

**BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
A COMPONENT UNIT OF THE CITY OF BALTIMORE  
FINANCIAL STATEMENTS  
For The Year Ended June 30, 2025**

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A COMPONENT UNIT OF THE CITY OF BALTIMORE  
Year Ended June 30, 2025**

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## INDEPENDENT AUDITORS' REPORT

Board of School Commissioners  
Baltimore City Public School System  
Baltimore, Maryland

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of Baltimore City Public School System, Maryland (City Schools), a component unit of the City of Baltimore, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise City Schools' 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 and each major fund of City Schools, as of June 30, 2025, and the respective changes in financial position 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City Schools' 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 auditors' 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 GAAS 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 GAAS 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 City Schools' 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 City Schools' 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, the budgetary comparison information, the schedule of the City Schools' proportionate share of the net pension liability, the schedule of City Schools' contributions and notes to the required supplementary information, the schedule of the City Schools' Proportionate Share of the Net OPEB Liability, and the schedule of City Schools' Contributions and related notes 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 GAAS, 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 City Schools' basic financial statements. The capital projects fund-budgetary comparison is presented for purposes of additional analysis 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 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 GAAS. In our opinion, the capital projects fund-budgetary comparison is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2025, on our consideration of the City Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 City Schools' 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 City Schools' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 29, 2025



**Kaden Parker, 3<sup>rd</sup> Grade**

***Tar Beach***

**Markers, Construction Paper, Oil Pastel and Collage**

**Curtis Bay Elementary School, #0207**

**Claire Placky, Teacher**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## INTRODUCTION

The discussion and analysis of Baltimore City Public School System (City Schools) financial performance provides a narrative overview and analysis of City Schools' financial activities for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the City Schools' financial statements.

## FINANCIAL HIGHLIGHTS

- City Schools net position at the end of the fiscal year totaled \$2.04 billion, for an decrease of \$93.9 million (4 percent) in relation to the prior year mainly due to decrease in revenue from the State of Maryland.
- City Schools' revenues were approximately \$2.13 billion, while total City Schools' expenses were approximately \$2.22 billion. Expenses exceeded revenues by \$93.9 million.
- Governmental activities program revenues, governmental activities in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$552.86 million. The total revenue from all sources was \$2.13 billion.
- Capital assets decreased 0.2% percent to \$1.61 billion.
- Among major funds, the General Fund had \$1.56 billion in revenues and \$1.57 billion in expenditures and \$2.7 million in net other financing uses. The General Fund balance decreased to \$191.56 million from \$316.18 million.
- General fund revenues accounted for \$1.56 billion, including \$394.12 million in local appropriations and \$1.09 billion in aid from the State of Maryland.
- City Schools implemented GASB Statement # 101, *Compensated Absences* during fiscal year 2025. This new standard updates the recognition, measurement, and disclosure requirements for compensated absences.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to City Schools' basic financial statements. City Schools' basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements. The basic financial statements include two kinds of statements that present different views of City Schools:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about City Schools' overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of City Schools, reporting the 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.

The financial statement notes complement the financial statements by describing qualifying factors and changes throughout the fiscal year. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of City Schools' budget with actual results for the year.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

## Government-Wide Financial Statements

All of City Schools' services are reported in the government-wide financial statements, including student support, administrative support, facility support, transportation, food services, community services, interest on long-term debt and interest on leases. Federal, State and City aid; operating grants, capital grants and other contributions; miscellaneous revenue; and interest and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are incorporated in this report.

The following is a comparative highlight of the current and prior year financial activities from the government-wide financial statements (Expressed in thousands).

	Governmental Activities		
	2025	2024	Net Change
<b>Statement of Net Position:</b>			
Current and Other Assets	\$ 1,084,892	\$ 1,146,237	\$ (61,345)
Capital Assets, net	1,607,151	1,609,849	(2,698)
Total Assets	<u>2,692,043</u>	<u>2,756,086</u>	<u>(64,043)</u>
Current Liabilities	557,081	514,565	42,516
Long-term Liabilities	84,127	96,883	(12,756)
Total Liabilities	<u>641,207</u>	<u>611,448</u>	<u>29,759</u>
Deferred Inflow from Lease Receivables	6,626	6,558	68
Net Position:			
Net Investment in Capital Assets	1,567,450	1,551,655	15,795
Restricted	399,558	323,331	76,227
Unrestricted	77,201	263,091	(185,890)
Total Net Position	<u>\$ 2,044,210</u>	<u>\$ 2,138,078</u>	<u>\$ (93,867)</u>
<b>Statement of Activities:</b>			
Revenues:			
Program Revenues:			
Operating Grants and Contributions	\$ 480,911	\$ 541,521	\$ (60,610)
Capital Grants and Contributions	71,945	150,517	(78,572)
Charges for Services	3	-	3
Total Program Revenues	<u>552,859</u>	<u>692,038</u>	<u>(139,182)</u>
General Revenues:			
Federal, State and City Aid	1,516,265	1,480,320	35,945
Interest and Investment Earnings	40,168	45,255	(5,087)
Miscellaneous, Net	17,625	95,172	(77,547)
Total General Revenues	<u>1,574,058</u>	<u>1,620,747</u>	<u>(46,689)</u>
Total Revenues	<u>2,126,917</u>	<u>2,312,785</u>	<u>(185,871)</u>
Expenses:			
Instruction	1,408,798	1,353,839	54,959
Support Services:			
Student Support	40,729	34,153	6,576
Administrative Support	312,467	257,505	54,962
Facility Support	317,489	315,359	2,130
Transportation	64,847	67,305	(2,458)
Food Services	66,284	65,478	806
Community Services	5,420	5,003	417
Student Activities	-	2,051	(2,051)
Interest on Long-Term Debt	3,726	4,097	(371)
Interest - Leases	1,025	1,000	25
Total Expenses	<u>2,220,785</u>	<u>2,105,790</u>	<u>114,995</u>
Change in Net Position	<u>(93,868)</u>	<u>206,995</u>	<u>(300,866)</u>
Net Position - Beginning	<u>2,138,078</u>	<u>1,931,083</u>	
Net Position - Ending	<u>\$ 2,044,210</u>	<u>\$ 2,138,078</u>	

## MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

**Total Assets** decreased by approximately \$64.0 million. This was primarily due to a decrease in due from other governments and an increase in investments, due to the increase in federal interest rates

**Total Liabilities** increased by approximately \$29.8 million. This was primarily due to an increase in the compensated absence, related to the implementation of GASB Statement No. 101, *Compensated Absence* and an increase in payables. These increases were netted by a decrease in other liabilities.

**Total Revenues** decreased by \$186.0 million. This was primarily due to a decrease in operating and capital grants and contributions. The decrease was related to the wind down of the 21<sup>st</sup> Century project and Elementary and Secondary School Emergency Relief (ESSER) funds.

**Total Expenses** increased by \$114.8 million. This was primarily due to a increase in expenditures related to on behalf payment Maryland State Retirement contribution and student support.

**Net Position** decreased by \$93.9 million. This was primarily due to the decrease in revenue from the ESSER funds.

### Fund Financial Statements

City Schools’ fund financial statements provide detailed information on the major funds. City Schools’ governmental funds use the following approach:

**Governmental Funds:** All of City Schools’ services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of City Schools’ operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance City Schools’ programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations.

**General Government Functions:** The following schedule presents a comparison of current year versus prior year revenues and other financing sources for the General Operating Fund, Special Revenue Fund, Capital Projects Fund, Food Service Fund, and Debt Service Fund. It also depicts the amount and percentage increases and decreases in relation to prior year revenues and other financing resources.

### Revenues and Other Financing Sources

(Expressed in Thousands)

	FY 2025	Percent of Total	FY 2024	Percent of Total	Increase / (Decrease) from Prior Fiscal Year	Percent Increase / (Decrease) from Prior Fiscal Year
State Aid	\$ 1,275,904	58%	\$ 1,302,783	53%	\$ (26,879)	16%
City Aid	426,868	16%	430,590	15%	(3,722)	20%
Federal Aid	354,243	20%	433,193	15%	(78,950)	46%
Investment Income	40,168	2%	45,255	-	(5,087)	1861%
Other Revenue	17,790	4%	96,458	17%	(78,668)	-73%
Student Activities	-	-	2,530	-	(2,530)	3%
Lease Receivables	1,119	-	1,975	-	(856)	61%
Total	<u>\$ 2,116,092</u>	<u>100%</u>	<u>\$ 2,312,784</u>	<u>100%</u>	<u>\$ (196,692)</u>	

# MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following schedule represents a comparison of current year versus prior year revenues and expenditures for the General Operating Fund, Special Revenue Fund, Capital Projects Fund, Food Service Fund, and Debt Service Fund.

## Baltimore City Public School System Comparative Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Years 2025 and 2024 (Expressed in Thousands)

	2025	2024	Net Change
<b>Revenues:</b>			
General Fund:			
State of Maryland	\$ 1,092,937	\$ 1,072,887	\$ 20,050
City of Baltimore	394,171	400,753	(6,582)
Federal Sources	18,337	6,680	11,657
Local Sources:			
Interest Earnings	35,958	40,164	(4,206)
Lease Revenue	651	1,975	(1,325)
Other	16,969	25,928	(8,959)
Student Activities	-	2,530	(2,530)
Total revenues - general fund	<u>1,559,023</u>	<u>1,550,917</u>	<u>8,105</u>
<b>Other governmental funds:</b>			
Special Revenue Fund	424,191	488,081	(63,890)
Capital Projects Fund	76,155	220,347	(144,192)
Food Service Fund	56,723	53,439	3,284
Total revenues - other governmental funds	<u>557,069</u>	<u>761,867</u>	<u>(204,797)</u>
Total revenues - all governmental funds	<u>2,116,092</u>	<u>2,312,784</u>	<u>(196,693)</u>
<b>Expenditures:</b>			
General Fund:			
Instruction:			
Regular programs	810,272	757,834	52,438
Special education	253,793	222,287	31,506
Support services:			
Student personnel services	18,694	18,544	150
Student health services	1,605	4,387	(2,782)
Administration	100,705	80,889	19,816
Mid-level administration	159,652	138,064	21,588
Plant services	150,152	148,556	1,596
Leases			
Principal	2,230	2,051	179
Interest	1,025	1,000	25
Student transportation services	63,631	63,334	297
Community Services	-	47	(47)
Student Activities	-	2,051	(2,051)
Capital Outlay	4,364	-	4,364
Total expenditures - general fund	<u>1,566,123</u>	<u>1,439,044</u>	<u>127,079</u>
<b>Other governmental funds:</b>			
Special Revenue Fund	426,679	487,348	(60,669)
Capital Projects Fund	98,594	153,259	(54,665)
Food Service Fund	66,085	62,761	3,324
Debt Service Fund	9,716	16,423	(6,707)
Total expenditures - other governmental funds	<u>601,074</u>	<u>719,791</u>	<u>(118,717)</u>
Total expenditures - all governmental funds	<u>2,167,197</u>	<u>2,158,835</u>	<u>8,362</u>
<b>Excess of expenditures over revenue</b>	(51,105)	153,949	(205,054)
<b>Other financing sources (uses):</b>			
Proceeds from Lease	2,733	-	4,364
Total other financing sources (uses)	<u>2,733</u>	<u>-</u>	<u>4,364</u>
Net change in fund balances	(48,372)	153,949	(200,690)
Fund Balance - beginning	641,854	487,905	153,949
Fund Balance - ending	<u>\$ 593,482</u>	<u>\$ 641,854</u>	<u>\$ (46,741)</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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City Schools' realized an overall decrease in Fund Balance of \$48 million. General Fund balance decrease of \$124.6 was due to an increase due to the transfers to Capital Project Fund to support various construction projects throughout the district.

### Capital Assets

City Schools' investment in capital assets as of June 30, 2025 amounts to \$1,607 million (net of accumulated depreciation and amortization). Investment in capital assets includes building improvements, equipment, construction-in-progress and leased assets. The net decrease in City Schools' capital assets during the fiscal year was \$2.70 million.

Major Capital asset events during the year included the following:

- Renovations to 21st Century Schools - \$1.91 million
- Renovations to Armistead Gardens, City, Furley, Maree G. Farring & Poly - \$45.26 million
- Roof Replacements - \$12.25 million
- Window and Doors Replacements - \$10.66 million
- Computer System Implementation - \$10.78 million

In addition, City Schools had outstanding commitments under long-term construction projects in the amount of \$303 million as of June 30, 2025. Additional information on City Schools' capital assets can be found in Note 4, Capital Assets.

### Debt Administration

In addition to the authority granted the City Schools by Maryland State SB 773 for bonds and Section 4-306.1 of the Education Article of the Annotated Code of the State of Maryland for leases, in 2002 (revised February 2012), City Schools adopted a formal debt policy which set forth the parameters for issuing debt and managing outstanding debt as well as the process for issuing debt. The scope of the policy includes the direct debt, lease obligations and loan guarantees of City Schools. The policy does not include or envision debt incurred on behalf of City Schools by the State of Maryland or the City of Baltimore to fund the Capital Improvement Plan of City Schools.

City Schools of School Commissioners of City Schools set the debt limitation policy to limit debt service to 5.0% of the then current Total General Fund Operating Budget. As of June 30, 2025, City Schools' has no outstanding debt issued under the \$200.0 million authorized by the State of Maryland. For more information on Debt Administration please see Note 5, General Long-Term Obligations. However, City Schools has outstanding qualified school construction bonds in the amount of \$2.0 million that are exempt from the state limitations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### BUDGETARY HIGHLIGHTS

The General Fund operates under a legally adopted annual budget. All annual unencumbered appropriations lapse at fiscal year-end except in the Capital Projects Fund where the budget is project length based. Additional information can be found in Note 2, Budgeting and Budgetary Control.

The appropriated budget is prepared by fund, program, category, and cost center. Schools are allocated general fund and grant based allocations, based on the budgeting criteria developed within the Fair Student Funding initiative and eligibility criteria associated with each grant.

