOPERATING REVENUES	
Interest income	61,566
State Of Maryland:	
Reimbursement of food costs	29,772
Federal through state:	
Reimbursement of food costs	2,472,845
Donation of food commodities	95,469
Total federal through state	2,568,314
TOTAL NONOPERATING REVENUES	2,659,652
CHANGE IN NET POSITION	$ (21,565)

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, 2025

	Due to School Activities Funds Balance June 30, 2024	Additions	Deductions	Transfers	Due to School Activities Funds Balance June 30, 2025
ELEMENTARY SCHOOLS					
Deal Island (Pre-K To 5th Grades)	$ 10,020	$ 14,401	$ 14,557	$ -	$ 9,864
Woodson (Pre-K To 5th Grades)	14,349	64,658	70,211	-	8,796
Princess Anne (Pre-K To 5th Grades)	15,546	28,790	28,790	-	15,546
Greenwood (Pre-K To 5th Grades)	11,562	37,024	36,600	-	11,986
TOTAL ELEMENTARY SCHOOLS	51,477	144,873	150,158	-	46,192
INTERMEDIATE SCHOOLS - 6TH TO 7TH GRADES					
Somerset 6/7 Intermediate	21,401	67,590	72,130	-	16,861
HIGH SCHOOLS - 8TH TO 12TH GRADES					
Crisfield	61,563	154,889	133,143	-	83,309
Washington	56,547	147,307	143,641	-	60,213
TOTAL HIGH SCHOOLS	118,110	302,196	276,784	-	143,522
SPECIALIZED SCHOOLS					
Somerset County Technical High School	136,724	141,710	148,122	-	130,312
TOTAL SPECIALIZED SCHOOLS	136,724	141,710	148,122	-	130,312
TOTAL SCHOOL ACTIVITY	$ 327,712	$ 656,369	$ 647,194	$ -	$ 336,887

THE BOARD OF EDUCATION OF SOMERSET COUNTY
NOTES TO ADDITIONAL SUPPLEMENTARY INFORMATION
For the year ended June 30, 2025

Note 1. Budget

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

	Revenues	Expenditures	Fund Balances
	Proprietary June 30, 2025	Proprietary June 30, 2025	Proprietary June 30, 2025
GAAP basis	$ 2,743,336	$ 2,776,279	$ 628,809
Depreciation	-	(17,730)	-
Capitalized costs (net of capital equipment contributed)	-	-	-
Effect of accrued compensated absences and other	-	6,352	86,116
Invested in capital assets at June 30, 2025	-	-	(183,765)
Budgetary basis	$ 2,743,336	$ 2,764,901	$ 531,160

THE BOARD OF EDUCATION OF SOMERSET COUNTY

UNIFORM GUIDANCE
SUPPLEMENTARY FINANCIAL REPORT

June 30, 2025

THE BOARD OF EDUCATION OF SOMERSET COUNTY

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INDEPENDENT AUDITORS' 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of The Board of Education of Somerset County, as of and for the year ended June 30, 2025, 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 October 2, 2025.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be a material weakness.

Finding Number 2025-01 – Financial Close and Reconciliation

Criteria: Internal control over financial reporting should include timely reconciliations of key financial accounts. These controls are essential to prepare reliable financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: For the fiscal year ended 2025, it was observed that no reconciliations were prepared or documented for accounts receivable (to include employee receivables), accounts payable (to include accrued payroll), and deferred revenue, with the exception of the restricted grants fund.

Cause: The absence of reconciliations was due to inadequate oversight by finance management and resource constraints or insufficient staff training on reconciliation requirements.

Effect: Failure to prepare reconciliations can lead to undetected errors or fraud, misstatements in financial reporting and difficulty in identifying and resolving discrepancies in a timely manner. Without proper reconciliations, management cannot provide assurance that account balances are accurate, even if no adjustments are ultimately required. This weakens the internal control environment and increases the risk of undetected misstatements.

Recommendation: Management should establish and enforce formal procedures requiring timely preparation and independent review of all key account reconciliations and assign responsibility to appropriate staff for reconciliation preparation and to supervisors for review. Management should train relevant finance staff on proper reconciliation practices and documentation standards.

Identification of Repeat Finding: This is a 1st year finding.

