

BOARD OF EDUCATION OF ALLEGANY COUNTY

FINANCIAL REPORT

AS OF JUNE 30, 2024 AND FOR THE YEAR THEN ENDED

BOARD OF EDUCATION OF ALLEGANY COUNTY

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INDEPENDENT AUDITORS' REPORT

Board of Education of Allegany County
Cumberland, Maryland

Report on the Audit of the Financial Statements**Opinions**

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, Reconciliation of Budgetary Basis to GAAP, the schedule of net other post-employment benefit liability and related ratios, retiree post-employment benefits – schedule of changes in the Board's net OPEB and related ratios, schedule of the Board's proportionate share of the net pension liability – Maryland State Retirement and Pension System, schedule of the Board's contributions - Maryland State Retirement and Pension System and on pages four (4) through

eighteen (18) and seventy (70) through eighty (80) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of Allegany County, Maryland's basic financial statements. The accompanying School Activities - Increases, Decreases and Balances by School and the Statement Concerning Debt Service Fund for Public School Construction are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the School Activities - Increases, Decreases and Balances by School and the Statement Concerning Debt Service Fund for Public School Construction are 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 January 13, 2025, on our consideration of the Board of Education of Allegany County, Maryland's 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 Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Huber, Michaels & Company

Cumberland, Maryland
January 13, 2025

THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2024

Our discussion and analysis of The Board of Education of Allegany County's financial performance provides an overview of the School System's financial activities for the fiscal years ended June 30, 2024 and 2023, respectively. Please read this in conjunction with the basic financial statements, notes to the basic financial statements, and the required supplemental information for a complete and detailed understanding.

The goal of Management's Discussion and Analysis (MD&A) is for the School System's financial managers to provide the reader an easy-to-understand overview and analysis of the school district's financial position and results of operations for the year based on currently known facts, decisions, and conditions.

FINANCIAL HIGHLIGHTS

On a system-wide basis the net position of the School System increased by \$3,753,063 (2.54%) during the fiscal year ended June 30, 2024, when compared to fiscal 2023's net position of \$148,046,335. Unrestricted Cash decreased by \$7,129,336 (16.22%) to \$36,819,919 from the prior year of \$43,949,255. Accounts Payable increased slightly from \$7,289,609 to \$7,336,050.

Total Governmental Funds revenues for the fiscal year ended June 30, 2024, were \$175,233,235. This represents an increase of \$8,101,012 (4.85%) over the prior fiscal year's total of \$167,132,223. State direct revenues within the unrestricted fund increased by \$2,586,011 to \$91,215,699. The district saw an overall increase of \$6,686,386 in Restricted revenues. State direct revenues within the Restricted fund increased by \$1,205,559 which relates to the Blueprint for Maryland's Future funding for 2024. Federal – received through state Food Services revenue increased by \$47,663 as schools continued the pre-pandemic operational model in which students were required to pay for breakfast and lunch based upon their individual economic circumstance. Payments from Allegany County government including Direct and "On Behalf" payments increased by \$1,211,919 or 3.52%.

Total Governmental Funds expenses for the fiscal year ended June 30, 2024, were \$174,246,329. This represents an increase of \$4,464,238 (2.63%) from the prior fiscal year's total of \$169,782,091. The district had an increase in salaries and wages as employees received negotiated salary increases as well as a step increase, if appropriate. Spending increased within the restricted fund by \$6,686,386 to \$30,165,458 or 28.48% compared to the prior year. Usage of expiring CARES funds for capital projects as well as increases in restricted Blueprint allocations for the district drove the increases. School Construction projects decreased by \$6,905,701 or 64.60% as the district had fewer large projects in fiscal 2024 compared to the Greenway Avenue stadium project completed in fiscal 2023. Food services costs increased by \$645,473 as the cost of salaries and wages increased based upon the negotiated bargaining agreements as well as an increase in the state's minimum wage law. The inflationary factors impacting food and food-related supplies also contributed to the variance compared to prior year. Fixed charges excluding on behalf within the Current Expense fund increased by \$2,805,115 to \$30,371,506 or 10.18% as a result of increasing healthcare and retirement costs compared to the prior year.

THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2024

The Current Expense Fund total fund balance as of June 30, 2024, was \$27,665,015. This represents an increase of \$1,440,330 (5.49%) when compared to the fund balance of \$26,224,685 from June 30, 2023, as restated. See note 17 for additional details on the prior period adjustment. The district was able to meet many of its objectives during the year while still providing an increase in fund balance. The Board had budgeted the use of fund balance of \$250,000 for additional school security needs, however those funds were not utilized during the year.

The Current Expense Fund unassigned fund balance as of June 30, 2024, was \$7,336,570. This represents a decrease of \$18,792,159 (71.92%) from the unassigned fund balance of \$26,128,729 at June 30, 2023, as restated. The Board has made assignments for future capital needs of \$17,125,000, unemployment benefits of \$50,000, and healthcare expenses of \$3,000,000.

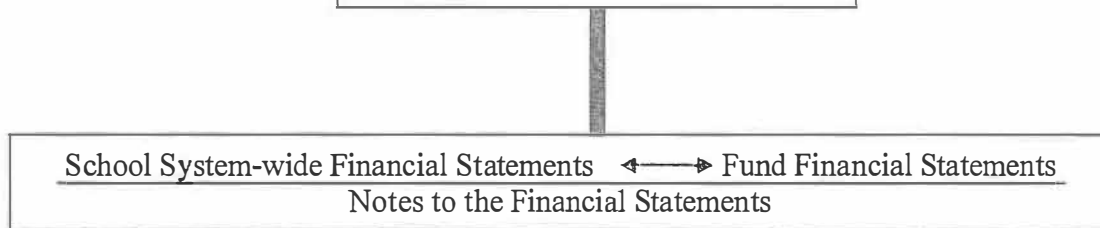
Current Expense Fund revenues of \$127,356,440, excluding on behalf, were below the final budget by \$1,368,755 or (1.06%). The system budgeted to use \$250,000 of fund balance in fiscal 2024, for additional security officers and resources. The district did not need to access these funds for school security. The district also budgeted \$1,477,758 in unrestricted revenue for the Blueprint for Maryland's Future Prekindergarten and CCR grants. These grants were ultimately accounted for in the Restricted fund. Revenue relating private placements of Special Education students was higher than budget by \$317,363.

Current Expense Fund expenses and other financing sources (uses) were under budget by \$2,809,085 (2.18%). Similar to revenues, there were no corresponding expenses associated with the Prekindergarten grant. Fixed charges also had a positive variance for the year. Payroll taxes were lower than plan as a result of the positive variance in salaries and wages. Retirement costs were also lower than plan. Contracted services with the health department were less than anticipated while still providing schools with appropriate on site nursing professionals. Special education had a negative variance based upon the significant 9.8% increase of students requiring services. Operations also had a negative balance as a result of increasing utility costs and being able to fully staff school safety officer positions.

The unrestricted final General Fund budget for revenues decreased by \$588,091 (0.45%) to \$128,725,195 compared to the \$129,313,286 budget for the period ended June 30, 2023. The school system received a funding increase from county government of \$2,349,788 to \$34,204,700. State revenue increased when compared to prior year, the state's funding represented an overall funding increase when restricted Blueprint for Maryland's Future funding is considered. This Blueprint funding was prioritized by the state and is based upon the recommendations of the Commission on Innovation and Excellence in Education.

Management's Discussion and Analysis (MD&A)

Management Discussion & Analysis



School System-wide Financial Statements

The *Statement of Net Position* presents information on all of the assets and liabilities of the School System with the difference between the two reported as *net position*. Over time, increases or decreases in the System's net position are one indicator as to whether the System's financial health is improving or deteriorating. Keep in mind to consider other non-financial factors to assess the overall health of the System. Deferred Outflows and Deferred Inflows are reported on the *Statement of Net Position*. The *Statement of Activities* presents information showing how the School System's net position changed during the most recent fiscal year.

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THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2024

Fund Financial Statements

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Board of Education of Allegany County uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The School System's funds are comprised of three categories: government funds, proprietary funds and fiduciary funds. Government funds include the unrestricted General Fund, restricted General Fund, Food Service, School Activities and School Construction Funds. Proprietary funds include the Information Technology Fund. Fiduciary funds include the Retiree Insurance Benefit Trust, Retiree Insurance Benefit Plan and Retiree Health Plan Trust Funds.

The measurement focus of these statements is current financial resources; therefore, the emphasis is placed on the cash flows of the organization within the reporting period or in the near future. Accordingly, the modified accrual basis of accounting that measures these cash flows is used. In the case of The Board of Education of Allegany County, open encumbrances are excluded from expenditures in all funds, except for the restricted General Fund.

Budgetary presentation of individual fund financial information, utilizing the current financial resources, measurement focus and the budgetary basis of accounting, is presented as part of the Fund Financial Statements as well. In these statements, available cash flows of the School System are measured, as well as the commitment to acquire goods or services with such cash flows.

This is the legal basis upon which the budget is adopted so budget comparisons are provided.

The table below presents the differences in the presentation of the basic financial statements.

	School System-wide Statements	Fund Statements	Budgetary Fund Statements
Measurement Focus	Economic Resources	Current Financial Resources	Current Financial Resources
Basis of Accounting	Accrual	Modified Accrual	Cash and Commitments
Budget	No	No	Yes

Fiduciary Responsibility - Retiree Insurance Benefit Plan Fund, Retiree Insurance Benefit Trust, and Retiree Health Plan Trust Funds

THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2024

The School System is the trustee for three fiduciary funds: Retiree Insurance Benefit Plan Fund, the Retiree Insurance Benefit Trust, and Retiree Health Plan Trust Fund. These funds are reported as separate Agency Funds. The trust funds are included in the Government Wide Statement of Net Position as a result of GASB 75. We are responsible for ensuring that the assets reported in the Retiree Insurance Benefit Plan Fund, Retiree Insurance Benefit Trust, and Retiree Health Plan Trust Fund are used for their intended purpose.