The following schedule summarizes a comparison of the original and final budget and actual results for the General Fund for the year ended June 30, 2025 (Expressed in thousands).

(Expressed in Thousands)	Original Budget	Final Budget	(Budgetary Basis) Actual	Net Change (Final Budget to Actual)
Revenues and Other Financing Sources	\$ 1,436,580	\$ 1,500,035	\$ 1,482,705	\$ (17,330)
Expenditures	1,436,580	1,500,035	1,480,154	19,881
Excess of Revenues and Other Financing Sources over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,551</u>	<u>\$ 2,551</u>

The excess of revenues and other financing sources over expenditures and other financing uses of \$2.6 million was primarily attributable to favorable expenditures variances for all categories.

The following schedule summarizes a comparison of the original and final budget and actual results for the Special Revenue Fund for the year ended June 30, 2025 (Expressed in thousands).

(Expressed in Thousands)	Original Budget	Final Budget	Actual	Net Change (Final Budget to Actual)
Revenues and Other Financing Sources	\$ 276,741	\$ 540,135	\$ 424,194	\$ (115,941)
Expenditures	276,741	540,135	426,682	113,453
Excess of Revenues and Other Financing Sources over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,488)</u>	<u>\$ (2,488)</u>

The excess of revenue and other financing sources over expenditures of \$2.5 million was attributable to the increase in fringe benefits, regular programs and special education.

The following schedule summarizes a comparison of the original and final budget and actual results for the Food Service Fund for the year ended June 30, 2025 (Expressed in thousands).

(Expressed in Thousands)	Original Budget	Final Budget	Actual	Net Change (Final Budget to Actual)
Revenues and Other Financing Sources	\$ 73,464	\$ 75,425	\$ 56,723	\$ (18,702)
Expenditures	73,464	75,425	66,085	9,340
Excess of Expenditures over Revenues and Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,362)</u>	<u>\$ (9,362)</u>

The excess of expenditures over revenue and other financing sources of \$9.3 million was attributed primarily increased salaries and benefit expenditures.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Baltimore City Board of School Commissioners is required to submit an annual budget for its Governmental Fund Types to the Mayor and City Council each year. Accordingly, the new fiscal year budget is known prior to the end of the current fiscal year. City Schools' operating budget for the fiscal year 2026 was adopted by the Baltimore City Board of School Commissioners on May 14, 2025 and passed by the Baltimore City Council on June 17, 2025.

The fiscal year 2026 budget anticipates a 6% increase in Blueprint for Maryland's Future funding, to be primarily dedicated to sustaining major investments and substantial salary increases to recruit and retain our valued educators and staff.

Fiscal year 2026 budget focused on key priorities that align with long-term goals, allowing us to sustain and strengthen critical investments.

- **Accelerating Student Achievement in Literacy and Math**: City Schools will continue to focus on literacy and math growth and achievement in grades PreK-12 through the use of high-quality instructional materials that support our full continuum of learners.
- **Building College and Career Readiness through Secondary Success and Innovation**: City Schools will continue its investment in the high school experience to ensure students are college and career ready.
- **Improving Attendance and Dropout Re-engagement**: City Schools is committed to improving attendance and re-engaging students at risk of dropping out.
- **Supporting Mental Health Building on our continued progress in supporting our students**: City Schools will continue to invest in our students' and families' mental health and wellness.

At a time of considerable uncertainty about the sustainability of state and federal revenue streams, we continue to invest resources to best meet the needs and support the success of our students, while continuing to hope that state and federal governments will honor their commitments to addressing educational inequities. City schools continues to pursue pandemic relief funds from the U.S Department of Education (USDE). While we are hopeful that USDE will immediately resume pandemic relief payments, plaintiffs in other funding-related cases have faced challenges in obtaining compliance with court orders. Any unrecovered funds underscores the need for prudence in our approach to FY26.

City Schools will continue to receive maintenance of effort support from the City of Baltimore, as required by Maryland state law. The City is required to provide funding for City Schools based on formulas that include factors such as student enrollment, prior fiscal year per pupil expenditures, and the wealth of the city. The City of Baltimore is required, in compliance with state maintenance of effort calculations, to provide funding at least equal to the current year student enrollment multiplied by the city's local appropriation on a per pupil basis for the prior fiscal year.

## REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, parents, students, and creditors with a general overview of City Schools' finances and to show City Schools' financial accountability. Additional details can be requested by mail at the following address:

Baltimore City Schools  
Chief Financial Officer  
200 East North Avenue, Room 403  
Baltimore, MD 21202  
Or visit our website at: [www.baltimorecityschools.org](http://www.baltimorecityschools.org)

## **BASIC FINANCIAL STATEMENTS**



**Corey Thrash, 4<sup>th</sup> Grade**  
***Self Potrait Battle Cats***  
**Mixed Media**  
**City Springs Elementary/Middle School, #08**  
**Annie Owlett, Teacher**

**Baltimore City Public Schools**  
**Statement of Net Position**  
**June 30, 2025**  
**(Expressed in Thousands)**

		<u>Governmental</u> <u>Activities</u>
<b>Assets</b>		
Cash and cash equivalents	\$	110,080
Investments		804,254
Accounts receivable		69,368
Inventories		2,878
Prepays		2,750
Due from other governments		43,083
Due from Baltimore City		44,911
Lease receivables		7,566
Construction in progress		426,199
Capital assets, net of depreciation/amortization		1,180,952
<b>Total Assets</b>		<b>2,692,042</b>
<b>Liabilities</b>		
Accounts, salary and other payables		350,197
Due to Baltimore City		40,680
Unearned revenue		32,947
Other liabilities		60,959
Compensated absences		
Due within one year		68,696
Due in more than one year		60,920
Lease obligations		
Due within one year		1,572
Due in more than one year		23,207
Bonds payable - Net		
Due within one year		2,028
<b>Total Liabilities</b>		<b>641,206</b>
Deferred inflow from lease receivables		6,626
Total Deferred Inflows		<b>6,626</b>
<b>Net Position</b>		
Net investment in capital assets		1,567,450
Restricted for:		
Special Revenue Funds-Grants		26,149
Debt Service		12,279
Food Service		246
Capital Projects Fund		360,884
Unrestricted		77,201
<b>Total Net Position</b>	<b>\$</b>	<b>2,044,210</b>

The notes to the basic financial statements are an integral part of this statement.

**Baltimore City Public Schools**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2025**  
**(Expressed in Thousands)**

	<u>Program Revenues</u>				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Change in Net Position
<b>Functions/Programs</b>					
Governmental activities:					
Instruction:					
Regular programs	\$ 1,115,320	\$ -	\$ 381,367	\$ -	\$ (733,953)
Special education	293,478	-	31,526	-	(261,952)
Support services:					
Student personnel services	27,820	-	-	-	(27,820)
Student health services	12,909	-	11,304	-	(1,605)
Administration	124,187	-	-	-	(124,187)
Mid-level administration	188,281	-	-	-	(188,281)
Plant services	317,489	-	-	71,945	(245,544)
Student transportation services	64,847	-	-	-	(64,847)
Food services	66,284	3	56,714	-	(9,567)
Community services	5,420	-	-	-	(5,420)
Student activities	-	-	-	-	-
Interest on long-term debt	3,726	-	-	-	(3,726)
Interest - Leases	1,025	-	-	-	(1,025)
Total Governmental Activities	\$ 2,220,785	\$ 3	\$ 480,911	\$ 71,945	\$ (1,667,926)
General revenues:					
State, Federal and City grants (unrestricted)					1,516,265
Interest and investment earnings					40,168
Miscellaneous					17,625
Total general revenues					1,574,058
Change in net position					(93,868)
Net position – beginning					2,138,078
Net position – ending					\$ 2,044,210

The notes to the basic financial statements are an integral part of this statement.

**Baltimore City Public Schools**  
**Balance Sheet - Governmental Funds**  
**June 30, 2025**  
**(Expressed in Thousands)**

<b>Assets</b>	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Food Service</b>	<b>Debt Service</b>	<b>Total</b>
Cash and cash equivalents	\$ 38,178	\$ -	\$ -	\$ -	\$ 71,902	\$ 110,080
Investments	804,254	-	-	-	-	804,254
Accounts receivable	18,117	49,079	-	2,173	-	69,368
Lease receivables	7,566	-	-	-	-	7,566
Due from Governmental funds	-	22,532	337,100	1,142	308	361,082
Inventories	-	-	-	2,878	-	2,878
Prepays	503	2,247	-	-	-	2,750
Due from other governments	22,273	2,034	18,775	-	-	43,083
Due from Baltimore City	502	2,352	42,057	-	-	44,911
<b>Total Assets</b>	<b>\$ 891,393</b>	<b>78,244</b>	<b>\$ 397,933</b>	<b>\$ 6,193</b>	<b>\$ 72,210</b>	<b>\$ 1,445,973</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts, salaries and other payable	\$ 286,169	23,948	\$ 36,741	\$ 3,339	\$ -	\$ 350,197
Due to Baltimore City	40,680	-	-	-	-	40,680
Due to Governmental funds	360,774	-	308	-	-	361,082
Unearned revenues	4,554	28,147	-	246	-	32,947
Other liabilities	1,028	-	-	-	59,931	60,959
<b>Total Liabilities</b>	<b>693,205</b>	<b>52,095</b>	<b>37,049</b>	<b>3,585</b>	<b>\$ 59,931</b>	<b>845,865</b>
Deferred Inflow from Lease Receiva	6,626	-	-	-	-	6,626
	6,626	-	-	-	-	6,626
<b>Fund Balances</b>						
Non-spendable	503	-	-	2,362	-	2,865
Committed	20,000	-	-	-	-	20,000
Restricted	-	26,149	360,884	246	12,279	399,558
Assigned	115,546	-	-	-	-	115,546
Unassigned	55,513	-	-	-	-	55,513
<b>Total Fund Balances</b>	<b>191,562</b>	<b>26,149</b>	<b>360,884</b>	<b>2,608</b>	<b>12,279</b>	<b>593,482</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 891,393</b>	<b>\$ 78,244</b>	<b>\$ 397,933</b>	<b>\$ 6,193</b>	<b>\$ 72,210</b>	<b>\$ 1,445,973</b>

The notes to the basic financial statements are an integral part of this statement.

**Baltimore City Public Schools**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Position**  
**June 30, 2025**  
**(Expressed in Thousands)**

Total fund balances - governmental funds	\$	593,482
<p>The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of City Schools as a whole:</p>		
Cost of capital assets	2,753,750	
Accumulated depreciation and amortization	<u>(1,146,599)</u>	<u>1,607,151</u>
<p>Long-term liabilities, including compensated absences, lease payable, note payable, and bonds payable and related premiums are not due and payable from current resources and, therefore, are not reported as liabilities in the funds:</p>		
Compensated absences	(129,616)	
Lease payable	(24,779)	
Bonds payable	<u>(2,028)</u>	<u>(156,423)</u>
Net position	\$	<u><u>2,044,210</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Baltimore City Public Schools**  
**Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**For the Fiscal Year Ended June 30, 2025**  
**(Expressed in Thousands)**

	General	Special Revenue	Capital Projects	Food Service	Debt Service	Total
<b>Revenues</b>						
State of Maryland	\$ 1,092,937	\$ 140,399	\$ 41,992	\$ 576	\$ -	\$ 1,275,904
City of Baltimore	394,171	2,744	29,953	-	-	426,868
Federal sources	18,337	279,768	-	56,138	-	354,243
Local sources:						
Interest income	35,958	-	4,210	-	-	40,168
Interest income- leases	468	-	-	-	-	468
Lease revenue	651	-	-	-	-	651
Food services	-	-	-	3	-	3
Other	16,501	1,280	-	6	-	17,787
Total Revenues	<u>1,559,023</u>	<u>424,191</u>	<u>76,155</u>	<u>56,723</u>	<u>-</u>	<u>2,116,092</u>
<b>Expenditures</b>						
Current						
Instruction:						
Regular programs	810,272	278,556	-	-	-	1,088,828
Special education	253,793	31,526	-	-	-	285,319
Support services:						
Student personnel services	18,694	8,323	-	-	-	27,017
Student health services	1,605	11,304	-	-	-	12,909
Administration	100,705	4,229	-	-	-	104,934
Mid-level administration	159,652	22,162	-	-	-	181,814
Plant services	150,152	64,499	-	-	-	214,651
Student transportation services	63,631	461	-	-	-	64,092
Lease						
Principal	2,230	-	-	-	-	2,230
Interest	1,025	-	-	-	-	1,025
Food services	-	199	-	65,778	-	65,977
Community services	-	5,420	-	-	-	5,420
Capital outlay	4,364	-	98,594	307	-	103,265
Debt service:						
Principal retirement	-	-	-	-	5,990	5,990
Interest and bank charges	-	-	-	-	3,726	3,726
Total expenditures	<u>1,566,123</u>	<u>426,679</u>	<u>98,594</u>	<u>66,085</u>	<u>9,716</u>	<u>2,167,197</u>
<b>Revenues Over (Under) Expenditures</b>	(7,100)	(2,488)	(22,439)	(9,362)	(9,716)	(51,105)
<b>Other Financing Sources (Uses)</b>						
Proceeds from Lease	2,733	-	-	-	-	2,733
Transfers in from other funds	-	-	101,168	9,363	13,926	124,457
Transfers out to other funds	(120,247)	-	(4,210)	-	-	(124,457)
<b>Total Other Financing Sources (Uses)</b>	<u>(117,514)</u>	<u>-</u>	<u>96,958</u>	<u>9,363</u>	<u>13,926</u>	<u>2,733</u>
Net change in fund balances	(124,614)	(2,488)	74,519	1	4,210	(48,372)
<b>Fund Balance - Beginning</b>	316,176	28,637	286,365	2,607	8,069	641,854
<b>Fund Balance - Ending</b>	<u>\$ 191,562</u>	<u>\$ 26,149</u>	<u>\$ 360,884</u>	<u>\$ 2,608</u>	<u>\$ 12,279</u>	<u>\$ 593,482</u>

The notes to the basic financial statements are an integral part of this statement.