Views of Responsible Officials: Finance staff will complete training to ensure they understand and apply proper reconciliation practices and documentation standards. Formal procedures will be implemented to enforce the timely preparation of all key account reconciliations, along with an independent review process. If, after training, staff are still unable to complete reconciliations effectively, the Board will consider engaging a consultant to assist with the reconciliation or review processes.

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

The School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on The Board of Education of Somerset County's response to the findings identified in our audit and described above. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

UHY LLP

Salisbury, Maryland
October 2, 2025

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education of Somerset County
Westover, Maryland

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Board of Education of Somerset County's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Board of Education of Somerset County's major federal programs for the year ended June 30, 2025. The Board of Education of Somerset County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Board of Education of Somerset County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Board of Education of Somerset County and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of The Board of Education of Somerset County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statues, regulations, rules, and provisions of contracts or grant agreements applicable to The Board of Education of Somerset County's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Board of Education of Somerset County's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Board of Education of Somerset County's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Board of Education of Somerset County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of The Board of Education of Somerset County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Board of Education of Somerset County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities of the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited 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, 2025, and the related notes to the financial statements, which collectively comprise The Board of Education of Somerset County's basic financial statements. We issued our report thereon dated October 2, 2025, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

UHY LLP

Salisbury, Maryland
October 2, 2025, except for the Schedule of
Expenditures of Federal Awards, which is
dated January 23, 2026

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE BOARD OF EDUCATION OF SOMERSET COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2025

Funding Source	Grant Number	Federal Assistance Listing Number	Expenditures	Expenditures to Subrecipients
INDIRECT GRANTS				
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Programs From Maryland State Department of Education:				
National School Lunch Program - Breakfast		10.553	$ 868,275	$ -
National School Lunch Program - Meals		10.555	1,405,085	-
Food Donation		10.555	95,469	-
Sub-Total			1,500,554	-
Summer Food Service Program for Children		10.559	79,374	-
Fresh Fruit and Vegetable Program		10.582	70,200	-
Total Child Nutrition Cluster		10.553/10.555/10.559/10.582	2,518,403	-
Child and Adult Food Program		10.558	49,911	-
Equipment Assistance Grant for National School Lunch	241597-01	10.579	31,000	-
TOTAL DEPARTMENT OF AGRICULTURE			$ 2,599,314	$ -
U.S. DEPARTMENT OF THE TREASURY				
Pass-Through Programs From Maryland State Department of Education:				
COVID-19 ARP Tutoring & Supplemental Instruction Carryover	211834-01	21.027	$ 25,717	$ -
TOTAL DEPARTMENT OF THE TREASURY			$ 25,717	$ -
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Programs From Maryland Department of Labor, Licensing and Regulations:				
Adult Education/ABE/ESL Federal	P00P5600180-03	84.002A	$ 19,696	$ -
Adult Secondary Education (ASE)/Federal	P00P5600180-04	84.002A	681	-
ABE Local Institutionalized/Federal	P00P5600180-05	84.002A	7,211	-
Sub-Total			27,588	-
Pass-Through Programs From Maryland State Department Of Education:				
Title I - School Improvement Grant (FY23) Carryover	232007-01	84.010A	37,648	-
Title I - School Improvement Supplemental Grant Carryover	232017-01	84.010A	1,921	-
Title I - Part A Carryover	241295-01	84.010	132,303	-
Title I - Part C Migrant Education Carryover	241354-01	84.010A	183,216	-
Title I - School Improvement Grant (FY24) Carryover	241666-01	84.010A	112,575	-
Title I - School Improvement Grant (FY25)	251457-01	84.010A	415	-
Title I - Part A	251476-01	84.010	1,665,710	-
Sub-Total			2,133,788	-
Title I - Part C Migrant Education	251453-01	84.011A	23,664	-
Perkins Career & Tech Title II	250199-01	84.048A	236,626	-

See accompanying Notes to Schedule of Expenditures of Federal Awards

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2025
(Continued)