The unrestricted portion of net position at June 30, 2024, of \$13,954,375 is the result of combining the unreserved fund balances of the Governmental Funds with the unreserved fund balances of the Business-type Activities. This represents a decrease of \$31,803 from the prior year where the unrestricted net position showed \$13,986,178.

We are committed by employee agreements to pay most employees at retirement their earned, unused sick leave up to 140 days at \$30 per day. The long-term portion of compensated absences is \$1,963,669 and is the amount we expect to pay beyond June 30, 2025. This liability is funded on a "pay as you go" basis from current financial resources.

	Total Cost of Services			Net (Expense) Revenue		
	June 30, 2024	June 30, 2023	% Change	June 30, 2024	June 30, 2023	% Change
Administration	\$ 3,836,098	\$ 2,872,977	33.52%	\$ (3,681,484)	\$ (2,695,293)	36.59%
Mid-level Administration	9,325,385	9,315,801	0.10%	(7,721,742)	(7,575,844)	1.93%
Instruction (Regular and Special Education)	87,933,744	83,443,978 *	5.38%	(70,822,925)	(69,221,000) *	2.31%
Student Personnel and Health Services	1,855,095	1,705,336	8.78%	(1,647,255)	(1,462,327)	12.65%
Student Transportation	7,214,228	7,152,067	0.87%	(6,882,145)	(6,810,597)	1.05%
Operation & Maintenance of Plant & Equipment	13,487,061	12,633,507	6.76%	(5,897,062)	(4,331,403)	36.15%
Fixed Charges	39,423,492	37,156,856	6.10%	(27,183,354)	(25,039,625)	8.56%
Community Services	526,791	782,535	-32.68%	-	-	-
Food Services	5,449,376	5,117,961	6.48%	(197,811)	(132,327)	49.49%
School Activity Expenditures	2,395,588	2,383,856	0.49%	(2,395,588)	(2,383,856) *	0.49%
Total	\$ 171,446,858	\$ 162,564,874	5.46%	\$ (126,429,366)	\$ (119,652,272)	5.66%

* June 30, 2023 amounts have been restated per GASB 34 guidelines for comparison purposes.

Results of operations for the School System as a whole are presented in the Statement of Activities. The cost of all governmental activities is \$171,446,858 of which \$864,375 was financed by users of the School System's programs. Grants and contributions from certain programs were \$44,153,117. Net services costs were \$126,429,366.

The School System is fiscally dependent on local and state aid to fund its daily operations. Approximately, 72% of the School System's Governmental Activities comes from these sources. State aid is largely formula-driven based on student population and wealth. Local revenue, provided by the Allegany County Government, is dependent upon the economic condition of the County. Most of the operating and capital grant funding is from the State and County governments and Federal grants passing through the State. These operating and capital grants represent approximately 25% of the School System's funding.

THE BOARD OF EDUCATION OF ALLEGANY COUNTY Maryland

Management's Discussion and Analysis (MD&A) June 30, 2024

Condensed Statement of Net Position												
	Governmental Activities				Business-type Activities				Total School System			
	June 30, 2024	June 30, 2023	\$ Change	% Change	June 30, 2024	June 30, 2023	\$ Change	% Change	June 30, 2024	June 30, 2023	\$ Change	% Change
Current and Other Assets	\$ 72,558,126	\$ 70,150,018	\$ 2,408,108	3.43%	\$ (30,710)	\$ (5,641)	\$ (25,069)	444.41%	\$ 72,527,416	\$ 70,144,377	\$ 2,383,039	3.40%
Capital Assets	135,617,722	132,483,287	3,134,435	2.37%	-	-	-	0.00%	135,617,722	132,483,287	3,134,435	2.37%
Total Assets	\$ 208,175,848	\$ 202,633,305	\$ 5,542,643	2.74%	\$ (30,710)	\$ (5,641)	\$ (25,069)	444.41%	\$ 208,145,138	\$ 202,627,664	\$ 5,517,474	2.72%
Deferred Outflow of Resources	4,936,628	5,690,255	(753,627)	-13.24%					4,936,628	5,690,255	(753,627)	-13.24%
Current and Other Liabilities	\$ 36,878,874	\$ 35,150,699	\$ 1,728,175	4.92%	\$ 83,137	\$ 100,518	\$ (17,381)	-17.29%	\$ 36,962,011	\$ 35,251,217	\$ 1,710,794	4.85%
Long-term Net OPEB Liability	12,264,028	12,628,106	(364,078)	-2.88%					12,264,028	12,628,106	(364,078)	-2.88%
Long-term Liabilities	10,237,299	8,848,677	1,388,622	15.69%					10,237,299	8,848,677	1,388,622	15.69%
Total Liabilities	\$ 69,380,201	\$ 66,627,482	\$ 2,752,719	4.86%	\$ 83,137	\$ 100,518	\$ (17,381)	-17.29%	\$ 69,463,338	\$ 66,728,000	\$ 2,735,338	4.82%
Deferred Inflow of Resources	1,819,030	3,543,584	(1,724,554)	-48.67%					1,819,030	3,543,584	(1,724,554)	-48.67%
Net Assets:												
Invested in Capital Assets, Net of Related Debt	\$ 134,656,349	\$ 131,162,516	\$ 3,493,833	2.66%	\$ -	\$ -	\$ -	0.00%	\$ 134,656,349	\$ 131,162,516	\$ 3,493,833	2.66%
Restricted	3,188,674	2,897,641	291,033	10.04%					3,188,674	2,897,641	291,033	10.04%
Unrestricted	14,068,222	14,092,337	(24,115)	0.17%	(113,847)	(106,159)	(7,688)	7.24%	13,954,375	13,986,178	(31,803)	-0.23%
Total Net Position	\$ 161,913,246	\$ 148,162,494	\$ 3,750,751	2.54%	\$ (113,847)	\$ (106,169)	\$ (7,688)	7.24%	\$ 161,795,398	\$ 148,046,336	\$ 3,750,062	2.54%

Changes in Net Position from Operating Results												
	Governmental Activities				Business-type Activities				Total School System			
	June 30, 2024	June 30, 2023	\$ Change	% Change	June 30, 2024	June 30, 2023	\$ Change	% Change	June 30, 2024	June 30, 2023	\$ Change	% Change
Program Revenues:												
Charges for Services	\$ 864,375	\$ 654,469	\$ 209,906	32.07%	\$ 17,938	\$ 16,275	\$ 1,663	10.22%	\$ 882,313	\$ 670,744	\$ 211,569	31.54%
Operating Grants and Contributions	42,529,524	36,229,121	6,300,403	17.39%					42,529,524	36,229,121	6,300,403	17.39%
Capital Grants and Contributions	1,623,593	6,029,012	(4,405,419)	-73.07%					1,623,593	6,029,012	(4,405,419)	-73.07%
General Revenues:												
County Government	34,204,700	31,854,912	2,349,788	7.38%					34,204,700	31,854,912	2,349,788	7.38%
Grants and Contributions(unrestricted)	91,215,699	88,629,688	2,586,011	2.92%					91,215,699	88,629,688	2,586,011	2.92%
School Activities	2,432,537	2,373,558	58,979	2.48%					2,432,537	2,373,558	58,979	2.48%
Investment Earnings	2,159,487	674,876	1,484,611	219.98%					2,159,487	674,876	1,484,611	219.98%
Other	177,694	663,337	(485,643)	-73.21%	25,626	23,250	2,376	10.22%	203,320	886,587	(683,267)	-70.39%
Total Revenues	\$ 176,207,609	\$ 167,108,973	\$ 8,098,636	4.86%	\$ 43,664	\$ 39,625	\$ 4,039	10.22%	\$ 176,261,173	\$ 167,148,498	\$ 8,102,675	4.86%
Expenses:												
Administration	\$ 3,836,098	\$ 2,872,977	\$ 963,121	33.52%					\$ 3,836,098	\$ 2,872,977	\$ 963,121	33.52%
Midlevel Administration	9,325,385	9,315,801	9,584	0.10%					9,325,385	9,315,801	9,584	0.10%
Instruction -Regular Education	65,557,577	62,732,283	2,825,294	4.50%					65,557,577	62,732,283	2,825,294	4.50%
Instruction -Special Education	22,376,167	20,711,695	1,664,472	8.04%					22,376,167	20,711,695	1,664,472	8.04%
Student Personnel and Health Services	1,855,095	1,705,336	149,759	8.78%					1,855,095	1,705,336	149,759	8.78%
Student Transportation	7,214,228	7,152,067	62,161	0.87%					7,214,228	7,152,067	62,161	0.87%
Operation & Maintenance of Plant & Equipment	13,487,061	12,633,507	853,554	6.76%					13,487,061	12,633,507	853,554	6.76%
Fixed Charges	39,423,492	37,156,856	2,266,636	6.10%					39,423,492	37,156,856	2,266,636	6.10%
Community Services	526,791	782,535	(255,744)	-32.68%					526,791	782,535	(255,744)	-32.68%
Food Service	5,449,376	5,117,961	331,415	6.48%					5,449,376	5,117,961	331,415	6.48%
School Activities	2,395,588	2,383,856	11,732	0.49%					2,395,588	2,383,856	11,732	0.49%
Other					51,252	46,500	4,752	10.22%	51,252	46,500	4,752	10.22%
Total Expenses	\$ 171,446,868	\$ 162,664,874	\$ 8,881,994	5.46%	\$ 51,252	\$ 46,500	\$ 4,752	10.22%	\$ 171,498,110	\$ 162,611,374	\$ 8,886,736	5.47%
Increase(Decrease) in Net Position	\$ 3,760,761	\$ 4,544,099	\$ (783,348)	-17.24%	\$ (7,688)	\$ (6,975)	\$ (713)	-10.22%	\$ 3,763,063	\$ 4,537,124	\$ (784,061)	-17.28%