**Baltimore City Public Schools**  
**Reconciliation of Governmental Funds - Statement of Revenue,**  
**Expenditures and Changes in Fund Balances**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2025**  
**(Expressed In Thousands)**

Total net change in fund balances – governmental funds \$ (48,372)

Capital outlays are reported in governmental funds as expenditures. However, for government-wide activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as depreciation expense in the Statement of Activities. This is the amount by which capital outlays, net of construction in progress transfers, \$103,458 is less than depreciation of \$106,156:

(2,698)

Lease proceeds and other debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal and lease payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal paid for Bonds	5,990
Principal in Lease Payables	2,230
Proceeds from leases	(2,733)

In the Statement of Activities, certain operating expenses—compensated absences (vacation, compensatory time, personal and sick leave) are measured by the amounts earned during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used (essentially, the amount actually paid). This is the amount by which payments of compensated absences exceeded amounts earned during the current year.

(48,285)

Change in net position \$ (93,868)

The notes to the basic financial statements are an integral part of this statement.



**Aaliyah Smith, 5<sup>th</sup> Grade**  
***Peaceful Self Portrait***  
**Mixed Media**  
**City Springs Elementary/Middle School, #08**  
**Annie Owlett, Teacher**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE 1:** SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of Baltimore City Public Schools (City Schools) have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental entities. The following is a summary of City Schools' significant accounting policies.

**The Reporting Entity** - City Schools is a component unit of the City of Baltimore (the City) established under the Public General Laws of Maryland for the purpose of providing formalized instruction on the pre-elementary, elementary and secondary levels to the residents of the City.

Legislation Article 3-108.1 was enacted by the Maryland General Assembly establishing the Baltimore City Public School Board Community Panel, effective July 2, 2017. The purpose of the panel is to select nominees to be recommend to the Mayor as qualified candidates for appointment to City Schools. The panel may include a representative from organizations specified in Article 3-108.1, and the Mayor of Baltimore City has the authority to request the panel to reconvene under certain circumstances. The Baltimore City Board of School Commissioners of the Baltimore City Public School System consists of nine voting members appointed by the Mayor from a list of qualified individuals submitted to the Mayor by the panel, two elected voting members; and one elected voting student member. If the Mayor elects not to appoint a member from a list submitted by the panel, the Mayor shall reconvene the panel to submit additional names of qualified candidates. The term of an appointed voting member is 3 years and an elected member is 4 years.

City Schools receives funds primarily from the City and the State in the form of appropriations and grants, as well as federal grants, private donations, gifts and other grants made directly to City Schools. City Schools is subject to the budgetary control and expenditure authorization of the City with regards to appropriations included in City Schools' General Fund.

City Schools is incorporated in the financial statements of the City as a component unit in accordance with criteria established by the Governmental Accounting Standards Board (GASB).

**Basis of Presentation** – In June 1999, GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments. This statement, known as the "Reporting Model" statement, affects the way City Schools prepares and presents financial information.

GASB Statement No. 34, as amended, established requirements and a reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. The information required by GASB Statement No. 34 is:

- Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).
- Government – Wide Financial Statements – The reporting model requires financial statements to be prepared using full accrual accounting for all of City Schools' activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following statements:
  - Statement of Net Position – The Statement of Net Position displays the financial position of City Schools. City Schools reports all capital assets in the government-wide Statement of Net Position. The net position of a government are broken down into three categories – 1) net investments in capital assets; 2) restricted; and 3) unrestricted.
  - Statement of Activities – The Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of City Schools' functions. The expense of individual functions is compared to the revenues generated directly by the function. City Schools reports depreciation expense – the cost of "using up" capital assets – in the Statement of Activities.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE 1:** SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Funds** - The accounts of City Schools are organized and operated as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related, legal and contractual provisions. The minimum number of funds consistent with legal and managerial requirements is maintained.

The funds of City Schools are classified as governmental. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

**Governmental Funds** – Governmental funds are used to account for City Schools’ general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of general long-term debt. City Schools reports the following major governmental funds:

**General Fund** - the primary operating fund of City Schools accounts for all financial resources, except those required to be accounted for in other funds.

**Special Revenue Fund** - accounts for the proceeds of Federal, State and other revenue sources that are legally restricted to expenditures for specified purposes.

**Debt Service Fund** - accounts for the servicing of general long-term debt.

**Capital Projects Fund** - accounts for the acquisition of capital assets or construction of major capital projects. These projects are funded by external borrowings or transfers from other funds.

**Food Service Fund** - accounts for the operations of the schools’ cafeteria operations and proceeds of specific revenue sources that are legally restricted to expenditures for that purpose.

**Adoption of New Accounting Standards:**

In fiscal year 2025, City Schools adopted Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, which replaces the previous guidance under GASB Statement No. 16. This new standard updates the recognition, measurement, and disclosure requirements for compensated absences.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE 1:** SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Basis of Accounting and Measurement Focus**

**Government-Wide Financial Statements (GWFS)** - The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. The Statements of Net Position and Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

**Program revenues** - Program revenues included in the Statement of Activities are derived directly from the various programs and reduce the cost of the function to be financed from City Schools' general revenues.

**Allocation of indirect expenses** - City Schools reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest on general long-term debt and depreciation are considered indirect expenses and are reported on the Statement of Activities.

**Governmental Funds** - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. City Schools considers all revenues available if they are collected within 60 days after year-end. Principal revenue sources considered susceptible to accrual include federal and state grants, local city government appropriations and other intergovernmental revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

**Deferred outflows/inflows of resources** - A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period.

City Schools recognized a deferred inflow for lease receivable under GASB 87 Leases.

**Cash and cash equivalents** - City Schools maintains its own bank accounts and relationships with all revenue collected and expenditures paid through these accounts. City Schools defines cash and cash equivalents to include the following: all highly liquid and unrestricted investments with a maturity of three months or less at the date of purchase; all cash and investments which are used essentially as demand accounts; all cash with fiscal agents; and all restricted cash and investments that have been determined to be cash equivalents.

**Investments** - Investments consist of those permitted by the investment policy including obligations of the U.S. government and federal agencies, bankers' acceptances, repurchase agreements, certificates of deposit, money market mutual funds, investments in the Maryland Local Government Investment Pool and commercial paper. All investments are fully collateralized. Investments are recorded at amortized cost and fair value. Fair value is based upon quoted market prices. City Schools classifies its investments as current or non-current based on the maturity dates. Short-term investments have maturities of less than 91 days.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

**NOTE 1:** SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Inventory** - Inventory of the Special Revenue Fund - Food Services Fund is recorded at cost for purchased items and at values assigned by the federal government for USDA donated commodities. Inventory consists of expendable supplies, valued at cost, and food held for consumption, valued at the lower of cost or market on a first-in, first-out basis. Inventory is reflected in the government-wide financial statements by the consumption method. Under this method, the expenditure is recognized when inventory is used.

In the fund financial statements, inventories are offset by a fund balance classification which indicates that they do not constitute available expendable resources, even though they are a component of assets. Commodity foods consumed during the year, totaling \$3.6 million have been included in revenue and the cost of food sold. The value of USDA commodities not yet consumed as of June 30, 2025, was \$0.1 million and has been included in inventory and unearned revenue. The remaining inventory on hand totaled \$3.0 million at June 30, 2025 which consisted of processed commodities, paper supplies, and food in schools.

**Due from (to) other governments** – Due from (to) other governments includes amounts due from (to) the Maryland State Department of Education and the Federal government as of the end of the fiscal year.

**Due from (to) City of Baltimore** – Due from (to) the City of Baltimore includes amounts due from the primary government as of the end of the fiscal year..

**Short-Term Interfund Receivables/Payables** - During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

**Elimination and Reclassifications** - In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**Capital Assets** - Capital assets - unit costs exceeding \$5,000 are recorded at acquisition value and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their acquisition value at the date of donation. Estimated useful lives are management's estimate of how long assets are expected to meet service demands. Construction-in-Progress are not depreciated. Straight line depreciation is used based on the following estimated useful lives:

Building Improvements	20-30 years
Furniture and equipment	3-10 years

**Leases** – City Schools reports GASB 87- *Leases*, a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The Schools recognized leases as a lessee and lessor. For the lessee, the Schools recognized the present value of the lease liability and right to use asset in the government-wide statements. The lease principal and interest was reported in the fund statements. Lease useful life is the lesser of the contract term or useful life.

As the lessor, the Schools recognized the present value of the lease receivable and deferred inflow of resources in the government-wide and fund statements.

**Unearned revenues** - City Schools reports unearned revenues on its Statement of Net Position and fund balance sheet. Unearned revenues arise when resources are received by City Schools before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when City Schools has a legal claim to the resources, the liability for deferred revenue is removed and the revenue is recognized.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2025

**NOTE 1:** SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Compensated absences** - For leave accumulation purposes, employees of City Schools are granted sick, vacation, compensatory time and personal leave in varying amounts based on length of service and bargaining unit. A limited number of sick, vacation, compensatory time and personal leave days may be carried forward from year to year and upon separation of employment, based on length of service and bargaining unit, employees are paid accumulated sick, vacation, compensatory time and personal leave days at appropriate formulas and rates. The unpaid sick, vacation, compensatory time and personal leave days have been reported as compensated absences.

Employees can accumulate a maximum of 144 to 240 vacation and personal leave days, depending on the employee's bargaining unit. Vacation, sick, compensatory time and personal leave days may be taken either through time off or carried until paid upon separation. Accumulated vacation, sick, compensatory time and personal leave are accrued in the government-wide financial statements.

City Schools records unpaid leave in the government-wide financial statements based on the leave that is more likely than not to be used or otherwise paid or settled. The total value of unpaid leave and early retirement incentive plan accrued as of June 30, 2025, was \$129.8 million. These unpaid amounts will be paid as salary or termination payments from expendable available resources provided for in the budgets of future years (Expressed in thousands).

Value of unpaid leave as of June 30, 2024	\$	81,333
Net change		48,283
Value of unpaid leave as of June 30, 2025		129,616

In addition to the value of unpaid leave recorded on the government-wide financial statement, City Schools records an accrual for severance pay in the governmental statement and this accrual is recorded in the general fund. The accrual for fiscal 2025 in the amount of \$2.8 million is included in the Balance Sheet Governmental Fund as Account, Salaries, and Other Payables.

**Long-term Liabilities** - For fund financial reporting, bond premiums and discounts, as well as issuance cost, are recognized in the period the bonds are issued. Bond proceeds are reported as other financing sources, net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Under GASB 87: Leases, City Schools recognized a lease liability.

The legislation (Senate Bill 795), which created City Schools, states that if assets are not sufficient to fund liabilities transferred, the liabilities shall be retained by the Mayor and City Council.

**Restricted Net Position** - For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position used are either:

- Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments. The balance includes unspent proceeds from the sale of bonds, inventory and unspent grants.
- Imposed by law through constitutional provisions or enabling legislation.

City Schools follows the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and governmental Fund Type Definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE 1:** SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement 54 requires that fund balance amounts be properly reported within one of the fund balance categories listed below.

- **Nonspendable** – Includes fund balance amounts that cannot be spent. They are either (1) not in spendable form such as inventory and prepaid expenses, and /or (2) legally or contractually required to be maintained intact such as a permanent fund.
- **Restricted** – Includes amounts that are restricted to specific purposes when constraints are placed on the use of resources by constitution, external resource providers, or through enabling legislation.
- **Committed** – Includes fund balance amounts that can be used only for the specific purposes determined by formal action (Board resolution) of City Schools of Education (highest level decision making authority).
- **Assigned** – Includes fund balance amounts that are intended to be used by City Schools for specific purposes. City Schools has delegated the authority to assign fund balance amounts, for specific purposes, to the Chief Executive Officer or their designee.
- **Unassigned** – Represents the residual classification for City Schools’s general fund and includes all spendable amounts not contained in the four classifications described above. A positive fund balance in this category may only be recorded in the general fund. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes.

The Fund Balance Policy was approved by City Schools on December 9, 2014. Per this policy, the authority to commit fund balances to a specific purpose shall be done by a resolution of City Schools’ Board of School Commissioners

Per this policy, when both restricted and unrestricted resources are available, it is City Schools’s intent to utilize the restricted resources prior to the unrestricted resources. When only unrestricted resources are available, it is City Schools’s intent to spend the committed resources, then the assigned resources, and finally the unassigned resources. This policy also clarifies the assignment of fund balances.

**Interfund Transfers** - Interfund transfers are reported as either reimbursements or transfers. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide financial statements.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Maryland State Retirement and Pension System (System) and Employees’ Retirement System of the City of Baltimore (ERS) and additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City Schools has a special funding situation for the System and a special legal arrangement related to ERS. City Schools does not record a net pension liability, but is required to include the related GASB 68 pension disclosures and required supplemental information in the financial statements.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE 1:** SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Postemployment Benefits Other Than Pensions (OPEB)** - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with City Schools' requirement to contribute to the City's OPEB Plan, information about the plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

City Schools has a special legal arrangement related to the plan. City Schools does not record a net OPEB liability, but includes the related GASB 75 OPEB disclosures and required supplemental information in the financial statements

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**NOTE 2:** BUDGETING AND BUDGETARY CONTROL

City Schools operates within budget requirements for local education agencies as specified by State law or by the City Charter. City Schools will develop and approve annual budget priorities and is responsible for the annual approval of City Schools' operating budget. City Schools legally adopts an annual budget for the General Fund, Special Revenue Fund and Food Services Fund. The Capital Projects Fund budget is adopted based on project.

An annual budget calendar shall be developed, approved by City Schools, and distributed to all involved in the budgeting process. The Chief Financial Officer ("CFO")/designee shall organize and develop an annual operating budget process for the district.

The CEO will present the budget to City Schools, which is reviewed and accepted by City Schools. Upon City Schools's approval, the CEO shall submit the budget to the City. The operating budget will be implemented by the CEO's office upon formal approval. The annual operating budget shall be approved and adopted by May 31st.