Funding Source	Grant Number	Federal Assistance Listing Number	Expenditures	Expenditures to Subrecipients
INDIRECT GRANTS - continued				
U.S. DEPARTMENT OF EDUCATION - continued				
Pass-Through Programs From Maryland State Department Of Education:				
DORS - Summer Work Experience Carryover	241654-01	84.126	37,010	-
DORS - Summer Work Experience	251663-01	84.126	584	-
DORS - After School Work Experience	251055-01	84.126	6,211	-
Sub-Total			43,805	
Infant and Toddler CLIG IDEA PART C Carryover	240781-01	84.181A	601	-
Infant and Toddler One-Time Supplemental (Part B 611)	250239-01	84.181A	16,140	-
Infant and Toddler CLIG IDEA Part B 611	250239-02	84.181A	5,465	-
Infant and Toddler CLIG IDEA Part C	250273-01	84.181A	12,331	-
Sub-Total			34,537	-
McKinney-Vento Educating Homeless Child & Youth FY24 Carryover	241489-01	84.196A	5,027	-
Special Education:				
IDEA Part B 611 Passthrough Carryover	230568-01	84.027	16,169	-
Access, Equity & Progress Grant Carryover	231089-02	84.027A	21,854	-
IDEA Part B 611 Passthrough Carryover	240964-01	84.027	51,724	-
IDEA Part B 611 Passthrough CCEIS Carryover	240964-03	84.027	97,276	-
IDEA Part B 611 Passthrough Citizens Advisory Committee (SECAC) Carryover	240964-04	84.027	607	-
IDEA Part B 611 Family Support Systems Carryover	240964-05	84.027	640	-
IDEA Part B 611 Passthrough Secondary Transition LIR Discretionary Carryover	241401-01	84.027	32,993	-
IDEA Part B 611 Access, Equity, & Progress	241401-02	84.027	115,254	-
IDEA Part B 611 One-Time Supplemental	250451-01	84.027A	5,831	-
IDEA Part B 611 Secondary Transition LIR Discretionary	250467-01	84.027A	66,231	-
IDEA Part B 611 Access, Equity, & Progress	250467-02	84.027A	22,279	-
IDEA Part B 611 Passthrough	250696-01	84.027A	602,258	-
IDEA Part B 611 Passthrough PPPSS	250696-02	84.027A	22,192	-
IDEA Part B 611 Passthrough CCEIS	250696-03	84.027A	15,019	-
IDEA Part B 611 Citizens Advisory Committee (SECAC)	250696-04	84.027A	1,197	-
IDEA Part B 611 Family Support Systems	250696-05	84.027A	13,111	-
Directors' Leadership Academy	250696-06	84.027A	206	-
Sub-Total			1,084,841	-
Infant and Toddler CLIG IDEA Part B 619 Funds for Family Support Carryover	240778-01	84.173A	725	-
Infant and Toddler/Part B 619 Preschool Passthrough Carryover	240806-01	84.173A	5,284	-
IDEA Part B 619 Preschool Passthrough	250323-01	84.173A	26,007	-
Infant and Toddler CLIG IDEA Part B 619	250360-01	84.173A	4,210	-
Infant and Toddler CLIG IDEA Part B 619 Extended Option	250360-02	84.173A	18	-
Sub-Total			36,244	-
Total Special Education Cluster (IDEA)		84.027(A)/84.027(X)/84.027/84.173(A)	1,121,085	-
Title III Supplemental English Language Acquisition Grant Carryover	230493-03	84.365A	415	-
Title III Part A English Language Acquisition FY24 Carryover	241240-01	84.365A	9,416	-
Title III Part A Immigrant FY24 Carryover	241240-02	84.365A	5,893	-
Title III Part A English Language Acquisition	251362-01	84.365A	11,060	-
Title III Part A Immigrant	251362-02	84.365A	5,415	-
Sub-Total			32,199	-

See accompanying Notes to Schedule of Expenditures of Federal Awards

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2025
(Continued)

Funding Source	Grant Number	Federal Assistance Listing Number	Expenditures	Expenditures to Subrecipients
INDIRECT GRANTS - continued				
U.S. DEPARTMENT OF EDUCATION - continued				
Pass-Through Programs From Maryland State Department Of Education:				
Title II, Part A - Supporting Effective Instruction Carryover	230699-01	84.367	$ 10,783	$ -
Title II, Part A - Supporting Effective Instruction Carryover	240358-01	84.367	25,264	-
Title II, Part A - Supporting Effective Instruction Supplemental Carryover	241758-02	84.367A	19,068	-
Title II, Part A - Supporting Math Instruction	250639-01	84.367	1,680	-
Title II, Part A - Supporting Effective Instruction	251330-01	84.367	136,004	-
Title II, Part A - Supporting Effective Instruction Supplemental	251595-01	84.367A	805	-
Sub-Total			193,604	-
Stronger Connections Grant Carryover	232071-01	84.424F	312,406	-
Title IV Part A - Student Support and Academic Enrichment Carryover	240565-01	84.424A	83,366	-
Title IV Part A - Student Support and Academic Enrichment	251300-01	84.424A	55,618	-
Sub-Total			451,390	-
COVID-19 ESSER III Carryover	211944-01	84.425U	2,569,654	-
COVID-19 Maryland Leads - Staff Support and Retention Carryover	221871-03	84.425U	1,050,442	-
COVID-19 McKinney-Vento Supplemental Homeless Child & Youth Carryover	241495-01	84.425W	6,426	-
Sub-Total			3,626,522	-
TOTAL U.S. DEPARTMENT OF EDUCATION			$ 7,929,835	$ -
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass-Through Programs From Maryland State Department Of Education:				
SELAC - Local Early Childhood Advisory Council	250820-01	93.575	15,000	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			$ 15,000	$ -
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 10,569,866	$ -