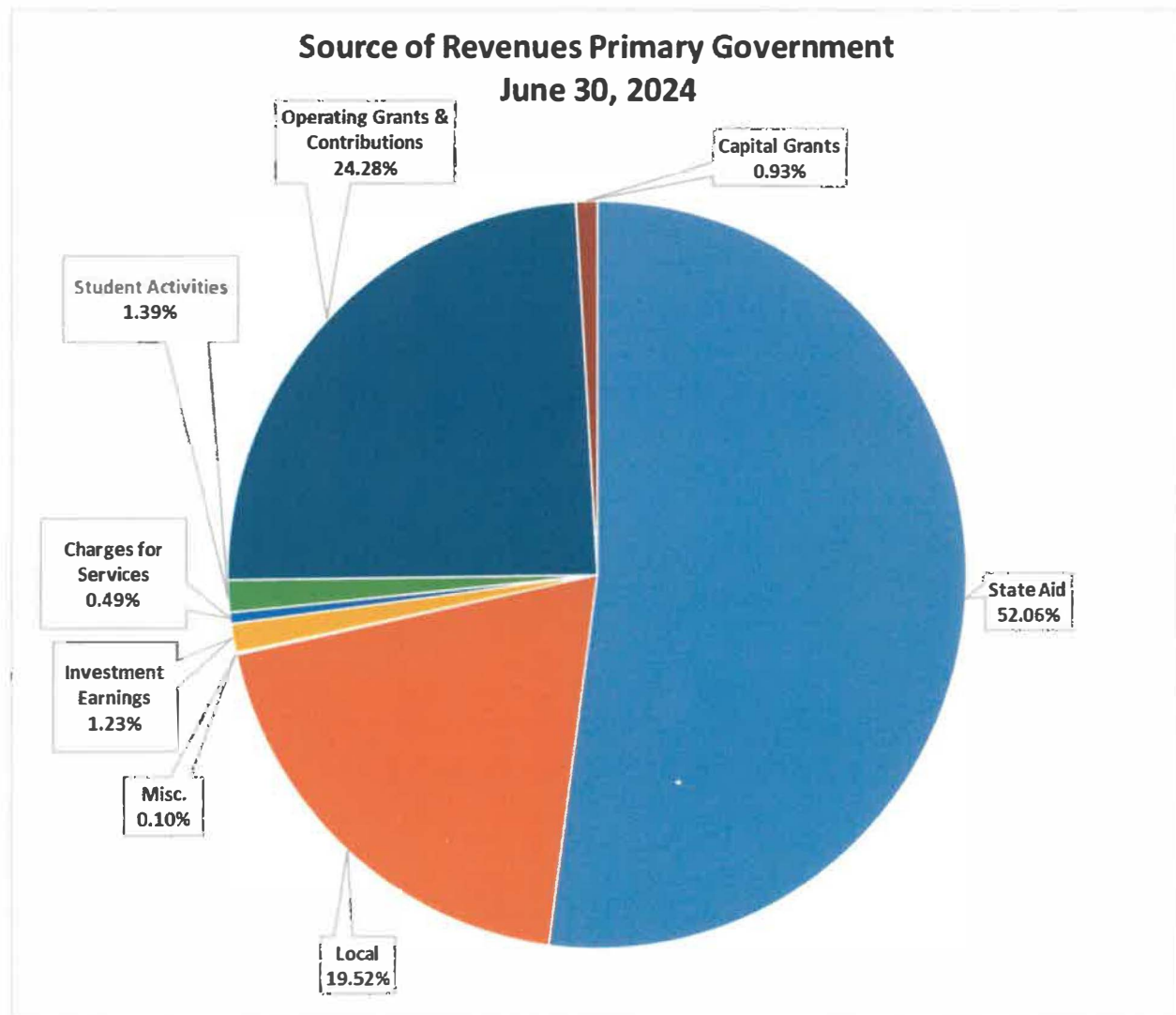
* June 30, 2023 amounts have been restated per GASB 34 guidelines for comparison to June 30, 2024.

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland**

**Management's Discussion and Analysis (MD&A)
June 30, 2024**

GENERAL FUND (CURRENT EXPENSE) BUDGETARY HIGHLIGHTS

The Current Expense Fund operates under a legally adopted annual budget. The budget is subdivided into State mandated categories of expenditures. These categories are Administration, Mid-level Administration, Instructional Salaries, Textbooks and Instructional Supplies, Other Instructional Costs, Special Education, Student Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, Community Services, Food Services, and Capital Outlay. The legal level of budgetary control is at the category level. The following two pie charts are reflective of actual revenues and expenses.

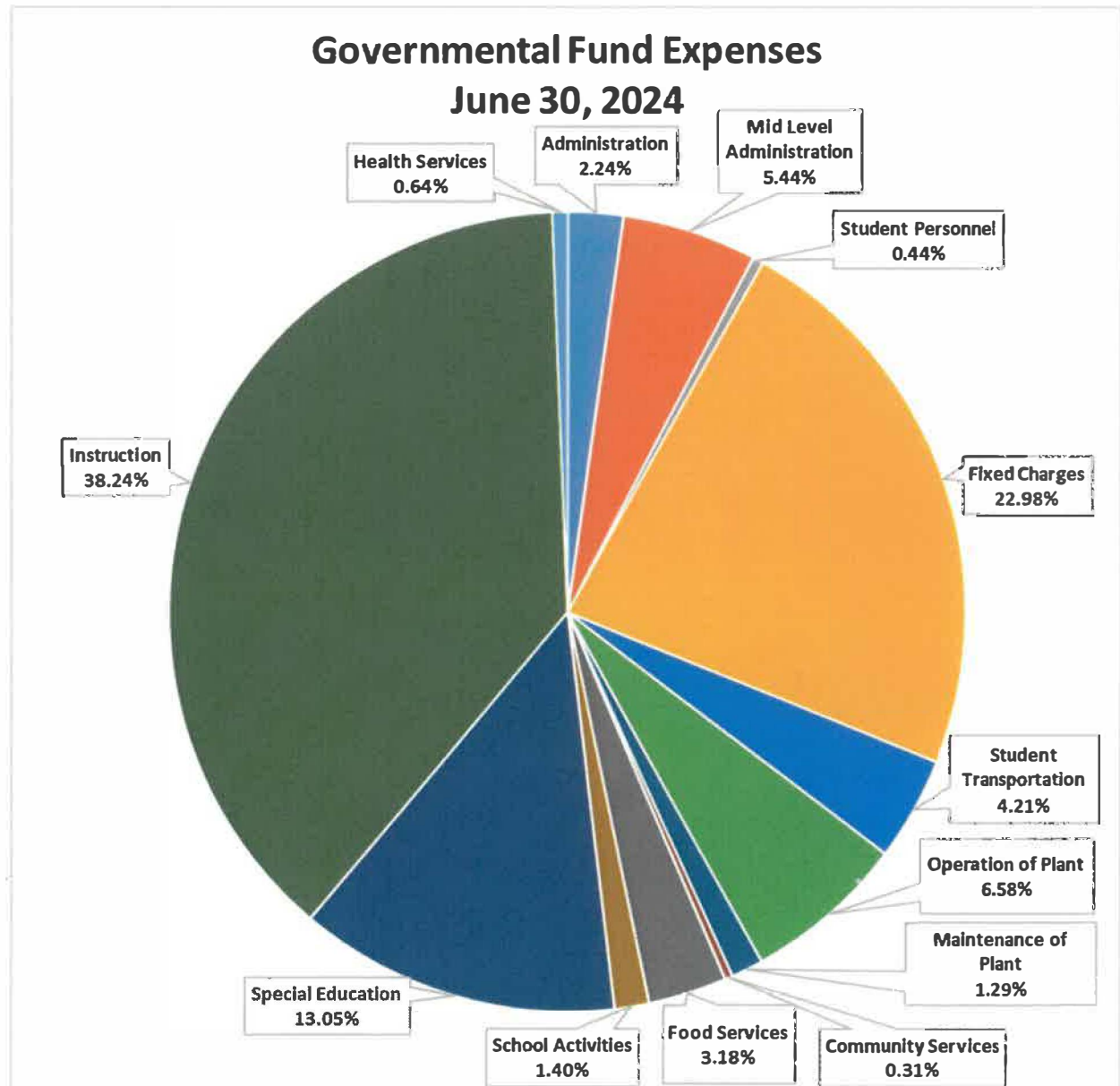


THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2024

Fund Performance

Funds are self-balancing sets of accounts used by the School System to control and manage money for particular purposes.



THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2024

General Fund – Unrestricted

A schedule of changes between the original and final budgets for the year ended June 30, 2024, is presented below.