After the operating budget is adopted, City Schools shall receive a report detailing all quarterly budget amendments and variances to the adopted budget,

City Schools limits spending through budgetary appropriations. These limits are established at the fund level. The management of City Schools is responsible for preparing the budget, monitoring budgetary expenditures, reporting on the status of the budget, and making recommendations for transfers between objects of expenditure and major categories of expenditure. In accordance with Education Article V, Section 105, of the State of Maryland Annotated Code, City Schools may not exceed the appropriation by category.

Unencumbered appropriations lapse at the end of each fiscal year, except in the Capital Projects and Special Revenue Fund, where appropriations do not lapse. Encumbered appropriations are liquidated through expenditures in the subsequent fiscal year. The portion of fund balance related to lapsed appropriations must be re-appropriated through the budget to be spent.

The Required Supplementary Information Budgetary Comparison Schedule – General Fund (Non GAAP budgetary Basis) has been prepared on a legally prescribed budgetary basis of accounting that differs from GAAP. The primary difference is that the budgets are prepared using encumbrance accounting where encumbrances are treated as expenditures of the current period.

The Required Supplementary Information Comparison Schedule has been prepared for the Special Revenue and Food Service Funds to compare the budget to actual. No difference exists between the modified accrual basis and budgetary statement.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

**NOTE 2:** BUDGETING AND BUDGETARY CONTROL (Continued)

As of June 30, 2025, the City Schools' budgetary accounting principles differ from accounting principles generally accepted in the United States as follows for the General Fund (Expressed in thousands):

General Fund	Revenues	Expenditures	Other Financing Sources/(Uses)	Excess/Deficiency of Revenue & Other Financing Sources over Expenditures	Effect on Fund Balance
Report on the Budgetary Basis of Accounting	\$ 1,482,705	\$ (1,480,154)	\$ -	\$ 2,551	\$ 196,850
Retirement costs paid on the City Schools' behalf by the State of Maryland	73,078	(73,078)	-	-	-
Effect of encumbrances	-	(10,829)	-	(10,829)	(10,829)
Adjustment to prior year encumbrance	-	3,405	-	3,405	3,405
GASB -87 Lease Activity, net	3,240	(2,734)	-	506	506
Capital Outlay Leases	-	(2,733)	-	(2,733)	-
Capital Outlay - non lease capital asset (*)	-	-	-	-	1,630
Proceeds from Leases	-	-	2,733	2,733	-
Transfer out to other funds	-	-	(120,247)	(120,247)	-
Report on the Basis of GAAP	<u>\$ 1,559,023</u>	<u>\$ (1,566,123)</u>	<u>\$ (117,514)</u>	<u>\$ (124,614)</u>	<u>\$ 191,562</u>

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

**NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Investment of Cash Balances**

City Schools, through the office of the Chief Financial Officer, pursues a cash management and investment program to achieve the maximum financial return on available funds. Depending on the projected cash needs of City Schools, excess funds may be invested on a short, intermediate or long-term basis at the best obtainable rates. Investments are generally in direct or indirect obligations of the U.S. government and are fully collateralized.

Cash, Cash Equivalents, and Short-term Investments	Governmental Funds		
	General	Debt Service	Total
Checking	\$ 17,162	\$ -	17,162
Money Market	179	71,902	72,081
Fixed Income Funds	729	-	729
Commercial Paper	21,016	-	21,016
U.S. Treasury Obligations	671,473	-	671,473
U.S. Government Obligations	131,231	-	131,231
Equity Funds	642	-	642
Total - Cash, Cash Equivalents, and Short-term Investments	\$ 842,432	\$ 71,902	\$ 914,334

**Deposits**

**Custodial Risk:** In the case of deposits, this is the risk that in the event of a bank failure, City Schools' deposits may not be returned to City Schools. The Annotated Code of Maryland requires that funds on deposit with a financial institution be fully secured by deposit insurance, surety bonds, obligations of the United States or its agencies, obligations of the State of Maryland or any of its agencies, or obligations of a county, other governmental authority, or municipal corporation in the State of Maryland.

At June 30, 2025, the reported balance of City Schools' cash accounts was \$89.1 million and the bank balance was \$100.4 million. The entire bank balance was collateralized by the federal depository insurance and collateral held by City Schools' agent in City Schools' name. School Activity Funds are collateralized at the entity level.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

**NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

City Schools' investments at June 30, 2025, are presented below. All investments are identified by investment type and individual investment maturity (Expressed in thousands).

Investment Type	Fair Value	Investment Maturities (In Months)			Percent	Max. allowed per Investment Policy
		Less Than 3	3 to 12			
Money Market Funds	\$ 179	\$ 179	\$ -	0.0%	100%	
Fixed Income	729	-	729	0.1%	100%	
Equity Funds	642	-	642	0.1%	100%	
U.S. Government Obligations	131,231	-	131,231	16.3%	100%	
U.S. Treasury Obligations	671,473	-	671,473	83.5%	100%	
<b>Total Invested Funds</b>	<b>\$ 804,254</b>	<b>\$ 179</b>	<b>\$ 804,075</b>	<b>100.0%</b>		

Investment Ratings

Ratings apply to all Money Market funds, Commercial Paper, U.S. Government Agencies, and U.S Treasury Bills (Expressed in thousands).

Moody	Percent	Fair Value	S&P	Percent	Fair Value	
AA1	16.4%	131,231	AA1	0.0%	-	(1)
Aaa	0.00%	-	AA+	0.0%	-	(1)
			A-1+	0.0%	-	(2)
			A-1	0.0%	-	(2)
P-1	0.0%	-				(2)
Not Rated	83.7%	673,023	Not Rated	100.0%	804,254	(3)
	<u>100.0%</u>	<u>\$ 804,254</u>		<u>100.0%</u>	<u>\$ 804,254</u>	

Risk Classification

- (1) - Prime - Maximum Safety
- (2) - Upper Medium Grade
- (3) - Not Rated

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE 3:** CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

**Risk Classifications**

**Custodial Credit Risk** – Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, City Schools will not be able to recover the value of investments or collateral securities that are in possession of an outside party. All of City Schools’ investments are fully insured or collateralized as required by City School Investment Policy.

**Interest rate risk** – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of investments. Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit City Schools’ exposure to fair value losses arising from increasing interest rates and to remain sufficiently liquid to enable City Schools to meet all operating requirements which might be anticipated, City Schools’ investment policy requires a minimum of 20 percent of investments be in liquid investments which include U.S. Government Securities, Overnight Repurchase Agreements and Money Market Mutual Funds.

**Credit risk** – City Schools’ investment policy permits the following investment types: U.S. government and federal agencies; repurchase agreements; bankers’ acceptances; money market mutual funds; Maryland local government investment pool; certificate of deposits and time deposits; and commercial paper. Bankers’ acceptances of domestic banks and commercial paper must maintain the highest rating from one of the Nationally Recognized Statistical Rating Organizations (NRSRO) as designated by the SEC or State Treasurer. Repurchase agreements require collateralization at 102% of the principal amount by an obligation on the United States, its agencies or instrumentalities provided the collateral is held by a custodian. Certificates of deposit or time deposits must be collateralized at 102% of the market value and held by a custodian.

**Concentration of credit risk** – Concentration risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As stated above, City Schools limits investments to highly rated investments in the categories discussed above. City Schools does not have any individual issuer limits. Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. City Schools’ investment policy does not permit investments in Commercial Paper of more than 5% and Certificates of Deposit/Bankers’ Acceptance of more than 25% of total investments.

U.S. Government Obligations and U.S. Government Agency obligations have no set limit. As of June 30, 2025, no investments exceeded their allowable limits.

**Investments and Valuation** - City Schools categorizes its investments using the fair value measurements identified in the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis. Following is a description of the valuation methodologies used for assets measured at fair value.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

**NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

City schools investments are comprised of money market funds, fixed income securities, commercial paper and U.S. government securities and are valued at their Fair Market Value (“FMVs”) or amortized cost.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Debt and equity securities classified in Level 3 of the fair value hierarchy are valued using models and unobservable inputs.

Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

City Schools had the following recurring fair value measurements as of June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance June 30, 2025</u>
<b>Investments by fair value level:</b>				
Debt Securities:				
Equity Funds	\$ 642	\$ -	\$ -	\$ 642
Money Market	179	-	-	179
US Government Obligations	-	131,231	-	131,231
US Treasury Obligations	-	671,473	-	671,473
Total Debt Securities:	<u>821</u>	<u>802,704</u>	<u>-</u>	<u>803,525</u>
Equity Securities:				
Fixed Income	\$ 729	\$ -	\$ -	729
Total Equity Securities:	<u>729</u>	<u>-</u>	<u>-</u>	<u>729</u>
Total Investments by fair value level	<u>\$ 1,550</u>	<u>\$ 802,704</u>	<u>\$ -</u>	<u>\$ 804,254</u>
<b>Investments carried at amortized cost:</b>				
Deposits				17,162
Money Market Mutual Funds				71,902
Commercial Paper				<u>21,016</u>
Total - Cash and Cash Equivalents				<u>110,080</u>
Total - Cash and Cash Equivalents and Investments				<u>\$ 914,334</u>

**BALTIMORE CITY PUBLIC SCHOOL SYSTEM**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 4: CAPITAL ASSETS**

As a result of Senate Bill 795, all property granted, conveyed, devised or bequeathed for the use of the System is titled to and held in trust by the Mayor and City Council. If, with the approval of the State Superintendent, the System finds that any land, school site or building no longer is needed for school purposes, it shall be transferred to the Mayor and City Council and may be used, sold, leased or otherwise disposed of, except by gift, by the Mayor and City Council.

The property, plant and equipment held for use by the System prior to enactment of Senate Bill 795, because it is titled to and held by the Mayor and City Council, are not included in the government-wide financial statements of the System.

Certain capital project expenditures incurred by the System were for renovations and improvements to buildings held in trust by the Mayor and City Council for the System's use. These project expenditures have been capitalized in the Statement of Net Position.

Capital asset balances and activity for the year ended June 30, 2025 is as follows (Expressed in thousands):

	<b>Capital Assets</b>			<b>Capital Assets</b>
	<b>Balance, July 1, 2024</b>	<b>Additions / Transfers</b>	<b>Decreases / Transfers</b>	<b>Balance, June 30, 2025</b>
Governmental activities:				
Capital Assets not being depreciated:				
Construction In Progress	\$ 330,567	\$ 98,594	\$ (2,962)	\$ 426,200
Total capital assets not being depreciated	<u>330,567</u>	<u>98,594</u>	<u>(2,962)</u>	<u>426,200</u>
Capital Assets being depreciated and amortized:				
Building Improvements	2,221,485	2,962	-	2,224,447
Furniture and equipment	68,296	1,938	-	70,234
Right to use Asset:				
Building	26,563	2,925	-	29,488
Equipment	3,391	-	(9)	3,382
Total capital assets being depreciated and amortized	<u>2,319,735</u>	<u>7,825</u>	<u>(9)</u>	<u>2,327,551</u>
Less accumulated depreciation and amortization				
Building Improvements	973,091	100,842	-	1,073,933
Furniture and equipment	60,753	1,393	-	62,146
Less accumulated amortization				
Building	4,371	3,304	-	7,675
Equipment	2,238	616	(9)	2,845
Total	<u>1,040,453</u>	<u>106,156</u>	<u>(9)</u>	<u>1,146,600</u>
Total capital assets being depreciated and amortization, net	<u>1,279,282</u>	<u>(98,331)</u>	<u>-</u>	<u>1,180,951</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,609,849</u>	<u>\$ 263</u>	<u>\$ (2,962)</u>	<u>\$ 1,607,151</u>

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE 4:** CAPITAL ASSETS (Continued)

Depreciation and amortization expense was charged to functions/programs as follows (Expressed in thousands):

Administration	\$ 3,973
Mid-level administration	4
Instruction	165
Special education	13
Student personnel services	1
Student transportation	763
Plant services	101,119
Food services	118
Community Service	1
Total Depreciation and Amortization expense	<u>\$ 106,156</u>

City Schools had outstanding commitments under long-term construction projects in the amount of \$206 million as of June 30, 2025. As of June 30, 2025, City Schools has leased right to use assets in the amount of \$32.9 million.

**BALTIMORE CITY PUBLIC SCHOOL SYSTEM**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 5: GENERAL LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended June 30, 2025, are as follows (expressed in thousands):

	<b>Balance</b>			<b>Balance</b>	<b>Amounts</b>	<b>Amounts Due</b>
	<b>July 1, 2024</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2025</b>	<b>Due Within</b>	<b>in More</b>
					<b>One Year</b>	<b>Than One</b>
						<b>Year</b>
<b>Bonds</b>						
2011 (QSCB)	\$ 6,083	-	\$ 4,055	\$ 2,028	\$ 2,028	\$ -
2011 (QSCB)	1,935	-	1,935	-	-	-
<b>Total Bonds Payable</b>	<b>8,018</b>	<b>-</b>	<b>5,990</b>	<b>2,028</b>	<b>2,028</b>	<b>-</b>
<b>Lease Payables</b>						
2011 Lease - BDS	22,674	-	814	21,860	847	21,013
2012 Lease - St. Mark's	122	-	50	72	42	30
2010 Lease - Roman Catholic	222	1,898	127	1,993	152	1,841
2021 Lease - Enterprise	772	-	643	129	128	1
2023 Lease - Transformation Center	486	-	345	141	141	-
2023 Lease -Modular Genius	-	835	251	584	262	322
<b>Total Leases Payable</b>	<b>24,276</b>	<b>2,733</b>	<b>2,230</b>	<b>24,779</b>	<b>1,572</b>	<b>23,207</b>
Compensated Absences	81,333	48,283	-	129,616	68,696	60,920
<b>Total Long-term Liabilities</b>	<b>\$ 113,627</b>	<b>\$ 51,016</b>	<b>\$ 8,220</b>	<b>\$ 156,423</b>	<b>\$ 72,296</b>	<b>\$ 84,127</b>

**Debt Policy**

In addition to the authority granted City Schools' by Maryland State SB 773 for bonds and Section 4-306.1 of the Education Article of the Annotated Code of the State of Maryland for leases, in 2002 (revised Feb. 2012), City Schools adopted a formal debt policy which set forth the parameters for issuing debt and managing outstanding debt as well as the process for issuing debt. The scope of the policy includes the direct debt, lease obligations and loan guarantees of City Schools. The policy does not include or envision debt incurred on the behalf of City Schools by the State of Maryland or the City of Baltimore to fund the Capital Improvement Plan of City Schools.