See accompanying Notes to Schedule of Expenditures of Federal Awards

THE BOARD OF EDUCATION OF SOMERSET COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2025

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of The Board of Education of Somerset County under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Board of Education of Somerset County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Board of Education of Somerset County.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Board of Education of Somerset County has elected not to use the 15 percent de minimus indirect cost rate allowed under the Uniform Guidance.

Note 4. Reconciliation of Federal Awards

Restricted Federal awards/expenditures per statement of revenue, expenditures, and changes in fund balances – governmental funds (net of transfers)	$8,086,195
Restricted Federal awards/expenditures per statement of revenues, expenses and changes in fund net assets – proprietary fund	2,472,845
USDA donated commodities per statement of revenues, expenses and changes in fund net assets – proprietary fund	95,469
Medicaid and other revenue/expense included in federal awards but not included on schedule of expenditures of federal awards	(84,643)
	$10,569,866

THE BOARD OF EDUCATION OF SOMERSET COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2025

A. Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of The Board of Education of Somerset County were prepared in accordance with GAAP.

2. Material weakness (item 2025-01) in internal control relating to the audit of the financial statements is reported in the Independent Auditors' 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*. No significant deficiencies in internal control relating to the audit of the financial statements were reported.

3. No instances of noncompliance material to the financial statements of The Board of Education of Somerset County, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.

5. The auditors' report on compliance for the major federal award programs for The Board of Education of Somerset County expresses an unmodified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.

7. The programs tested as major programs include:

GRANT DESCRIPTION	FEDERAL ASSISTANCE LISTING NUMBER
Child Nutrition Cluster	10.533/10.555/10.559/10.582
Education Stabilization Funds	84.425U/84.425W

8. The threshold for distinguishing Type A programs was $750,000.

9. The Board of Education of Somerset County was not determined to be a low-risk auditee for the year ended June 30, 2025.

B. Findings Related to the Financial Statements

Finding Number 2025-01 – Financial Close and Reconciliation

Criteria: Internal control over financial reporting should include timely reconciliations of key financial accounts. These controls are essential to prepare reliable financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: For the fiscal year ended 2025, it was observed that no reconciliations were prepared or documented for accounts receivable (to include employee receivables), accounts payable (to include accrued payroll), and deferred revenue, with the exception of the restricted grants fund.

Cause: The absence of reconciliations was due to inadequate oversight by finance management and resource constraints or insufficient staff training on reconciliation requirements.

Effect: Failure to prepare reconciliations can lead to undetected errors or fraud, misstatements in financial reporting and difficulty in identifying and resolving discrepancies in a timely manner. Without proper reconciliations, management cannot provide assurance that account balances are accurate, even if no adjustments are ultimately required. This weakens the internal control environment and increases the risk of undetected misstatements.

Recommendation: Management should establish and enforce formal procedures requiring timely preparation and independent review of all key account reconciliations and assign responsibility to appropriate staff for reconciliation preparation and to supervisors for review. Management should train relevant finance staff on proper reconciliation practices and documentation standards.

Identification of Repeat Finding: This is a 1st year finding.

Views of Responsible Officials: Finance staff will complete training to ensure they understand and apply proper reconciliation practices and documentation standards. Formal procedures will be implemented to enforce the timely preparation of all key account reconciliations, along with an independent review process. If, after training, staff are still unable to complete reconciliations effectively, the Board will consider engaging a consultant to assist with the reconciliation or review processes.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

None