	Original Budget	Final Budget	Additions	Reductions	Total Change
County Appropriation	\$ 34,204,700	\$ 34,204,700			\$ -
State	92,461,995	92,461,995			-
Federal		200,000	200,000		200,000
Local	-	-			-
Fund Balance	250,000	250,000			-
Other Sources	1,158,500	1,608,500	450,000		450,000
Total Revenues	\$ 128,075,195	\$ 128,725,195	\$ 650,000	\$ -	\$ 650,000
Administration	\$ 2,751,905	\$ 2,751,905			\$ -
Mid-Level Administration	7,769,342	7,769,342			-
Instructional Salaries	46,669,315	45,319,315		1,350,000	(1,350,000)
Textbooks	3,064,761	2,347,621		717,140	(717,140)
Other Instructional Costs	2,617,465	3,184,605	567,140		567,140
Special Education	17,124,059	17,874,059	750,000		750,000
Student Personnel Services	663,429	763,429	100,000		100,000
Student Health Services	897,528	897,528			-
Student Transportation	6,893,932	6,893,932			-
Operation of Plant	9,409,135	10,159,135	750,000		750,000
Maintenance of Plant	1,961,660	1,861,660		100,000	(100,000)
Fixed Charges	26,969,232	27,419,232	450,000		450,000
Food Services	493,432	493,432			-
Capital Outlay	790,000	990,000	200,000		200,000
Total Expenditures	\$ 128,075,195	\$ 128,725,195	\$ 2,817,140	\$ 2,167,140	\$ 650,000

County, state, and other sources of revenues account for over 99% of the total General Fund unrestricted revenue. Both are stable and highly predictable.

THE BOARD OF EDUCATION OF ALLEGANY COUNTY
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Management's Discussion and Analysis (MD&A)
June 30, 2024

Budget Variances

Below is a table listing positive and negative budget variances for the year ended June 30, 2024 as a supplement to the narrative discussion below the chart.

Unrestricted General Fund Budget to Actual Variances

Budget Variance Descriptions:	Positive (Negative)
Revenues:	
Blueprint for Maryland's Future – Pre-k & CCR grants	\$ (1,477,758)
Federal Revenues	126
Special Education Private Placements	317,636
Unused Prior Year Fund Balance	(250,000)
Interest Earned	(38,199)
Other Revenue Variances	79,440
Total Revenue Variances	\$ (1,368,755)
Expenditures and Other Financing Sources (Uses):	
Instructional Labor Savings & Efficiencies	\$ 1,277,920
Operation of plant and equipment	(160,932)
Special Education Variances	(558,521)
Fixed Charge Variances	1,455,753
Other Expenditure Variances	794,865
Total Expenditures and Other Financing Sources (Uses)	\$ 2,809,085
Total Variance – Unrestricted General Fund	\$ 1,440,330

Revenues:

For the year ended June 30, 2024, total unrestricted General Fund revenues resulted in a shortfall when compared to budget of \$1,368,755.

Revenues of \$1,249,924 for the Blueprint for Maryland's Future Prekindergarten grant were included in fiscal 2024 budget as unrestricted, but the grant was ultimately accounted for as being restricted. However, there was a positive variance within state revenues that related to non-public placements. Public schools are required to provide a free and appropriate education to all students in a public school system. When students have intensive educational needs that cannot be met by the local school system, the school system is mandated to provide an education in a facility that can meet those needs. The cost is shared between the local school system and state government based upon a formula. The number of students receiving services and severity of the services needed also plays a role in the overall costs.

THE BOARD OF EDUCATION OF ALLEGANY COUNTY
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Management's Discussion and Analysis (MD&A)
June 30, 2024

Federal revenues showed a positive variance of \$126. Within that category, other revenues relating for the afterschool program meals were \$81,815 while Medicare Part D revenues were \$118,311. The system is self-insured for health insurance purposes. As a result, the system qualifies for the Medicare Part D program that reimburses the system for a portion of prescription drug benefits provided to Medicare eligible retirees. The Government Accounting Standards Board (GASB) has issued a technical bulletin requiring recipients of Medicare Part D funds to show these proceeds as revenue. The system budget is based upon past experience.

Special Education private placement revenue had a positive budget variance of \$317,363. The budget for Special Education private placement is an estimate based on the anticipated state formula and number of students served.

The district budgeted to utilize fund balance of \$250,000 for additional school security officers and resources. The district did not need to utilize these funds for school security.

Interest revenues were slightly lower than the amended budget. The decrease was lower than the amended plan by \$38,199. Fed policy changes will likely continue to impact interest rates in the future.

Other revenues were over budget, creating a net favorable variance in the amount of \$79,440.

Expenditures and Inter-fund transfers:

For the year ended June 30, 2024, total unrestricted General Fund expenditures and other financing sources (uses) resulted in a positive variance of \$2,809,085.

Significant savings to budget resulted from the district moving the costs related to the Prekindergarten grants to restricted versus unrestricted. Instructional salaries and wages show a positive variance of \$1,277,920 as a result.

The operations department was over budget by \$160,932. Overall, salaries were higher than anticipated within the budget as we were able to fill open security positions. Supplies and materials were lower than plan, while there were increases in utility costs, which contributed to a negative variance within other charges category. Equipment came in slightly under the amended budget.

Special Education was over budget by \$558,521. The number of special needs students rose by 9.8% this fiscal year from 1,199 to 1,316. There was an unfavorable salary variance as the district increased the number of instructional resources devoted to the infant and toddler and preschool population. There was a corresponding negative variance for non-public placement transfers within fiscal 2024 as they were driven by student need. While the district had a positive state revenue variance relating to non-public placements, there is a corresponding cost increase

THE BOARD OF EDUCATION OF ALLEGANY COUNTY
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Management's Discussion and Analysis (MD&A)
June 30, 2024

in the support of students requiring these additional services. There was also an increase in the number of students requiring occupational and physical therapy services across the district.

The district is self-insured for healthcare costs. The district allocated additional resources to the district's rising healthcare costs during fiscal 2024. Overall, fixed charge expenditures were below plan by \$1,455,753 for fiscal 2024. The variance relating to payroll taxes was as a result of savings in salaries and wages. Overall, payroll taxes were \$306,694 below budget. Retirement costs were also below plan by \$293,786.

A portion of the remaining other expenditure variance is attributable to instructional expenditures being less than planned as a result of the Prekindergarten and CCR grants being reported as restricted versus unrestricted. The district also showed a positive variance within Maintenance of \$51,340 as a result of savings from salaries and wages as the department was not fully staffed during the entire year. Health services department savings compared to the original budget were \$11,614.

The organization participates in a cooperative arrangement with Allegany County Government. While the Information Technology fund no longer has employees, support services are provided by outside vendors on information technology equipment that functions for both the school system and county government. Operating revenues for the fund were \$17,938 while non-operating revenues totaled \$25,626 for fiscal year 2024. Total operating expenses were \$51,252 in fiscal year 2024 while last year's operating expenses were \$46,500. The fund had a negative change in net position of \$7,688 as a result of the county funding its participation in the agreement at 35% this fiscal year. Both parties agreed to take the shortfall from fund balance. The financial results of this proprietary fund can be found on pages 25 and 26 of this report.

Restricted Fund

Restricted revenues and expenses for the year were \$30,165,458 which is up about 28.5% or \$6,686,386 from the prior year's revenues and expenses of \$23,479,072. Restricted revenues are tied to the availability of grants and funding. Overall, CARES and ARP spending was \$14,778,718 this year compared to CARES spending of \$9,795,136 last year. The CARES and ARP spending variance was \$4,983,582. Restricted Blueprint spending this year was \$5,245,583 compared to \$3,694,181 last year or a variance of \$1,551,402. Spending is prescribed within the grants themselves, but ranged from the purchase of technology such as devices and access points, infrastructure for distance learning, hotspots for students and staff without connectivity, contractual resources for distance learning, summer school programs, capital expenditures and tutoring to mitigate learning loss, protective personnel equipment, additional custodial staffing to support cleaning at schools.

Food Services Fund

For a second year in 2024, schools reverted back to pre-pandemic operations in terms of student payments for meals. Overall, revenue increased by \$110,309 to \$5,677,445 from last year's revenue total of \$5,567,136.

THE BOARD OF EDUCATION OF ALLEGANY COUNTY
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Management's Discussion and Analysis (MD&A)
June 30, 2024

Expenses within the fund increased to \$5,792,582 compared to fiscal year 2023's expenses of \$5,147,109. The increase in expenses is attributable to the increase in salaries and wages as a result of the negotiated agreements as well as the increase in Maryland's minimum wage law. Another corresponding increase related to supplies as the district as inflationary forces on food and paper goods impacted the district's food and nutrition operations.

School Construction Fund

The majority of the activity within the School Construction fund focused on the completion of the Fort Hill boiler project, the unit ventilator and electrical upgrade projects at Braddock and Washington middle schools. The boiler project at Fort Hill was a major focus for completion in Fall 2023. Roof projects at Northeast and the Career Center were also completed this fiscal year. Current year expenses paid by the County were \$178,685 compared to \$794,608 in fiscal year 2023. State direct revenues decreased from \$5,234,404 last year to \$1,444,908 in fiscal 2024. The decrease relates to the timing of the projects in the pipeline and the funding sources. The Braddock and Washington middle electrical upgrades along with roof projects at Northeast and the Career Center are all state participation projects. The Cash Valley air conditioning project and Braddock consumer science project were also state participation projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2024, the School System had \$282,704,360 invested in a broad range of capital assets including land, buildings and improvements, furniture, vehicles, and other equipment including right-to-use amortizable assets. Capital assets increased \$9,823,588 from the same time last year, net of disposals and transfers. The increase relates primarily to the work in progress relative to the Washington and Braddock middle unit ventilator and electrical upgrade projects as well as the Fort Hill Auditorium. The total net cost of capital assets after depreciation and amortization was \$135,617,722. Total amortization and depreciation expense for the year ended June 30, 2024, was \$8,458,623.

The main capital focus this year were the Washington and Braddock middle unit ventilator and electrical upgrade projects as well as the completion of the Fort Hill boiler project and the Braddock elevator. The Fort Hill auditorium project was also started in fiscal 2024 with an anticipated completion of Fall 2024. The Career Center Annex roof and Northeast roof projects were also completed this year.

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Debt

School systems in Maryland are in the uncommon position of owning assets, but not the debt associated with those assets, as we have no borrowing power. We are fully fiscally dependent on the state and county governments to incur debt to fund capital projects. Accordingly, the School System carries no bond rating but the system does have a debt policy to cover leasing and alternative financing arrangements permitted under state law.