City Schools set the policy to limit total debt service to no more than 5.0% of the then current Total General Fund Operating Budget.

At the end of fiscal 2025, City Schools' had total bond obligations outstanding of \$2.03 million. All of this amount is for City Schools Revenue Bond debt. City Schools' annual debt service for fiscal year 2025 is below the 5.0% allowed under City Schools Debt Policy.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2025

**NOTE 5:** GENERAL LONG-TERM OBLIGATIONS (Continued)

City Schools has the following loan guarantees for Charter Schools (expressed in thousands):

	<b>Maturity Date</b>	<b>Balance June 30, 2025</b>
City Neighbors - Hamilton (15 yr)	12/01/43	8,375
Baltimore Design School	06/15/43	17,987
		<u>\$ 26,362</u>

The Charter Schools above are all legally separate entities. The loan guarantees were approved by the City School Board. In the event the Charter Schools are unable to make a payment, City Schools will be required to make that payment.

**Credit Rating**

In Fiscal Year 2025, the Standard & Poor’s rating for the Baltimore City Board of School Commissioners, Maryland, System Revenue Bonds did not change and remains at AA+. The AA+ rating is based on the security provided by the first-dollar intercept of the State school fund revenues directly to the trustee to cover debt service on the two issues.

**Bonds Payable**

**Revenue Bonds**

**Series 2011 Qualified School Construction Revenue Bonds**

In January 2011, City Schools issued the City Schools Qualified School Construction Bonds Series 2011 in the amount of \$60.8 million, maturing through the year ending June 30, 2026. The net proceeds of the Series 2011 Bonds were used to fund various capital improvements to existing schools within City Schools.

The interest rate on the bonds is 5.692% and interest is payable semi-annually on June 15 and December 15 of each year. Principal sinking fund payments started on December 15, 2014. As of June 30, 2025, the outstanding balance on the Series 2011 Bonds is \$2.0 million.

**Arbitrage/Yield Reduction.** The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the United States Treasury at least every five years. City Schools’ did not have any arbitrage liability at June 30, 2025. Bond proceeds may be invested in higher yielding investments only during a temporary period described in Regulation section 1.148-2(e). After expiration of an applicable temporary period, proceeds must be yield restricted.

As of June 30, 2025, City Schools does not anticipate issuing any debt within the next 12 months.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2025

**NOTE 5:** GENERAL LONG-TERM OBLIGATIONS (Continued)

The future minimum revenue bond obligations as of June 30, 2025, are as follows (Expressed in thousands):

<b>Fiscal Year</b>	<b>Revenue Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total Debt</b>
2026	2,028	1,731	3,759
Total	\$ 2,028	\$ 1,731	\$ 3,759

**Leases**

**Lessee**

In October of 2010, City Schools entered into a 25-year lease with The Shrine of the Sacred Heart Roman Catholic Congregation, Inc for rental space. During the year which ended June 30, 2025, lease expenditures equaled \$0.1 thousand and were paid from the General Fund. An interest rate of 4% was applied.

In June of 2012, City Schools entered into a 15-year lease with St. Marks Evangelical Lutheran Church of Baltimore City for parking spaces. During the year which ended June 30, 2025, lease expenditures equaled \$0.05 thousand and were paid from the General Fund. An interest rate of 4% was applied.

In November of 2020, City Schools entered into a 6- year lease with Enterprse for car service. During the year which ended June 30, 2025, lease expenditures equaled \$0.6 thousand and were paid from the General Fund. An interest rate of 4% was applied.

In August of 2022, City Schools entered into a 4-year lease with Transformation Center for rental space. During the year which ended June 30, 2025, lease expenditures equaled \$0.3 thousand and were paid from the General Fund. An interest rate of 4% was applied.

In October of 2011, City Schools entered into a 30-year lease with the Baltimore Design School for rental space. During the year which ended June 30, 2025, lease expenditures equaled \$0.7 thousand and were paid from the General Fund. An interest rate of 4% was applied.

In August of 2023, City Schools entered into a 4-year lease with Modular Genius to provide module units. During the year which ended June 30, 2025, lease expenditures equaled \$0.3 thousand and were paid from the General Fund. An interest rate of 4% was applied.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

**NOTE 5:** GENERAL LONG-TERM OBLIGATIONS (Continued)

Total future minimum lease payments under lease agreements as of June 30, 2025, are as follows (expressed in thousands):

<b>Total Lease Payable</b>			
<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	1,572	954	2,526
2027	1,355	896	2,251
2028	1,130	847	1,976
2029	1,127	802	1,930
2030	1,173	756	1,930
2031-2035	6,749	3,013	9,761
2036-2040	6,868	1,653	8,521
2041-2045	4,805	286	5,090
<b>Totals</b>	<b>\$ 24,779</b>	<b>\$ 9,207</b>	<b>\$ 33,986</b>

Right-to-use assets through outstanding leases are shown below, by underlying asset class, as of June 30, 2025, (expressed in thousands):

**Classes of Property**

<b><u>Governmental Activities</u></b>	
Building	\$ 29,488
Equipment	3,382
Accumulated Amortization	<u>(10,521)</u>
	<u>\$ 22,349</u>

**Lessor**

City Schools, acting as lessor, leases telecom under long-term, non-cancelable lease agreements, at an interest rate of 4%. The leases expire at various dates through 2043 and provide renewal options ranging from three months to five years. During the year ended June 30, 2025, City Schools recognized \$598 thousand and \$85 thousand, in lease revenue and interest revenue, respectively, pursuant to these contracts.

City Schools, acting as lessor, leases charter schools under long-term, non-cancelable lease agreements, at an interest rate of 4%. The leases expire at various dates through 2031 and provide renewal options ranging from three months to six years. During the year ended June 30, 2025, City Schools recognized \$1.9 million and \$1.2 million in lease revenue and interest revenue, respectively, pursuant to these contracts.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2025

**NOTE 5:** GENERAL LONG-TERM OBLIGATIONS (Continued)

Total future minimum lease payments to be received under lease agreements as of June 30, 2025, are as follows (Expressed in thousands):

<b>Total Lease Receivable</b>			
<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	989	274	1,262
2027	636	248	884
2028	609	224	833
2029	556	200	757
2030	595	178	772
2031-2035	2,664	553	3,217
2036-2040	1,029	182	1,211
2041-2045	487	29	516
<b>Totals</b>	<u>\$ 7,566</u>	<u>\$ 1,888</u>	<u>\$ 9,452</u>

A lease receivable of \$7.6 million and deferred inflow of \$6.6 million are presented in both General Fund and Governmental Activities.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
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 JUNE 30, 2025

**NOTE 6: INTERFUND RECEIVABLES AND PAYABLES, AND TRANSFERS**

	(Expressed in Thousands)		
	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	
General Fund	\$ -	\$ 360,774	Payable of \$337,100 to Capital Projects Fund , \$1,142 to Food Service Fund, and \$22,532 to Special Revenue Fund.
Food Services Fund	1,142		- Food Services Fund receivable from General Fund
Special Revenue Fund	22,532		- Special Revenue Fund receivable from General Fund
Debt Service Fund	308		- Debt Service Fund receivable from Capital Projects Fund
Capital Projects Fund	337,100	308	Receivable of \$337,100 from General Fund to Capital Project Fund. Payable of \$308 payable to Debt Service Fund
	<u>\$ 361,082</u>	<u>\$ 361,082</u>	

The interfund balances are primarily the result of City Schools' policy not to reflect cash deficits in its individual funds.

	(Expressed in Thousands)			
<b>Transfer Out</b>		<b>Transfer In</b>		<b>Total</b>
	Debt Service	Capital Projects	Food Service	
General Fund	\$ 9,716	\$ 101,168	\$ 9,363	\$ 120,247
Capital Projects	4,210	-	-	4,210
	<u>\$ 13,926</u>	<u>\$ 101,168</u>	<u>\$ 9,363</u>	<u>\$ 124,457</u>

The interfund transfers are primarily the result of City Schools policy to transfer General Fund debt service expenditures and related funding to the Debt Service Fund, and are expected to be paid in Fiscal Year 2026.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7: RISK MANAGEMENT**

City Schools participates in the City's Risk Management Fund. City Schools 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 Risk Management Fund services all claims for risk of loss, including general liability property and casualty, workers' compensation, automobile physical damage and bodily injury and sundry other risks. Commercial insurance coverage is provided for each property damage claim in excess of \$750 thousand with a cap of \$150 million. Settled claims have not exceeded this commercial insurance coverage in any of the past three years ended June 30, 2025. City Schools is Self-insured for workers' compensation.

City Schools makes annual payments to the Risk Management Fund based on actuarial estimates provided by an actuarial consultant hired annually by City Schools and the City of Baltimore. The payment does not include coverage for unemployment compensation, the actual expense for which City Schools will reimburse the State of Maryland Unemployment Insurance Fund. As of June 30, 2025.

**Health Insurance** - As of January 1, 2003, City Schools entered into an agreement with CareFirst/BlueCross BlueShield of Maryland for health insurance. City Schools' costs are based on actuarial estimates and historical cost information, City Schools underwrites 81.5% of the cost of health insurance and the employees contribute 18.5%. Actual contribution rates by City Schools may vary based on actual results.

The health insurance is a claim made policy with an administrative fee paid to Carefirst/BlueCross BlueShield. The estimated claims incurred but not reported (IBNR) liability in the amount of \$10.5 million has been reported at the end of the year in salaries and other payables. Claims payable are reported in the accrued liabilities account balance.

Changes in claims payable, recorded in the General Fund, for fiscal years 2025 and 2024 are reflected below.

	<b>Beginning Payable</b>	<b>Incurred Claims (Including IBNR)</b>	<b>Claim Payments</b>	<b>Ending Payable</b>
<b>2025</b>				
Reserve Liability	\$ 8,500	\$ 119,603	\$ (117,603)	\$ 10,500
Total	<u>\$ 8,500</u>	<u>\$ 119,603</u>	<u>\$ (117,603)</u>	<u>\$ 10,500</u>
<b>2024</b>				
Reserve Liability	\$ 8,500	\$ 97,672	\$ (97,672)	\$ 8,500
Total	<u>\$ 8,500</u>	<u>\$ 97,672</u>	<u>\$ (97,672)</u>	<u>\$ 8,500</u>

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE 8: RETIREMENT PLANS**

### **Teachers Retirement and Pension Systems of the State of Maryland**

#### **General Information about the Plan**

**Plan description.** The employees of the City Schools are covered by the Maryland State Retirement and Pension System (the System), which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, employees of the City Schools are a member of either the Teachers' Retirement and Pension Systems or the Employees' Retirement and Pension Systems. 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. The Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member City Schools of Trustees. The System issues a publicly available financial report that can be obtained at <https://sra.maryland.gov/>

**Benefits provided.** The System provides retirement allowances and other benefits to State teachers and employees of participating governmental units, among others. For individuals who become members of the Teachers' Retirement and Pension Systems and the Employees' Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the Teachers' Pension System and Employees' Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefits allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

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

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

For most individuals who retired from the Teachers' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the members AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.4% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998 plus 1.8% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. Beginning in July 1, 2011, any new member of the Teachers' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' Pension System.

**Contributions.** The Board and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System are required to contribute 7% annually. Members of the Teachers' Retirement System are required to contribute 5-7 % annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the System.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
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**NOTE 8: RETIREMENT PLANS**

Beginning in FY2017, City Schools pays the normal cost for their teachers in the Teachers Retirement and Pension System while the State contributes on behalf of City Schools, the unfunded liability portion of City Schools’s the contractually required contribution to the Teachers Retirement and Pension System, which for the year ended June 30, 2025 was \$734,162. The State’s contributions on behalf of City Schools for the year ended June 30, 2025 was \$73,078. The fiscal 2025 contribution made by the State on behalf of City Schools have been included as both revenues and expenditures in the general fund in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances and are also included as revenues and expenses in the Statement of Activities.

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

At June 30, 2025, City Schools did not report a liability related to the Teachers’ Retirement and Pension Systems due to a special funding situation. The State of Maryland pays the unfunded liability for City Schools and City Schools pays the normal cost related to City Schools members in the Teachers Retirement and Pension Systems; therefore, City Schools is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the State of Maryland. The amount recognized by City Schools 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 City Schools were as follows:

State’s proportionate share of the net pension liability	\$734,162
Board’s proportionate share of the net pension liability	-
Total	\$734,162

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.

For the year ended June 30, 2025, City Schools recognized pension expense of \$10,820 and revenue of \$73,078 for support provided by the State. Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, City Schools did not report deferred outflows of resources and deferred inflows of resources related to the Teachers Retirement and Pension Systems.

*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:

Inflation	2.50% general, 3.00% wage
Salary increases	3.00% to 22.50%
Investment rate of return	6.80%

Mortality rates were based on Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale.

The economic and demographic actuarial assumptions used in the June 30, 2024 valuation were adopted by the System’s Board of Trustees based upon review of the System’s experience study for the period 2018-2023, after completion of the June 30, 2023 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by City Schools for the first use in the actuarial valuation as of June 30, 2024. As a result, an investment return assumption of 6.80% and an inflation assumption of 2.50% were used in the June 30, 2024 valuation.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2025

**NOTE 8:** RETIREMENT PLANS (continued)

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-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by City Schools 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Public Equity	34%	6.90%
Private Equity	16%	8.60%
Rate Sensitive	20%	2.60%
Credit Opportunity	9%	5.60%
Real Assets	15%	5.40%
Absolute Return	6%	4.40%
Total	<u>100%</u>	

The above was the System’s Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2024.

For the year ended June 30, 2025, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 6.88%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount rate.** The single discount rate used to measure the total pension liability was 6.80%. This 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 plans 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.

Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, City Schools did not record a net pension liability related to the Teachers Retirement and Pension Systems.

**Pension plan fiduciary net position** - Detailed information about the pension plan’s fiduciary net position is available in the separately issued System’s financial report.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE 8:** RETIREMENT PLANS (continued)

## **Employees' Retirement System of the City of Baltimore**

### **General Information about the Plan**

**Plan description.** The Employees' Retirement System is a cost-sharing multiple employers defined benefit contributory plan that was established by City ordinance on January 1, 1926, as contained in Article 22 of the Baltimore City Code and are amended by the Mayor and City Council. ERS covers regular and permanent employees in the general administrative service of the City and certain non-teacher employees of the Baltimore City Public School System. ERS is administered by the City of Baltimore. Responsibility for ERS's administration and operation is vested in a 7-member Board of Trustees that includes 2 mayoral appointees. ERS issues publicly available financial and investment reports that can be obtained at <https://www.bcercs.org/publications>.

**Benefits provided.** Members automatically become a member of the plan after one year of regular and permanent employment with the City of Baltimore or Baltimore City Schools. ERS consist of four classes (A, C, D, RSP) of membership options which determine the employees' contribution and how a retirees' benefits allowance will be computed. Employees hired on or after July 1, 1979, must join the non-contributory plan. Some of these options require actuarial reductions based on the retirees' and/or designated beneficiary's attained age and similar actuarial factors. Members of classes A, C, & D are vested after 10 years of membership service; RSP members are vested after 5 year of employment service. Classes A and C are for qualified employees hired prior to July 1, 2014; these classes are currently closed to new and rehired employees.

Any regular and permanent officer, agent, or employee of the City with the exception of those required to join the Maryland State or any other Retirement System shall become a Class D member of the Employees' Retirement System upon completion of one year of service. City Schools of Estimates may authorize prospective membership for any class of part-time employees. There are four classes of members as follows:

1. Class A – Members who were hired before July 1, 1979, and entered membership on or after January 1, 1954, or who elected, prior to April 1, 1954, to contribute at the higher Class A rate. Any Class B member may elect to become a Class A member by bringing his accumulated contributions and interest up to what they would be if he had elected Class A membership on January 1, 1954.
2. Class B – Members as of January 1, 1954 who did not elect Class A membership – there are no remaining active Class B participants as of June 30, 2011.
3. Class C – Members who were hired on or after July 1, 1979 and before July 1, 2014, or any other members who may have elected to transfer during various open transfer periods.
4. Class D – Members who were hired or rehired on or after July 1, 2014. Class D Members have the option to participate in both the Employees' Retirement System and the new Retirement Savings Plan (RSP) as hybrid members or opt out of the System and participate only in the RSP as non-hybrid members. The City contributes 3% of pay to RSP for hybrid members and 4% of pay for non-hybrid members. Members also have the option to make voluntary deferrals to the City's Deferred Compensation Plan, with the City matching 50% of the first 2% of compensation deferred by the member.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8: RETIREMENT PLANS (continued)**

**Contributions.** Class A and Class B members currently contribute at the rate of 4% of earnable compensation, and contributions are not required upon attaining age 60 and completing 35 years of service. Class C members (except participants of Detention Services and Department of Education) began making contributions at 1.0% of compensation starting July 1, 2013 increasing 1.0% each year until they reach 5.0% of compensation. As of June 30, 2024, Class C and Class D members make contributions at 5.0% of pay from date of participation. Interest is credited on contributions at a rate of 5.25% per annum for Class A and B members and 3.00% for Class C and Class D members.

City Schools' contractually required contribution rate for the ERS for the year ended June 30, 2025, was 5.0% of participating members' salary and wages. City Schools made its share of the required contributions during the year ended June 30, 2025, of \$17.2 million.

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

At June 30, 2025, City Schools did not record its proportionate share of the pension liability for ERS based on terms of Senate Bill (SB) 795. Under SB 795 the City of Baltimore is responsible for specific liabilities, among which City Schools has determined to be the unfunded pension liability. In accordance with SB 795, City Schools is responsible for the annual retirement contribution for City School employees participating in ERS.

The amount recognized by City Schools is its proportionate share of the net pension liability and the total portion of the net pension liability that was associated with City Schools was as follows:

City Schools' proportionate share of the net pension liability	-
City's proportionate share of net pension liability of City Schools	<u>\$ 124,994</u>
Total	<u>\$ 124,994</u>

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.

Due to the special funding situation noted above related to ERS, City Schools did not report deferred outflows of resources and deferred inflows of resources related to the ERS.

**Actuarial assumptions.** The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.55%
Salary increases	Age based salary scale, varies by age
Discount rate	7.00% until retirement; 6.50% thereafter

Healthy annuitants: Pub-2010 General Retiree Below-Median Weighted mortality tables adjusted by 115% for males and 125% for females with future mortality improvement through 2022 using SOA's Scale MP-2018.

Disabled annuitants: Pub-2010 General Disabled Annuitant mortality tables adjusted by 163% for males and 145% for females with future mortality improvement through 2022 using SOA's Scale MP-2018.

Actuarial funding method:	Entry Age
Actuarial assumptions date:	June 30, 2022
Post-retirement	1.50% until age 65 and 2% thereafter.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2025

**NOTE 8:** RETIREMENT PLANS (continued)

**Rate of Return:** Rate of Return: 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 (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The active discount rate on June 30, 2025, 7.00%, is the assumed long-term expected rate of return on System investments.

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

Best estimates of arithmetic real rate of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2025, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	22%	6.9%
Defensive Equity	7%	6.3 %
International Equity	15%	7.5%
Domestic Fixed Income	18%	4.7%
Real Estate	15%	6.5%
Private Equity	15%	11.1%
Low Volatility	4%	6.6%
Private Equity	4%	9.7%
Total	<u>100%</u>	

For the year ended June 30, 2025, the annual money-weighted rate of return of the Plan was 7.6%. The money-weighted rate of return expresses the Plan's investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount rate** - The discount rates used to measure the total pension liability were 7.0% and 6.50%, for active and retired members, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the 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 those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability** - The sensitivity of the pension liability schedule presents the net pension liability of the Plan calculated using the discount rate 7.0% for active participants and 6.5% for retired participants as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than these current discount rates.

<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
\$182,652	\$124,994	\$76,021

**Pension plan fiduciary net position** - Detailed information about the pension plan’s fiduciary net position is available in the separately issued ERS financial report located <https://www.bcercs.org/publications>.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2025

**NOTE 9: OTHER POST EMPLOYMENT BENEFITS**

**General Information about the OPEB Plan**

**Plan description** - The City of Baltimore provides other postemployment benefits (OPEB) to all qualified City and Baltimore City Public Schools (City Schools or City Schools) employees. The City of Baltimore provides other postemployment benefits (OPEB) to all qualified City and BCPSS employees. The Plan is a contributory cost sharing multiple employers defined benefit plan. The benefit and contribution provisions of the Plan are established and may be amended by the City. The Plan provides postemployment healthcare and prescription drug benefits to retirees and their beneficiaries. Retirees may choose from two health plan options and four levels of coverage.

The City of Baltimore and Baltimore City Public Schools (collectively referred as “the City”) sponsors medical and prescription drug plans. Eligible retirees and their dependents may continue health care coverage through the City for life. The plan covers eligible retirees who elect to participate and pay any required contributions. All costs of the Plan for employees of City Schools are the responsibility of the City and reflected as such in the City’s Annual Comprehensive Financial Report (ACFR). The Plan is a contributory, single employer defined benefit plan. The benefit and contribution provisions of the Plan are established and may be amended by the City. The Plan provides postemployment healthcare and prescription drug benefits to retirees and their beneficiaries. Retirees may choose from two health plan options and four levels of coverage.

As discussed in Note 8, under Senate Bill 795 (SB 795) the City has a special legal situation with City Schools relating to specific liabilities on behalf of City Schools. As stated in Note 13 of the City’s Comprehensive Annual Financial Reports, Other Postemployment Benefits-Plan Description, the City provides other postemployment benefits (OPEB) to all qualified City and City school employees. All costs of the Plan for City school employees are the responsibility of the City and reflected as such in the City’s financial statements.

In order to effectively manage the Plan, the City established an OPEB Trust Fund. All retiree and City contributions are deposited into the Trust Fund and all retiree related health and life insurance benefits are paid from the Trust Fund. The City also contracted with City Schools of Trustees of the Employees’ Retirement System to act as investment manager for the Trust Fund. BNY Mellon Bank Asset Saving is the Trust Fund’s asset custodian. The Plan does not issue stand-alone financial statements; however, the OPEB Trust Fund is included in the City’s financial statement as a fiduciary fund.

The number of participants in the Plan as of June 30, 2025, per actuary report was as follows:

	Total
Active Employees	22,356
Inactive employees or beneficiaries currently receiving benefits	12,950
Inactive employees entitled to but not yet received benefits	1,128
Totals	36,434

**Significant Accounting Policies of the OPEB Trust Fund** - The financial statements for the OPEB Trust Fund are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

**Method Used to Value Investments** - The City’s Other Postemployment Benefits Trust Fund (OPEB Trust Fund) is authorized by the Baltimore City Code to make investments in accordance with the guidelines and limitations set forth in the code. The Baltimore City Director of Finance was made Trustee of the Trust, and, under a Memorandum of Understanding between the Director of Finance and City Schools of Trustees of the Employees’ Retirement System (Board), City Schools is Charged with administration of the Trust and investment of its assets. As part of its responsibility,

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

**NOTE 9:** OTHER POST EMPLOYMENT BENEFITS (continued)

As part of its responsibility, City Schools has adopted investment policies and guidelines, which formally document its investment objectives and responsibilities.

Plan investments are reported at fair value. Securities traded on national and international exchanges are valued at the last reported sale price at the current exchange rates.

**Funding Policy** - The City's policy is to fund benefits on a pay-as-you-go basis plus make additional contributions comprising the federal retiree drug subsidy payments and an additional annual appropriation. Retirees are required to contribute at various rates ranging from approximately \$46 to \$1,809 on a monthly basis, depending on the health plan and level of coverage elected and whether Medicare supplemental coverage is present. In addition, retirees contribute 20% toward the prescription plan coverage. Administrative costs of the Plan are covered by the City.

**Benefits provided** - Retirees with at least five years of service are eligible for medical insurance coverage during retirement. The cost of this coverage is subsidized by the employer for those who meet certain age and service requirements. Spousal coverage is also available for eligible employees who retire.

**Funding Policy** - The City's policy is to fund benefits on a pay-as-you-go basis plus make additional contributions comprising the federal retiree drug subsidy payments and an additional annual appropriation. Retirees are required to contribute at various rates ranging from approximately \$57 to \$2,193 on a monthly basis, depending on the health plan and level of coverage elected and whether Medicare supplemental coverage is present. In addition, retirees contribute 20% toward the prescription plan coverage. Administrative costs of the Plan are covered by the City.

**Benefits provided** - Retirees with at least five years of service are eligible for medical insurance coverage during retirement. The cost of this coverage is subsidized by the employer for those who meet certain age and service requirements. Spousal coverage is also available for eligible employees who retire.

**Contributions** - Retirees pay 50% of the City of Baltimore's full premium equivalent cost, based upon age and years of service at retirement. City Schools' contribution rate for the year ended June 30, 2025, was 2.50%. The City, on behalf of City Schools, contributes City Schools' share of the required OPEB contributions. For fiscal year 2025 City Schools' required contributions was \$7,587 million.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2025, the City reported a net asset of \$142,859 which included City Schools' proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2025, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date.

The amount recognized by City Schools is its proportionate share of the net OPEB asset and the total portion of the net OPEB asset that was associated with City Schools was as follows:

City Schools' proportionate share of the net OPEB asset	-
City's proportionate share of net OPEB asset of City Schools	<u>(\$ 35,654)</u>
Total	<u>(\$ 35,654)</u>

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

**NOTE 9:** OTHER POST EMPLOYMENT BENEFITS (continued)

**Actuarial assumptions** - The total net OPEB asset as of June 30, 2025, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%, based on wage inflation assumption in the June 30, 2024, actuarial valuation of respective retirement systems the employees participate in
Salary Increases	3.00%, School Employees 2.75% Police Officers and Firefighters 3.30% Regular City Employees
Investment rate of return	7.00%
Healthcare cost trend rates	Actual increases from 2024 to 2025, followed by 6.50% decreasing to an ultimate rate of 4.04% by 2075

Mortality rates were based rates relevant to the underlying group of employees and retirees.

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

**Discount rate** - The discount rate used to measure the total OPEB asset was 7.00 percent. This discount rate was determined based on the extent future assets are sufficient to cover projected benefits. This may require the use of a “blended-rate” using the Plan’s long-term rate of return and AA/Aa or higher 20-year tax-exempt general obligation bond rate.

Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

**Sensitivity of the proportionate share of the net OPEB asset to changes in the discount rate** - The following presents the Schools’ net OPEB asset, as if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current discount rate::

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Net OPEB asset	\$ (61,215)	\$ (35,654)	\$ (5,239)

**Sensitivity of the proportionate share of the net OPEB asset to changes in the healthcare cost trend rates** - The following presents the net OPEB asset, as if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 6.00%	Healthcare Cost Trend Discount Rate 7.00%	1% Increase 8.00%
Net OPEB asset	\$ (63,633)	\$ (35,654)	\$ (1,440)

**OPEB plan fiduciary net position** - Detailed information about the OPEB plan’s fiduciary net position is available in the City of Baltimore’s annual financial statements. <https://comptroller.baltimorecity.gov/audits/reports>.