FACTORS IMPACTING THE SCHOOL SYSTEM

The Every Student Succeeds Act of 2015 (ESSA) was signed into law by President Barack Obama. This reauthorization of the ESSA, formerly known as the No Child Left Behind Act, provides a long term, stable federal policy that gives states additional flexibility and encourages states, local school systems, and schools to innovate while at the same time holding all accountable for results. ESSA moves to establish State standards, sets academic goals, and assesses progress towards those goals for all students and schools. It also measures and reports performance of all students, schools, and local school systems and identifies schools in need of improvement and provides support to those schools. It also serves to provide and support staff development and growth for educators and supports students to ensure a well-rounded education. All of these requirements have cost impacts.

A majority of the funding for the school system comes from the Maryland General Assembly. State aid education formulas are based largely on student population and wealth. Wealth in the state aid education formulas is measured by income taxes, real estate assessments, and personal property assessments. Less funding can result when a school system's student population declines or wealth increases more than state averages or decreases less than state averages. Student population is also a factor in the required minimum of funding from county government called maintenance of effort. The district's enrollment has continued on a downward trend.

The Blueprint for Maryland's Future was passed by the Maryland General Assembly and allowed to go into law on May 15, 2019, by Governor Hogan. The goal of The Blueprint for Maryland's Future is to transform the state's early childhood, primary, and secondary education systems to the levels of high performing systems around the world. Implementation of the recommendations of the Commission on Innovation and Excellence in Education (commonly known as the Kirwan Commission) began in fiscal 2020. This funding has continued in fiscal 2025. This funding included such items as pre-kindergarten expansion, concentration of poverty funding, teacher salary incentives, additional special education funding and targeted intervention services. The Blueprint for Maryland's Future continues to be implemented in fiscal 2025 and has extensive reporting requirements that LEAs must adhere to remain compliant. The state is also facing a structural deficit in the upcoming years which may also impact the implementation of the Blueprint legislation.

THE BOARD OF EDUCATION OF ALLEGANY COUNTY
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For state participating construction projects, Allegany County now qualifies to have state government pay for 90% of the eligible construction costs. Costs not eligible for state funding must be funded locally.

The school system is self-insured for health, dental, and prescription drug costs. Provisions of the federal Affordable Care Act have caused additional costs in order to comply with the regulations. Additional medical costs to the school system's health plan for employees and retirees may increase the budget for health costs even though a reserve now exists relative to the costs of health care for the district.

School systems are being encouraged to adopt the community eligibility provision (CEP), which provides free meals to all students regardless of household income. In fiscal 2019, the district began participation in the CEP program for the district's four elementary schools with the highest percentage of Free and Reduced Meal students. The participating schools are George's Creek, John Humbird, South Penn and Westernport. For the 2022-2023 school year, Cash Valley was added as a CEP school which gives the district a total of five elementary schools. Costs not covered by the food service fund will be covered by the unrestricted fund. Since the start of the pandemic, students have received free lunch and free breakfast. However, that provision of the law expired for the 2022-2023 school year. For the 2024-2025 school year, the district adopted a district wide CEP program where all students in the district are provided a free breakfast and a free lunch. The district qualified based upon the level of poverty throughout the district.

Inflationary pressures are impacting the operating costs of employee compensation, benefits, utilities, transportation, supplies, fuel, etc. Continued increases to costs that outpace increases in revenues would have to be covered by reductions to other critical expenditures.

CONTACT THE BOARD OF EDUCATION OF ALLEGANY COUNTY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, and students with a general overview of the school system's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Lawrence S. McKenzie, CPA, Chief Financial Officer, (301) 759-2024, boardfinance@acpsmd.org, at The Board of Education of Allegany County, 108 Washington Street, Cumberland, Maryland 21502.

BOARD OF EDUCATION OF ALLEGANY COUNTY

STATEMENT OF NET POSITION
June 30, 2024

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 36,819,919	\$ -	\$ 36,819,919
Restricted cash	7,393		7,393
Investments, at market	40,767		40,767
Restricted investments, at market	416,274		416,274
Accounts receivable (net of allowance for doubtful accounts of \$193,831)	35,399,664	4,204	35,403,868
Prepaid expenses	475,616		475,616
Inventory	349,693		349,693
Internal balances	(951,200)	(34,914)	(986,114)
Total Current Assets	<u>72,558,126</u>	<u>(30,710)</u>	<u>72,527,416</u>
Noncurrent Assets:			
Non-depreciable capital assets	13,530,350		13,530,350
Depreciable capital assets, net of depreciation	122,087,372		122,087,372
Total Noncurrent Assets	<u>135,617,722</u>	<u>-</u>	<u>135,617,722</u>
TOTAL ASSETS	<u>\$ 208,175,848</u>	<u>\$ (30,710)</u>	<u>\$ 208,145,138</u>
Deferred Outflow Of Resources:			
Deferred outflows of resources related to OPEB	1,866,416		1,866,416
Deferred outflows of resources related to pension	3,070,212		3,070,212
	<u>4,936,628</u>	<u>-</u>	<u>4,936,628</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 7,252,913	\$ 83,137	\$ 7,336,050
Salaries and benefits payable	2,053,643		2,053,643
Grant advances and deferred revenue	20,789,792		20,789,792
Accrued hospital insurance	4,244,805		4,244,805
Current portion of right-to-use leased assets	85,048		85,048
Current portion of right-to-use subscription based assets	168,781		168,781
Current portion of compensated absences	129,327		129,327
Other current liabilities	2,154,565		2,154,565
Total Current Liabilities	<u>36,878,874</u>	<u>83,137</u>	<u>36,962,011</u>
Noncurrent Liabilities:			
Long-term portion of right-to-use leased assets	224,081		224,081
Long-term portion of right-to-use subscription based assets	483,463		483,463
Long-term portion of compensated absences	1,963,669		1,963,669
Net OPEB liability	12,264,028		12,264,028
Net pension liability	7,566,086		7,566,086
Total Noncurrent Liabilities	<u>22,501,327</u>	<u>-</u>	<u>22,501,327</u>
TOTAL LIABILITIES	<u>59,380,201</u>	<u>83,137</u>	<u>59,463,338</u>
Deferred Inflow Of Resources:			
Deferred inflows of resources related to OPEB	1,487,352		1,487,352
Deferred inflows of resources related to pension	331,678		331,678
	<u>1,819,030</u>	<u>-</u>	<u>1,819,030</u>
NET POSITION			
Invested in capital assets, net of related debt	134,656,349		134,656,349
Restricted for:			
Scholarship Funds	423,667		423,667
Capital projects	2,765,007		2,765,007
Unrestricted	14,068,222	(113,847)	13,954,375
TOTAL NET POSITION	<u>\$ 151,913,245</u>	<u>\$ (113,847)</u>	<u>\$ 151,799,398</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular education	\$ 63,478,212	\$ 167,418	\$ 12,857,665	\$ 195,633	\$ (52,257,496)		\$ (52,257,496)
Special education	22,376,167		3,890,103		(18,486,064)		(18,486,064)
Total instruction	87,854,379	167,418	16,747,768	195,633	(70,743,560)	-	(70,743,560)
Support services:							
Administration	3,836,098	-	154,614	-	(3,681,484)		(3,681,484)
Mid-level administration	9,325,385		1,603,643		(7,721,742)		(7,721,742)
Student personnel services	762,531		1,190		(761,341)		(761,341)
Health services	1,092,564		206,650		(885,914)		(885,914)
Student transportation	7,214,228		332,083		(6,882,145)		(6,882,145)
Operation of plant and equipment	11,275,176		5,904,151	1,427,960	(3,943,065)		(3,943,065)
Maintenance of plant	2,211,885		257,888		(1,953,997)		(1,953,997)
Fixed charges	31,791,506		4,608,152		(27,183,354)		(27,183,354)
- on behalf, retirement	6,377,507		6,377,507		-		-
- on behalf, nurses, security & mental health	1,254,479		1,254,479		-		-
Community Services	526,791		526,791		-		-
Food Service	5,449,376	696,957	4,554,608		(197,811)		(197,811)
School Activities	2,395,588				(2,395,588)		(2,395,588)
Interest on right-to-use assets	79,365				(79,365)		(79,365)
Total support services	83,592,479	696,957	25,781,756	1,427,960	(55,685,806)	-	(55,685,806)
Total governmental activities	171,446,858	864,375	42,529,524	1,623,593	(126,429,366)	-	(126,429,366)
Business-type activities:							
Information Technology	51,252	17,938				(33,314)	(33,314)
Total Business-type Activities	51,252	17,938	-	-	-	(33,314)	(33,314)
Total Primary Government	\$ 171,498,110	\$ 882,313	\$ 42,529,524	\$ 1,623,593	\$ (126,429,366)	\$ (33,314)	\$ (126,462,680)
General revenues - unrestricted:							
County appropriation					34,204,700		34,204,700
State aid					91,215,699		91,215,699
Student activity fund revenue					2,432,537		2,432,537
Investment earnings/loss					2,159,487		2,159,487
Miscellaneous income					216,796		216,796
Gain (loss) on disposal of fixed assets					(13,476)		(13,476)
Transfers					(25,626)	25,626	-
Total General Revenues					130,190,117	25,626	130,215,743
Change in Net Position					3,760,751	(7,688)	3,753,063
Net Position - July 1, 2023					148,152,494	(106,159)	148,046,335
Net Position - June 30, 2024					\$ 151,913,245	\$ (113,847)	\$ 151,799,398

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024**

	General Fund (Current Expense) Unrestricted	(Current Expense) Restricted	Food Service	Student Activities	School Construction	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 19,177,436	\$ -	\$ 60,991	\$ 2,174,104	\$ 15,407,388	\$ 36,819,919
Restricted cash				7,393		7,393
Investments				40,767		40,767
Restricted investments				416,274		416,274
Accounts receivable (net of allowance for doubtful accounts of \$193,831)	1,670,932	21,106,533	556,361	11,572	12,054,266	35,399,664
Inventory - food			349,693			349,693
Internal receivables	62,673,472		1,032,836			63,706,308
Prepaid expenses	153,445	322,171				475,616
TOTAL ASSETS	83,675,285	21,428,704	1,999,881	2,650,110	27,461,654	137,215,634
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	3,148,284	3,483,819	27,028	11,375	582,407	7,252,913
Salaries and benefits payable	1,094,645	906,940	52,058			2,053,643
Internal payables	45,295,123	7,872,648			11,489,737	64,657,508
Grant advances		9,165,297				9,165,297
Accrued hospital insurance	4,244,805					4,244,805
Deferred revenue			24,517		11,599,977	11,624,494
Current portion of long-term debt	129,327					129,327
Other current liabilities	2,098,086		47,599			2,145,685
TOTAL LIABILITIES	56,010,270	21,428,704	151,202	11,375	23,672,121	101,273,672
FUND BALANCES						
Nonspendable:						
Inventory - food			349,693			349,693
Prepaid expenses - other	153,445	322,171				475,616
Restricted - Capital Projects					2,765,007	2,765,007
Restricted - Scholarship Funds				423,667		423,667
Assigned to:						
Unemployment Benefits	50,000					50,000
Capital Projects	17,125,000				1,024,526	18,149,526
Healthcare expenses	3,000,000					3,000,000
Food Service			1,498,986			1,498,986
Student Activities				2,215,068		2,215,068
Unassigned	7,336,570	(322,171)				7,014,399
TOTAL FUND BALANCES	27,665,015	-	1,848,679	2,638,735	3,789,533	35,941,962
TOTAL LIABILITIES AND FUND BALANCES	\$ 83,675,285	\$ 21,428,704	\$ 1,999,881	\$ 2,650,110	\$ 27,461,654	\$ 137,215,634

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2024

Total Fund Balances - Governmental Funds		\$ 35,941,962
Amounts reported for governmental activities in the statement of net position are different because:		
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$282,704,360 and the accumulated depreciation is \$147,086,638		135,617,722
The net pension liability associated with the school system's proportionate share of the Maryland State Retirement and Pension System is not payable with current financial resources and is not reported in the governmental funds. The activity associated with the school system's share of the net pension liability consist of:		
Net pension liability	(7,566,086)	
Deferred outflows of resources - pension	3,070,212	
Deferred inflows of resources - pension	<u>(331,678)</u>	(4,827,552)
The net other post-employment benefits liability for the school system is not payable with current financial resources and is not reported in the governmental funds. The activity associated with the school system's net other post-employment benefits liability consist of:		
Net other post-employment benefits liability	(12,264,028)	
Deferred outflows of resources - other post-employment benefits	1,866,416	
Deferred inflows of resources - other post-employment benefits	<u>(1,487,352)</u>	(11,884,964)
Long-term liabilities for compensated absences are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.		(1,963,669)
The accrued interest on subscription-based arrangements is not recognized in the governmental funds but is included in other current liabilities on the Statement of Net Position		(8,881)
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Similarly, the short and long-term liabilities related to copiers under lease and subscriptions are not reported in the governmental funds.		<u>(961,373)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 151,913,245</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund (Current Expense) Unrestricted	(Current Expense) Restricted	Food Service	Student Activities	School Construction	Total Governmental Funds
REVENUES						
County - regular appropriation	\$ 34,204,700	\$ -	\$ -	\$ -	\$ 178,685	\$ 34,383,385
- on behalf, nurses, security & mental health	1,254,479					1,254,479
State - direct	91,215,699	6,315,752	199,184		1,444,908	99,175,543
- on behalf, retirement	6,377,507					6,377,507
Federal - direct			545,285			545,285
- received through State		22,163,799	3,787,485			25,951,284
- received through Pass-Thru Agency	200,126	1,244,362				1,444,488
School Activity Revenues				2,432,537		2,432,537
Other revenue	1,735,915	441,545	696,957		794,310	3,668,727
TOTAL REVENUES	134,988,426	30,165,458	5,228,911	2,432,537	2,417,903	175,233,235
EXPENDITURES						
Administration	2,722,668	154,614				2,877,282
Mid-level administration	7,721,742	1,603,643				9,325,385
Instruction - salaries	44,041,395	8,309,346				52,350,741
Instruction - textbooks & instructional supplies	1,449,273	1,806,273				3,255,546
Instruction - other	2,278,979	1,982,759				4,261,738
Student activities	761,341	1,190				762,531
Health services	885,914	206,650				1,092,564
Student transportation	6,864,172	332,083				7,196,255
Operation of plant and equipment	10,320,067	1,068,499				11,388,566
Maintenance of plant	1,810,320	257,888				2,068,208
Fixed charges	25,963,480	4,408,026				30,371,506
- on behalf, retirement	6,377,507					6,377,507
- on behalf, nurses, security & mental health	1,254,479					1,254,479
Community Services	-	526,791				526,791
Capital outlay	1,315,320	4,835,652			3,783,545	9,934,517
Special education	18,432,580	3,890,103				22,322,683
Food Service		22,654	5,792,582			5,815,236
School Activity Expenditures				2,395,588		2,395,588
Debt service						
Lease and subscription-based principal	584,705					584,705
Lease and subscription-based interest	84,501					84,501
Intergovernmental Payment						
TOTAL EXPENDITURES	132,868,443	29,406,171	5,792,582	2,395,588	3,783,545	174,246,329
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,119,983	759,287	(563,671)	36,949	(1,365,642)	986,906
OTHER FINANCING SOURCES (USES)						
Interfund transfers	(904,959)	(759,287)	448,534		112,120	(1,103,592)
Leases and subscriptions-based payables	225,306					225,306
TOTAL OTHER FINANCING SOURCES (USES)	(679,653)	(759,287)	448,534		112,120	(878,286)
NET CHANGE IN FUND BALANCES	1,440,330	-	(115,137)	36,949	(1,253,522)	108,620
FUND BALANCE - JULY 1, 2023 as originally presented	28,278,658	-	1,963,816	2,601,786	5,043,055	37,887,315
Change in Beginning Fund Balance (see Note 17)	(2,053,973)					(2,053,973)
FUND BALANCE - JULY 1, 2023 as restated	26,224,685	-	1,963,816	2,601,786	5,043,055	35,833,342
FUND BALANCE - JUNE 30, 2024	\$ 27,665,015	\$ -	\$ 1,848,679	\$ 2,638,735	\$ 3,789,533	\$ 35,941,962

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Total Net Change in Fund Balance - Governmental Funds	\$ 108,620
Amounts reported for governmental activities in the statement of activities are different because:	
Long-term accrued compensated absences are not reported in governmental funds as a liability. However, in the statement of activities, the long-term compensated absences are reported as current expense. The net amount of long term accrued compensated absences is an increase of \$72,871.	(72,871)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.	
Depreciation expense	(8,458,623)
Capital Outlays	<u>11,781,525</u>
	3,322,902
Lease and subscription-based payable proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities.	(225,306)
A portion of pension expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds.	(171,449)
The net expense related to other post-employment benefits is not reflected as a source of current financial uses and therefore, is not reported in the governmental funds.	141,337
Repayment of lease and subscription-based principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net position.	584,705
Interest on subscription-based arrangements is recorded as an expense in the governmental funds when paid. The change accrued interest attributable to the fiscal year is included an expense on the statement of Activities.	5,136
Governmental funds report the proceeds from the sale of capital assets as income. However, in the statement of activities the sale of capital assets are reported net of the remaining book value of the assets as either a gain or loss. The remaining book value of assets disposed of during the year was \$67,677.	<u>67,677</u>
TOTAL CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,760,751</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2024

	<u>Information Technology Fund</u>
ASSETS	
Current Assets:	
Prepaid expenses	\$ 4,204
Total Current Assets	<u>4,204</u>
TOTAL ASSETS	<u>\$ 4,204</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	83,137
Internal payable	<u>34,914</u>
Total Current Liabilities	<u>118,051</u>
TOTAL LIABILITIES	<u>118,051</u>
NET POSITION	
Unrestricted	<u>(113,847)</u>
TOTAL NET POSITION	<u>(113,847)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,204</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Information Technology Fund</u>
OPERATING REVENUES	
County - regular appropriation	<u>\$ 17,938</u>
Total Operating Revenues	<u>17,938</u>
OPERATING EXPENSES	
Contracted services	<u>51,252</u>
Total Operating Expenses	<u>51,252</u>
Operating Income (Loss)	(33,314)
NON-OPERATING REVENUE	
Interfund Transfers	<u>25,626</u>
Total Non-operating Revenues	<u>25,626</u>
Change in Net Position	(7,688)
TOTAL NET POSITION - JULY 1, 2023	<u>(106,159)</u>
TOTAL NET POSITION - JUNE 30, 2024	<u>\$ (113,847)</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Information Technology Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 17,938
Cash paid to suppliers	<u>(68,633)</u>
Net Cash (Used) by Operating Activities	<u>(50,695)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Change in due to/from other funds	25,069
Interfund transfer	<u>25,626</u>
Net Cash Provided by Noncapital Financing Activities	<u>50,695</u>
Net change in Cash	-
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ (33,314)
Adjustments to reconcile operating income (loss) to net cash provided by operations:	
Change in assets and liabilities	
Increase (decrease) in accounts payable	<u>(17,381)</u>
Total Adjustments	<u>(17,381)</u>
Net Cash (Used) by Operating Activities	<u><u>\$ (50,695)</u></u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2024**