**BALTIMORE CITY PUBLIC SCHOOL SYSTEM**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 10: FUND BALANCE**

Fund Balance at June 30, 2025 consists of the following (Expressed in thousands):

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Food Services Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
<b>Fund Balances</b>						
Nonspendable for:						
Inventory	\$ -	\$ -	\$ -	\$ 2,362	\$ -	\$ 2,362
Prepays	503	-	-	-	-	503
Total Nonspendable	503	-	-	2,362	-	2,865
Committed						
Budget Stabilization	20,000	-	-	-	-	20,000
Total Committed	20,000	-	-	-	-	20,000
Restricted						
Grants	-	26,149	-	-	-	26,149
Capital	-	-	360,884	-	-	360,884
Food Service	-	-	-	246	-	246
Debt Service	-	-	-	-	12,279	12,279
Total Restricted	-	26,149	360,884	246	12,279	399,558
Assigned						
Regular Programs	16,084	-	-	-	-	16,084
Special Education	6,725	-	-	-	-	6,725
Administration	6,912	-	-	-	-	6,912
Mid-level Administration	2,500	-	-	-	-	2,500
Plant Services	12,562	-	-	-	-	12,562
Student Health Services	1,746	-	-	-	-	1,746
Student Transportation Services	4,582	-	-	-	-	4,582
Community Services	1	-	-	-	-	1
Other Encumbrances	3,986	-	-	-	-	3,986
Student Activities	1,114	-	-	-	-	1,114
Food Services - Operating Loss Reserve Fund	8,000	-	-	-	-	8,000
Locks and Doors (First four phases) Projects	11,432	-	-	-	-	11,432
REACH Floors Project	260	-	-	-	-	260
Curricular Projects	984	-	-	-	-	984
Edmondson CTE Gap Projects	1,232	-	-	-	-	1,232
Non-Academic Building District Consolidation Plan	3,318	-	-	-	-	3,318
Lakeland (Furniture and IT Needs) Project	650	-	-	-	-	650
City Springs Construction Gap Project	2,000	-	-	-	-	2,000
High School Construction Gap Project	15,804	-	-	-	-	15,804
FY 2026 Adopted Budget - Other Financing Sources	15,654	-	-	-	-	15,654
Total Assigned	115,546	-	-	-	-	115,546
Unassigned						
Litigation Contingency	3,000	-	-	-	-	3,000
Other contingencies	52,513	-	-	-	-	52,513
	55,513	-	-	-	-	55,513
<b>Total fund balances</b>	<b>\$ 191,562</b>	<b>\$ 26,149</b>	<b>\$ 360,884</b>	<b>\$ 2,608</b>	<b>\$ 12,279</b>	<b>\$ 593,482</b>

BALTIMORE CITY PUBLIC SCHOOL SYSTEM  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2025

**NOTE 11: ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary integration in the General Fund, and encumbrances outstanding at year-end are reported as commitments or assignments of fund balances since they do not constitute expenditures or liabilities.

Encumbrances at June 30, 2025 are included in assigned general fund balance and are for the following uses (expressed in thousands):

	<u>General Fund</u>
Instruction:	
Regular programs	\$ 16,084
Special education	6,725
Supporting services:	
Administration	6,912
Mid-level administration	2,500
Plant services	12,562
Student transportation services	4,582
Student health services	1,746
Community Services	1
Other Encumbrances (*)	3,986
	\$ 55,098

**NOTE 12: LITIGATION AND CONTINGENCIES**

In the normal course of operation, City Schools is subject to lawsuits and claims not covered by the Risk Management Fund. Since City Schools participates in the Risk Management Fund, the City provides for the estimated losses on certain outstanding claims above a certain amount (Note 7). City Schools accrues for estimated claims liabilities not covered by the Risk Management Fund. In the opinion of management, the disposition of lawsuits and claims that have not been accrued will not have a material effect on City Schools' financial position or results of operations. There are certain lawsuits pending that have not been accrued because the probability of loss cannot be reasonably estimated; however, City Schools has earmarked \$3.0 million of the unassigned fund balance for such contingencies.

City Schools receives grant funds, principally from the United States Government and the State of Maryland, for various programs. Certain expenditures of these funds are subject to audit by the grantors, and City Schools is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of management, no material refunds will be required as a result of expenditures disallowed by the grantors.

**NOTE 13: CONTINGENCIES AND COMMITMENTS**

As disclosed in NOTE 8, City Schools did not report its proportionate share of the unfunded pension liability for ERS and OPEB liability based on the terms in Senate Bill (SB) 795. Under SB 795 the City of Baltimore is responsible for specific liabilities, among which City Schools has determined to be the unfunded pension and OPEB liability.

As described in Note 5, at June 30, 2025 City Schools has \$26.4 million in loan guarantees to Charter Schools as follows: City Neighbors Hamilton in the amount of \$8.4 million and the Baltimore Design School in the amount of \$18.0 million. In the event of default, City Schools will assume the liability for the loan and take ownership of the related building.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Baltimore City Public Schools**  
**General Fund (Non GAAP Budgetary Basis)**  
**Schedule of Revenue, Expenditures and Changes in**  
**Fund Balance – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2025**  
**(Expressed in Thousands)**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Net Change with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
State of Maryland	\$ 1,011,477	\$ 1,014,477	\$ 1,019,786	\$ 5,309
City of Baltimore	386,584	386,584	394,171	7,587
Federal sources	5,400	22,886	18,337	(4,549)
Local sources:				
Interest earnings	4,500	35,600	35,636	36
Other revenue	6,110	15,610	14,775	(835)
Other Financing Sources	22,509	24,878	-	(24,878)
Total revenues	1,436,580	1,500,035	1,482,705	(17,330)
<b>Expenditures</b>				
Instruction:				
Regular programs	556,362	587,949	587,229	720
Special education	197,417	208,177	206,762	1,415
Supporting services:				
Student personnel services	14,218	14,225	14,222	3
Student health services	45	2,906	2,555	351
Administration	68,862	84,337	84,019	318
Mid-level administration	108,127	123,792	123,554	238
Plant services	138,379	143,486	137,692	5,794
Fringe <sup>(1)</sup>	279,844	269,001	268,972	29
Student transportation services	59,686	56,360	55,149	1,211
Community Services	-	12	-	12
Debt service:				
Principal retirement and interest <sup>(2)</sup>	13,640	9,790	-	9,790
Total expenditures	1,436,580	1,500,035	1,480,154	19,881
Excess of Revenues and Other Financing Sources Over Expenditures - Budgetary Basis	\$ -	\$ -	2,551	\$ 2,551
Adjustments				
Current Year Encumbrances(*)			51,150	
Prior Year Encumbrances			(61,979)	
Adjustment to prior year encumbrance			3,405	
GASB 87-Leases Activity, net			506	
Transfers out - Other Funds <sup>(2)</sup>			(120,247)	
Excess of Revenues and Other Financing Sources Over Expenditures - GAAP Basis			(124,614)	
Fund Balance - Beginning of Year			316,176	
Fund Balance - End of Year			\$ 191,562	

(\*) Does not reflect non-budgetary other encumbrances of \$3,986 not included in the reconciliation

(1) Fringe is reported as a separate line item but is allocated in the Statement of Activities and the Changes in Fund Balance.

(2) Principal and Interest payments transferred to the Debt Service Fund.

**Baltimore City Public Schools  
Special Revenue Fund  
Schedule of Revenue, Expenditures, and Changes in  
Fund Balance – Budget and Actual  
For the Fiscal Year Ended June 30, 2025  
(Expressed in Thousands)**

	Budgeted Amounts		Actual Amounts	Net Change with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
State of Maryland	\$ 149,297	\$ 182,730	\$ 140,399	\$ (42,331)
Federal sources	127,223	354,798	279,768	(75,030)
City of Baltimore	-	-	2,744	
Local sources:				
Other revenue	221	2,607	1,282	(1,325)
Total revenues	276,741	540,135	424,193	(118,686)
<b>Expenditures</b>				
Instruction:				
Regular programs	170,922	287,043	236,671	50,372
Special education	19,221	39,203	26,434	12,769
Supporting services:				
Student personnel services	5,750	6,543	6,318	225
Student health services	2,810	11,230	10,743	487
Administration	5,422	5,774	4,026	1,748
Mid-level administration	10,870	19,375	18,189	1,186
Plant services	-	67,911	64,481	3,430
Capital outlay	-	-	-	-
Fringe *	57,558	93,739	54,626	39,113
Student transportation services	51	2,564	461	2,103
Food services	-	1,193	164	1,029
Community services	4,137	5,560	4,569	991
Total expenditures	276,741	540,135	426,682	113,453
Excess of Expenditures over Revenues and Other Financing Sources - GAAP Basis	\$ -	\$ -	(2,489)	\$ (5,233)
Fund Balance - Beginning of Year			28,637	
Fund Balance - End of Year			\$ 26,148	

\* Fringe is reported as a separate line item but is allocated in the Statement of Activities and the Changes in Fund Balance

**Baltimore City Public Schools  
Food Service Fund  
Schedule of Revenue, Expenditures, and Changes in  
Fund Balance – Budget and Actual  
For the Fiscal Year Ended June 30, 2025  
(Expressed in Thousands)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Net Change with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
State of Maryland	\$ 1,340	\$ 1,341	\$ 576	\$ (765)
Federal sources	72,118	74,078	56,138	(17,940)
Local sources:				
Other revenue	6	6	9	3
Total revenues	73,464	75,425	56,723	(18,702)
<b>Expenditures</b>				
Instruction:				
Regular programs	-	-	-	-
Special education	-	-	-	-
Supporting services:				
Student personnel services	-	-	-	-
Student health services	-	-	-	-
Administration	-	-	-	-
Mid-level administration	-	-	-	-
Plant services	-	-	-	-
Capital outlay	-	-	-	-
Fringe *	11,214	10,807	11,013	(206)
Student transportation services	-	-	-	-
Food services	62,250	64,618	55,072	9,546
Community services	-	-	-	-
Total expenditures	73,464	75,425	66,085	9,340
Excess of Expenditures over Revenues and Other Financing Sources - GAAP Basis	\$ -	\$ 0	(9,362)	\$ (9,362)
<b>Other Financing Sources (uses)</b>				
Transfer in from other funds			9,363	
			9,363	
Fund Balance - Beginning of Year			2,607	
Fund Balance - End of Year			\$ 2,608	

\* Fringe is reported as a separate line item but is allocated in the Statement of Activities and the Changes in Fund Balance

**Schedule of Proportionate Share of Net Pension Liability And Schedule of Contributions**  
**State of Maryland Teachers Retirement and Pension System**  
**Last Ten Fiscal Years**  
**(amounts in thousands)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
City Schools' proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
City Schools' proportionate share of the net pension liability	-	-	-	-	-	-	-	-	-	-
State's proportionate share of net pension liability of City Schools	<u>734,162</u>	<u>581,000</u>	<u>549,408</u>	<u>426,806</u>	<u>600,741</u>	<u>627,235</u>	<u>691,991</u>	<u>691,026</u>	<u>1,133,628</u>	<u>884,420</u>
Total	<u>\$ 734,162</u>	<u>\$ 581,000</u>	<u>\$ 549,408</u>	<u>\$ 426,806</u>	<u>\$ 600,741</u>	<u>\$ 627,235</u>	<u>\$ 691,991</u>	<u>\$ 691,026</u>	<u>\$ 1,133,628</u>	<u>\$ 884,420</u>
City schools' covered payroll	\$ 763,871	\$ 648,070	\$ 621,187	\$ 587,988	\$ 564,587	\$ 538,167	\$ 527,211	\$ 525,582	\$ 543,668	\$ 556,555
City schools' proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary net position as a percentage of the total pension liability	79.47%	79.47%	85.40%	73.84%	75.43%	73.35%	71.41%	67.95%	70.76%	69.53%
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 32,660	\$ 31,267	\$ 30,352	\$ 23,777	\$ 23,713	\$ 23,370	\$ 24,102	\$ 24,795	\$ 23,202	\$ 24,093
Contributions in relation to the contractually required contribution	<u>(32,660)</u>	<u>(31,267)</u>	<u>(30,352)</u>	<u>(23,777)</u>	<u>(23,713)</u>	<u>(23,370)</u>	<u>(24,102)</u>	<u>(24,795)</u>	<u>(23,202)</u>	<u>(24,093)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Schools' covered payroll	\$ 773,036	\$ 763,871	\$ 648,070	\$ 621,187	\$ 587,988	\$ 564,587	\$ 538,167	\$ 527,211	\$ 525,582	\$ 543,668
Contributions as a percentage of covered payroll	4.22%	4.09%	4.68%	3.83%	4.03%	4.14%	4.48%	4.70%	4.41%	4.43%

**Baltimore City Public Schools**  
**Notes to the Required Supplemental Information**  
**Teachers Retirement and Pension System**

**Teachers Retirement and Pension Systems of the State of Maryland**

**NOTE 1 - CHANGES IN BENEFIT TERMS**

There were no benefit changes during the years 2016 through 2024

**NOTE 2 - CHANGES IN ASSUMPTIONS**

- Inflation assumptions changed as follows:
  - 6/30/2024            2.50%
  - 6/30/2023            2.25%
  - 6/30/2022            2.25%
  - 6/30/2021            2.25%
  - 6/30/2020            2.60%
  - 6/30/2019            2.60%
  - 6/30/2018            2.60%
  - 6/30/2017            2.65%
  - 6/30/2016            2.70%
  
- Investment return assumption changed as follows:
  - 6/30/2024            6.80%
  - 6/30/2023            6.80%
  - 6/30/2022            6.80%
  - 6/30/2021            6.80%
  - 6/30/2020            7.40%
  - 6/30/2019            7.40%
  - 6/30/2018            7.50%
  - 6/30/2017            7.50%
  - 6/30/2016            7.55%

**Baltimore City Public Schools**  
**Schedule of Proportionate Share of Net Pension Liability And Schedule of Contributions**  
**Employees Retirement System of the City of Baltimore**  
**Last Ten Fiscal Years**  
**(amounts in thousands)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
City Schools' proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
City Schools' proportionate share of the net pension liability	-	-	-	-	-	-	-	-	-	-
ERS' proportionate share of net pension liability of City Schools	\$ 124,994	\$ 115,405	\$ 114,284	\$ 94,810	\$ 168,066	\$ 109,575	\$ 125,125	\$ 182,017	\$ 212,806	\$ 153,634
Total	<u>\$ 124,994</u>	<u>\$ 115,405</u>	<u>\$ 114,284</u>	<u>\$ 94,810</u>	<u>\$ 168,066</u>	<u>\$ 109,575</u>	<u>\$ 125,125</u>	<u>\$ 182,017</u>	<u>\$ 212,806</u>	<u>\$ 153,634</u>
City schools' covered payroll	\$ 89,977	\$ 109,185	\$ 84,226	\$ 76,395	\$ 74,305	\$ 66,528	\$ 70,933	\$ 80,469	\$ 78,259	\$ 77,287
City schools' proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary net position as a percentage of the total pension liability	66.60%	66.60%	66.60%	66.60%	66.60%	69.80%	64.30%	62.20%	58.70%	61.20%
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 19,125	\$ 17,205	\$ 18,002	\$ 17,028	\$ 15,453	\$ 15,730	\$ 16,402	\$ 15,580	\$ 15,400	\$ 14,389
Contributions in relation to the contractually required contribution	<u>(19,125)</u>	<u>(17,205)</u>	<u>(18,002)</u>	<u>(17,028)</u>	<u>(15,453)</u>	<u>(15,730)</u>	<u>(16,402)</u>	<u>(15,580)</u>	<u>(15,400)</u>	<u>(14,389)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Schools' covered payroll	\$ 105,192	\$ 89,977	\$ 86,640	\$ 84,226	\$ 76,395	\$ 74,305	\$ 66,528	\$ 70,933	\$ 80,469	\$ 78,259
Contributions as a percentage of covered payroll	18.18%	19.12%	20.78%	20.22%	20.23%	21.17%	24.65%	21.96%	19.14%	18.39%

**Baltimore City Public Schools**  
**Notes to the Required Supplemental Information**  
**Employees Retirement System of the City of Baltimore**

**NOTE 1 - CHANGES IN BENEFIT TERMS**

There were no benefit changes during the year.