	Retiree Insurance Benefit Plan	Retiree Insurance Benefit Trust	Retiree Health Plan Trust	Total Fiduciary Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments		14,455,126	2,526,272	16,981,398
Internal receivables	986,114			986,114
TOTAL ASSETS	<u>986,114</u>	<u>14,455,126</u>	<u>2,526,272</u>	<u>17,967,512</u>
NET POSITION				
Future obligation of retiree benefits to be funded (deficit)	986,114			986,114
Held in trust for retiree health plan benefits		14,455,126	2,526,272	16,981,398
TOTAL NET POSITION	<u>986,114</u>	<u>14,455,126</u>	<u>2,526,272</u>	<u>17,967,512</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 986,114</u>	<u>\$ 14,455,126</u>	<u>\$ 2,526,272</u>	<u>\$ 17,967,512</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Retiree Insurance Benefit Plan</u>	<u>Retiree Insurance Benefit Trust</u>	<u>Retiree Health Plan Trust</u>	<u>Total Fiduciary Funds</u>
ADDITIONS				
Transfers	\$ 1,420,000	\$ -	\$ -	\$ 1,420,000
Earnings/(loss) on investment	-	982,080	165,795	1,147,875
DEDUCTIONS				
Retiree benefits	<u>1,500,467</u>			<u>1,500,467</u>
CHANGE IN NET POSITION	(80,467)	982,080	165,795	1,067,408
NET POSITION - JULY 1, 2023	<u>1,066,581</u>	<u>13,473,046</u>	<u>2,360,477</u>	<u>16,900,104</u>
NET POSITION - JUNE 30, 2024	<u>\$ 986,114</u>	<u>\$ 14,455,126</u>	<u>\$ 2,526,272</u>	<u>\$ 17,967,512</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - REPORTING ENTITY

The Board of Education of Allegany County, Maryland ("Board") is an elected group constituting an on-going entity which has governance responsibilities over all activities related to public elementary and secondary school education within its jurisdiction, Allegany County, Maryland ("County"). The Board receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. The Board is included as a component unit of Allegany County, Maryland as defined in Generally Accepted Accounting Principles (GAAP) since the Board is fiscally dependent on Allegany County, Maryland. In evaluating how to define the Board, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, and the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Board is able to exercise oversight responsibilities. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organizations. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. The Board has not included any component units in these financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board have been prepared in conformity with GAAP as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Basis of Presentation

The Board's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Board that are governmental (primarily supported by County appropriations and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

The statement of net position presents the financial condition of the governmental and business-type activities of the Board at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program, or function of the Board's governmental activities and for the single business-type activity of the Board.

Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

Fund Financial Statements During the year, the Board segregates transactions related to certain Board functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each enterprise and governmental fund is a major fund and is presented in a separate column. Fiduciary funds are reported by type.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The accounts of the Board are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues, and expenses or expenditures. The following funds and account groups are used by the Board:

Governmental Fund Types

Current Expense Fund - Unrestricted

The Current Expense Fund - Unrestricted is the general operating fund of the Board. All financial resources, except those required to be accounted for in another fund, are accounted for in this fund.

Current Expense Fund - Restricted and Food Service Fund

The Current Expense Fund - Restricted and Food Service Fund are special revenue funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. In the event an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are generally used first. In the event an expenditure is incurred for purposes for which both assigned and unassigned net position is available, assigned resources are used first.

School Construction Fund

The School Construction Fund is a capital projects fund used to account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary funds.

School Activities Fund

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

Proprietary Fund Types

Information Technology Fund

The Information Technology Fund is an enterprise fund used to account for financing of services provided by the Information Technology Fund to other departments of the Board and to other governments within Allegany County.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Fiduciary Fund Type

Retiree Insurance Benefit Plan Fund

The Retiree Insurance Benefit Plan Fund is an expendable trust fund used to account for assets held by the Board in a trustee capacity for future retirees' medical expenses.

Retiree Insurance Benefit Trust Fund

The Retiree Insurance Benefit Trust Fund is an expendable trust fund used to account for assets held in trust for future retirees' medical expenses.

Retiree Health Plan Trust Fund

The Retiree Health Plan Trust Fund is an expendable trust fund used to account for assets held in trust for future retirees' medical expenses.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Board are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus (Continued)

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the Government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its enterprise fund.

The private purpose fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both 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 be used to pay liabilities of the current period. A six-month availability period is used for revenue recognition for all governmental and fiduciary fund revenues. Expenditures are recorded when the related fund liability is incurred.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The proprietary fund is accounted for on a flow of economic resources measurement focus. The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All GASB pronouncements are followed in the proprietary fund. FASB, APB Opinions and ARB's issued before November 30, 1989 are followed to the extent they do not contradict GASB. FASB pronouncements issued after November 30, 1989 that are developed for business entities are followed to the extent that they do not contradict GASB.

The Board reports deferred inflows of resources on its statement of net position. Deferred inflows represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources, or a revenue, until that time. The Board reports deferred outflows of resources on its statement of net position. Deferred outflows represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources, or an expense, until that time. The Board reports deferred outflows of resources and deferred inflows of resources related to its pension plan. See Note 6. The Board also reports deferred inflows of resources related to its Other Post-Employment Benefits or OPEB. See Note 11.

E. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for all funds except, School Activities Fund, School Construction Fund, Retiree Insurance Benefit Plan, Retiree Insurance Benefit Trust, and Retiree Health Plan Trust. Annual operating budgets are adopted by the Board each fiscal year through passage of an annual budget and amended as required for all funds. Budget amendments requiring a change between categories requires approval by the Board and by the County. The budget is prepared using the same basis of accounting as is used to record actual revenues and expenditures/expenses with a few exceptions.

BOARD OF EDUCATIONS OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting (Continued)

At the request of the Maryland State Department of Education, on-behalf retirement payments made by the State of Maryland are not included in the final budgeted amounts of revenue and expenditures. On-behalf payments for nurses, security, and mental health are not included in the budget. The other exception is in the Proprietary Fund Type – Information Technology Fund. Budgetary control is exercised at the department level. Budgets presented in the financial statements reflect all amendments.

F. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the restricted governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

At June 30, 2024, \$2,765,007 of School Construction fund balance has been reserved to cover expected appropriations for specific construction projects. Expenditures in excess of total appropriations for a project are closed out against the unreserved portion of fund balance at the end of the project.

G. Post-Retirement Health Care Benefits

Prior to 1992, the Board was reimbursed 100% by all retired employees that elected to continue coverage under their health care plan. In accordance with the Board of Education Policy Manual and the Health Care Insurance Contract, all employees covered at the time they retired could elect to continue their coverage at their own expense. The reimbursements the Board received were netted with the premiums for the retirees. In 1992 and 2000, new policies were implemented to subsidize a portion of the retirees' health care costs. These policies are further described in Note 11.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventories

Materials, supplies, and textbooks purchased from Unrestricted and Restricted Current Expense Funds are not inventoried. Food Service Fund inventories consist of food and supplies located in the individual schools and in the central warehouse. Purchased food and supplies are valued at current cost, which is different from lower of cost or market. The difference is immaterial. The value of donated food is determined from U.S. Department of Agriculture price lists. Inventory on hand at the end of the period is recorded as an asset and a corresponding assignment of the fund balance is made. The amount on hand as of June 30, 2024 is \$349,693.

I. Compensated Absences

Accumulated earned vacation time is accrued when incurred. At June 30, 2024, \$1,859,158 has been accrued and included in other current liabilities on the Fund Balance Sheet.

During the year ended June 30, 1994, the Board implemented the provisions of the Governmental Accounting Standards Board's Statement No. 16, *Accounting for Compensated Absences*. This statement requires the recording of accumulated unused sick leave if such amounts will be paid as termination benefits. At June 30, 2024, \$129,327 has been accrued as the current portion of this liability on the Fund Balance Sheet. The long-term portion of \$1,963,669 has been recorded in the government-wide statement of net position. Long-term compensated absences increased in the current year by \$72,871 over the prior year total of \$1,890,798.

The Board only pays benefits to employees who terminate employment upon reaching the required retirement age or death. Benefits are not paid to employees who terminate prior to reaching their defined retirement age.

J. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Balances

On fund financial statements, receivables and payables resulting from interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. Interfund balances have no set repayment schedule and are generally not expected to be repaid within one year.

The composition of interfund balances as of June 30, 2024, is as follows:

<u>Pavable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Unrestricted	General Fund	\$45,295,123
Restricted	General Fund	7,872,648
School Construction	General Fund	11,489,737
General Fund	Retiree Ins.	(986,114)
General Fund	Food Service	(1,032,836)
Information Technology	General Fund	34,914
		<u>\$62,673,472</u>

L. Capital Assets

Capital assets, which include property, plant, equipment, and right-to-use assets are reported in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$5,000 for Buildings and Improvements and \$3,000 for Equipment and Right-to-Use Assets and an expected useful life of greater than one year. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Board does not possess any infrastructure. Donated capital assets are reported at acquisition value on the date donated. Lease and subscription-based capital assets are recorded as the right-to-use assets at the net present value of the future payments. The costs of normal maintenance and repairs that do not add to the value of the asset or do not materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net position and in the fund.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets (Continued)

Property, plant, equipment, and the right-to-use assets (lease and subscription-based agreements) are depreciated using the straight-line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Buildings and Improvements	7-50
Furniture, Equipment, and Vehicles	5-20
Right-to-Use Lease Assets	5-7 (shorter of term or useful life)
Right-to-Use Subscription-Based Assets	2-5 (shorter of term or useful life)

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Board, these revenues are for services provided by the Information Technology Fund to other entities within Allegany County. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

N. Statement of Cash Flows

For purposes of the statement of cash flows, the Information Technology Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

O. Credit Risk

As of June 30, 2024, the Board has recorded receivables from various governmental units. As these receivables are believed to be completely collectable, allowances for doubtful accounts are not recorded, nor are the receivables collateralized.