**NOTE 2 - CHANGES IN ASSUMPTIONS**

There were no changes in assumptions during the year.

**Baltimore City Public Schools**  
**Schedule of City of Baltimore Net OPEB Liability (Asset)**  
**City of Baltimore Postemployment Benefit Plan**  
**Last Ten Fiscal Years**  
**(amounts in thousands)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016 *
<b>Total OPEB liability (asset)</b>										
Service cost	\$ 28,174	\$ 26,634	\$ 24,031	\$ 32,225	\$ 51,945	\$ 52,654	\$ 29,956	\$ 30,838	\$ 29,652	\$ -
Interest	67,109	63,105	65,353	99,388	150,398	149,945	100,281	94,514	93,367	-
Changes of benefit terms	-	-	-	(455,348)	(455,349)	-	563,734	-	-	-
Differences between expected and actual experience	(84,094)	15,833	(107,844)	(108,649)	(112,063)	(103,175)	(210,824)	-	-	-
Differences between expected and actual return on investments	-	-	-	-	-	-	-	-	-	-
Changes of assumptions	(9,633)	-	29,636	-	(280,793)	-	304,959	30,644	-	-
Benefit payments	(52,615)	(47,286)	(44,574)	(46,643)	(79,092)	(104,936)	(97,821)	(106,352)	(106,880)	-
<b>Net change in total OPEB liability (asset)</b>	<b>(51,059)</b>	<b>58,286</b>	<b>(33,398)</b>	<b>(479,027)</b>	<b>(724,954)</b>	<b>(5,512)</b>	<b>690,285</b>	<b>49,644</b>	<b>16,139</b>	<b>-</b>
<b>Total OPEB liability - beginning</b>	<b>\$ 956,388</b>	<b>\$ 898,102</b>	<b>\$ 931,500</b>	<b>\$ 1,410,527</b>	<b>\$ 2,135,481</b>	<b>\$ 2,140,993</b>	<b>\$ 1,450,708</b>	<b>\$ 1,401,064</b>	<b>\$ 1,384,925</b>	
<b>Total OPEB liability - ending (a)</b>	<b>\$ 905,329</b>	<b>\$ 956,388</b>	<b>\$ 898,102</b>	<b>\$ 931,500</b>	<b>\$ 1,410,527</b>	<b>\$ 2,135,481</b>	<b>\$ 2,140,993</b>	<b>\$ 1,450,708</b>	<b>\$ 1,401,064</b>	<b>\$ -</b>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 30,400	\$ 53,277	\$ 54,095	\$ 62,588	\$ 121,020	\$ 121,951	\$ 124,579	\$ 163,109	\$ 138,931	\$ -
Contributions - employee	-	-	-	-	-	-	-	35,823	58,021	-
Net investment income	-	-	-	-	157,969	866	33,133	34,793	46,166	-
Net investment expense	107,042	80,216	56,281	(70,869)	-	-	-	(1,860)	-	-
Benefit payments	(52,615)	(47,286)	(44,574)	(46,643)	(79,092)	(104,936)	(97,821)	(159,818)	(164,901)	-
Administrative expense	-	-	-	-	-	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>84,827</b>	<b>86,207</b>	<b>65,802</b>	<b>(54,924)</b>	<b>199,897</b>	<b>17,881</b>	<b>59,891</b>	<b>72,047</b>	<b>78,217</b>	<b>-</b>
<b>Total fiduciary net position - beginning</b>	<b>\$ 963,360</b>	<b>\$ 877,153</b>	<b>\$ 811,351</b>	<b>\$ 866,275</b>	<b>\$ 666,378</b>	<b>\$ 648,497</b>	<b>\$ 588,606</b>	<b>\$ 516,559</b>	<b>\$ 438,342</b>	
<b>Total fiduciary net position - ending (b)</b>	<b>\$ 1,048,187</b>	<b>\$ 963,360</b>	<b>\$ 877,153</b>	<b>\$ 811,351</b>	<b>\$ 866,275</b>	<b>\$ 666,378</b>	<b>\$ 648,497</b>	<b>\$ 588,606</b>	<b>\$ 516,559</b>	<b>\$ -</b>
<b>Net OPEB liability (asset) - ending (a) - (b)</b>	<b>\$ (142,858)</b>	<b>\$ (6,972)</b>	<b>\$ 20,949</b>	<b>\$ 120,149</b>	<b>\$ 544,252</b>	<b>\$ 1,469,103</b>	<b>\$ 1,492,496</b>	<b>\$ 862,102</b>	<b>\$ 884,505</b>	<b>\$ -</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability (asset)</b>	115.78%	100.73%	97.67%	87.10%	61.41%	31.21%	30.29%	40.57%	36.87%	0.00%
<b>Covered payroll</b>	\$ 2,174,561	\$ 1,908,639	\$ 1,739,036	\$ 1,410,294	\$ 1,467,615	\$ 1,352,753	\$ 1,196,671	\$ 1,345,680	\$ 1,464,035	\$ -
<b>Net OPEB liability (asset) as a percentage of covered payroll</b>	-6.57%	-0.37%	1.20%	8.52%	37.08%	108.60%	124.72%	64.06%	60.42%	0%

\* Information unavailable

**Notes to Schedule:**

As discussed in Note 8, under Senate Bill 795 (SB 795) the City is has a special legal situation with City Schools which requires the City to assume specific liabilities on behalf of City Schools. All costs of the Plan for employees of City Schools are the responsibility of the City and reflected as such in the City's Annual Comprehensive Financial Report (ACFR). The OPEB data reported in the schedule includes that for the City and City Schools.

Changes of assumptions: None

\* Information unavailable

**Baltimore City Public Schools**  
**Notes – Schedule of Net OPEB Liability**  
**for the Year Ended June 30, 2025**

**Notes to Schedule:**

As discussed in Note 9, under Senate Bill 795 (SB 795) the City has a special legal situation with City Schools which requires the City to assume specific liabilities on behalf of City Schools. All costs on the Plan for employees of City Schools are the responsibility of the City and reflected as such in the City's Annual Comprehensive Financial Report (ACFR). The OPEB data reported in the schedule includes that for the City and City Schools.

Changes of assumptions.

None for June 30, 2025

**Baltimore City Public Schools  
Schedule of City Schools' Contributions  
City of Baltimore Postemployment Benefit Plan  
Last Ten Fiscal Years  
(amounts in thousands)**

	2025	2024	2023	2022	2021	2020	2019	2018
City Schools' Statutorily required contribution	\$ 7,587	\$ 12,573	\$ 11,778	\$ 29,805	\$ 29,805	\$ 29,805	\$ 29,805	\$ 29,805
Contributions in relation to the statutorily required contribution	(7,587)	(12,573)	(11,778)	(29,805)	(29,805)	(29,805)	(29,805)	(29,805)
Annual contribution deficiency(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 931,432	\$ 767,190	\$ 721,200	\$ 730,372	\$ 688,001	\$ 660,170	\$ 626,256	\$ 607,722
Contributions as a percentage of covered-employee payroll	0.81%	1.64%	1.63%	4.08%	4.33%	4.51%	4.76%	4.90%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**Notes to Schedule:**

No material changes to benefits, cost-sharing structures and census

Methods and assumptions used to determine contribution rates:

Actuarial cost method  
Valuation date  
Measurement Date  
Inflation

Entry Age Normal  
6/30/2024  
6/30/2025  
2.60%  
Actual premium increases to 2024 to 2025, followed by 6.50% decreasing gradually to an ultimate rate of 4.04% by 2075

Healthcare cost trend rates

Salary increases

Based on wage inflation assumption used in the June 30, 2024 actuarial valuation of respective retirement systems the employees participate in:  
3.00%, School Employees  
2.75%, Police Officers and firefighters  
3.30%, Regular City Employees  
7.00%

Investment rate of return

Mortality

Pre-retirement mortality

Public School Employees:

Pub-2010 Total Employee mortality tables projected fully generationally using MP-2021 mortality improvement scale

Post-retirement mortality

Public School Employees:

Pub-2010 Healthy Retiree mortality tables adjusted by 112% for males and 110% for females projected fully generationally using MP-2021 mortality improvement scale.

**Schedule of City Schools' Proportionate Share of the Net OPEB Liability (Asset)**  
**City of Baltimore OPEB Plan**  
**Last Ten Fiscal Years**  
**(amounts in thousands)**

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
City Schools' proportion of the OPEB Pension liability (asset)	-24.96%	-23.60%	21.77%	24.44%	25.60%	25.80%	26.90%	18.27%
City Schools' proportionate of the OPEB Pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's proportionate share of the net OPEB liability (asset) of City Schools	(35,654)	(1,645)	4,561	22,610	23,458	28,697	29,874	24,895
<b>Total</b>	<b>\$ (35,654)</b>	<b>\$ (1,645)</b>	<b>\$ 4,561</b>	<b>\$ 22,610</b>	<b>\$ 23,458</b>	<b>\$ 28,697</b>	<b>\$ 29,874</b>	<b>\$ 24,895</b>
City Schools covered employee payroll	\$ 931,432	\$ 916,176	\$ 767,190	\$ 721,200	\$ 688,001	\$ 660,170	\$ 626,256	\$ 607,722
City Schools proportionate share of the net pension liability as a percentage of its covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**Notes to Schedule:**

No changes for June 30, 2025



**Sandra Escalante Mendoza, 6<sup>th</sup> Grade**  
***Thanksgiving Pop Up***  
**Paper and Glue**  
**Graceland Park Elementary/Middle School, #240**  
**J. Bogan, Teacher**

**Baltimore City Public Schools**  
**Capital Projects Fund – Budgetary Comparison**  
**For the Fiscal Year Ended June 30, 2025**  
**(Expressed in Thousands)**

Description	<u>Capital Projects (School Renovations)</u>				
	Total	Prior Years	Current		Unexpended
			Appropriation	Expenditures	
<u>Building Renovations &amp; Additions</u>					
Armistead Gardens Elementary/Middle	\$ 78,439	\$ 4,398	\$ 17,218	\$ 40,994	\$ 15,829
Furley Elementary	94,413	27,045	21,571	45,797	-
Maree G. Farring Elementary/Middle	13,920	1,641	758	2,602	8,919
Baltimore City College	39,221	244	4,793	3,791	30,393
Baltimore Polytechnic Institute	33,250	156	920	622	31,552
	<u>\$ 259,243</u>	<u>\$ 33,484</u>	<u>\$ 45,260</u>	<u>\$ 93,806</u>	<u>\$ 86,693</u>
<u>Systemic Remodeling</u>					
Interior Renovations	\$ 1,417,240	\$ 1,341,105	\$ 2,643	\$ 15,754	\$ 57,738
Computer System	135,628	32,231	10,777	18,057	74,563
Elevator Project	39,060	17,890	1,835	10,850	8,485
Fire Safety Systems	28,965	16,564	291	1,591	10,519
Boiler Project	21,375	18,656	48	414	2,257
Chiller Project	13,622	12,805	29	337	451
Roof Project	191,581	94,545	12,248	38,081	46,707
Windows/Doors Project	114,860	31,756	10,645	34,210	38,249
HVAC Project	308,330	143,712	2,528	9,549	152,541
Various Systemic Projects	429,350	102,791	12,290	76,996	237,273
	<u>\$ 2,700,011</u>	<u>\$ 1,812,055</u>	<u>\$ 53,334</u>	<u>\$ 205,839</u>	<u>\$ 628,783</u>
Totals	<u>\$ 2,959,254</u>	<u>\$ 1,845,539</u>	<u>\$ 98,594</u>	<u>\$ 299,645</u>	<u>\$ 715,476</u>



**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***

Board of School Commissioners  
Baltimore City Public School System  
Baltimore, 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 and each major fund of Baltimore City Public School System, Maryland (City Schools), a component unit of the City of Baltimore, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City Schools' basic financial statements, and have issued our report thereon dated September 29, 2025.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City Schools' 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 City Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of City Schools' internal control.

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

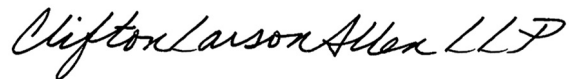
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

***Report on Compliance and Other Matters***

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

***Purpose of This Report***

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



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 29, 2025