P. Estimates

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

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Debt

The school system does not have the authority to issue bonds under Maryland state law or the ability to access revolving loan funds or pools. The school system cannot enter into revenue debt, conduit debt, or any other type of hybrid debt. The school system is permitted to enter into alternative financing types of debt as approved by the Board of Education and County Commissioners. The finance department reviews all lease agreements to ensure consistency with school system policy and Maryland law. Leases paid for by central office funds are approved as part of the annual budget process. No lease financing in excess of \$100,000 will be entered into without approval of the Board of Education. The Board's debt consists of compensated absences payable and obligations related to right-to use leased assets and subscription-based assets.

R. Fund Balance

The elected Board of Education is the highest level of decision making authority in the organization. The elected Board of Education can commit fund balance. To remove or change the constraints placed on resources requires action by the elected Board of Education. The elected Board of Education has delegated authority to assign fund balance to the Superintendent or designee. In the event an expenditure is made from multiple balance classifications, the order of spending will be committed, assigned, and unassigned.

S. Net Pension Liability

The net pension liability had a balance at June 30, 2023 of \$6,200,969, and a balance at June 30, 2024 of \$7,566,086. The liability balance increased \$1,365,117 during the current year. No portion of the balance is considered due within one year.

T. Cash and Cash Equivalents

Cash includes currency on hand as well as demand deposits with banks or financial institutions. It also includes other kinds of accounts that have the general characteristics of demand deposits in that the Entity may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty. Cash equivalents, excluding items classified as marketable securities, include short-term, highly liquid investments that are both readily convertible to known amounts of cash, and so near their maturity that they present minimal risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under that definition.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Investments

The Board's investment practices are governed by the Annotated Code of the State of Maryland. Investments may include certificates of deposit, money market funds, instruments of the U.S. Treasury, repurchase agreements secured by the U.S. Treasury, and other federal securities with maturities of three months or longer that qualify.

V. Fiduciary Activities

GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying and reporting fiduciary activities. The Board's funds that qualify as fiduciary funds are the Retiree Insurance Benefit Plan, Retiree Insurance Benefit Trust, and Retiree Health Plan Trust.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS

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

	<u>Balance 6/30/23</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance 6/30/24</u>
Governmental Activities					
Non-depreciable capital assets:					
Land	\$ 7,643,505	\$ -	\$ -	\$ -	\$ 7,643,505
Construction-in-progress	9,303,176	5,683,391	-	(9,099,722)	5,886,845
Total Non-depreciable capital assets	<u>16,946,681</u>	<u>5,683,391</u>	<u>-</u>	<u>(9,099,722)</u>	<u>13,530,350</u>
Depreciable capital assets:					
Land Improvements	16,926,194	971,184	-	-	17,897,378
Buildings and Improvements	207,236,789	3,564,884	-	8,975,312	219,776,985
Furniture, Equipment and Vehicles	25,537,817	952,700	(265,499)	124,410	26,349,428
Total Depreciable Capital Assets	<u>249,700,800</u>	<u>5,488,768</u>	<u>(265,499)</u>	<u>9,099,722</u>	<u>264,023,791</u>
Right-to-Use amortizable assets:					
Intangible Leased Assets-equipment	993,969	276,439	(164,068)	-	1,106,340
Subscription-Based Assets	4,817,233	212,135	(1,407,578)	-	3,621,790
Total Amortizable Capital Assets	<u>5,811,202</u>	<u>488,574</u>	<u>(1,571,646)</u>	<u>-</u>	<u>4,728,130</u>
Less accumulated depreciation and amortization					
Land Improvements	(6,429,449)	(868,088)	-	-	(7,297,537)
Buildings and Improvements	(113,240,928)	(4,066,008)	-	-	(117,306,936)
Furniture, Equipment and Vehicles	(18,084,378)	(1,429,632)	216,402	-	(19,297,608)
Intangible Leased Assets-equipment	(821,159)	(105,917)	145,491	-	(781,585)
Subscription-Based Assets	(1,399,483)	(1,988,978)	1,407,578	-	(1,980,883)
Total Accumulated Depreciation and Amortization	<u>(139,975,397)</u>	<u>(8,458,623)</u>	<u>1,769,471</u>	<u>-</u>	<u>(146,664,549)</u>
Total Capital Assets Being Depreciated and Amortized	<u>115,536,605</u>	<u>(2,481,281)</u>	<u>(67,674)</u>	<u>9,099,722</u>	<u>122,087,372</u>
Governmental Activities Capital Assets, Net	<u>\$ 132,483,286</u>	<u>\$ 3,202,110</u>	<u>\$ (67,674)</u>	<u>\$ -</u>	<u>\$ 135,617,722</u>
Business-Type Activities					
Non-depreciable assets:					
Construction-in-progress	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-depreciable assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciable assets:					
Furniture, Equipment, and Vehicles	422,089	-	-	-	422,089
Less: Accumulated Depreciation	(422,089)	-	-	-	(422,089)
Total Depreciable Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-Type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* Depreciation and Amortization was charged to governmental functions as follows:

	<u>Depreciation and Amortization</u>
Administration	\$ 755,278
Transportation	260,972
Operation of plant and equipment	115,377
Maintenance of plant	188,127
Food Service	9,209
Special Education	53,486
Instructional	7,076,174
Total Depreciation and Amortization Expense	<u>\$ 8,458,623</u>

The insurance value of capital assets as of June 30, 2024 is: \$ 513,637,500

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - POSSIBLE FUTURE AUDIT ADJUSTMENTS OF REVENUE

Revenue is subject to periodic state or federal audits and possible future adjustments. Any adjustments resulting from such audits will be recorded in the year assessed.

NOTE 5 - FOOD SERVICE EXPENDITURES

Included in revenue and expenditures of the Food Service Fund is the value of USDA donated commodities used during the year of \$545,285. This amount includes the value of the donated commodities plus costs to process the commodities into useable form.

NOTE 6 - PENSION PLAN

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System (MSRP) and addition to/deductions from the MSRP fiduciary net position have been determined on the same basis as they are reported by MSRP. 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.

General Information about the Pension Plan

The Board of Education of Allegany County participates in the Maryland State Retirement and Pension System, a cost sharing multiple-employer public employee retirement system. Substantially all employees of the Board are eligible to participate in the System, which provides retirement, disability and death benefits in accordance with State statutes. The system is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and managed by a board of trustees. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the Teachers and Employees Retirement and Pension Systems. The annual report for the year ended June 30, 2023 (most recent available data) may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202, by calling 1-800-492-5909 or at www.sra.state.md.us.

The Maryland State Retirement and Pension System has various plans for school system employees. The Teachers' and Employees' Retirement System closed to new members hired on or after January 1, 1980. Members on December 31, 1979 continue to be members unless they elected to transfer into the pension system prior to January 1, 2005. The Teachers' and Employees' Pension System was established for members hired on or after January 1, 1980. The plan design and benefit levels are different for the retirement system as compared to the pension system. They will be disclosed separately.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

Teachers' and Employees' Retirement System

Retirement system member contributions are based upon a specified percentage of annual earnable compensation. Generally, members who elected in 1984 to receive unlimited future cost-of-living adjustments (COLA) contribute 7%. Members who elected in 1984 to receive a limited future COLA contribute 5%.

Retirement system members are eligible for full service retirement allowance upon attaining age 60 or upon accumulating 30 years of service regardless of age. Full service retirement allowance equals $1/55$ (1.818%) of the highest three years' average final compensation (AFC) multiplied by the number of years and months of creditable service.

Retirement system members are eligible for early service retirement upon accumulating at least 25 years of eligibility service prior to attaining age 60. The benefit will be reduced by 0.5% per month by which the retirement date precedes the earlier of the date on which the member reaches age 60 or the date on which the member would have completed 30 years of service. The maximum reduction is 30% for the pension in the retirement system and 42% on the benefit of the pension system if applicable.

Ordinary disability retirement is possible for members upon completing five years of eligibility service and receiving certification from the Medical Board that the member is permanently incapable of performing their necessary job functions. The ordinary disability retirement allowance generally equals $1/55$ (1.818%) of the highest three years' AFC multiplied by the number of years of accumulated creditable service. However, the ordinary disability benefit can be no greater than 1.818% of the AFC for each year of creditable service the member would have received had they continued to work until age 60.

There is also an accidental disability retirement benefit if the Medical Board certifies that, in the course of job performance, and as the direct result of an accidental injury, the member became totally and permanently disabled. The accidental disability allowance equals the sum of an annuity determined as the actuarial value of the members' accumulated contributions plus $2/3$ (66.7%) of AFC. Allowance may not exceed the members' AFC.

To be eligible for death benefits, retirement system members must have accumulated at least one year of eligibility service prior to the date of death or died in the line of duty. Death benefits are equal to a members' annual earnable compensation at the time of death plus accumulated contributions.

Retirement system members are vested provided they have at least five years of eligibility prior to separation. Vested allowances are equal to the normal service retirement allowances computed on the basis of the members' accumulated creditable service and AFC at the point of separation. If members do not withdraw their contributions and die before attaining age 60, their accumulated contributions are returned to the designated beneficiary.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

Teachers' and Employees' Pension System (Continued)

The Teachers' and Employees' Pension System was established on January 1, 1980. All members of the pension system on or before June 30, 2011, generally participate in the Alternative Contributory Pension Selection (ACPS). All members who enroll in the pension system on or after July 1, 2011, participate in the Reformed Contributory Pension Benefit (RCPB).

Members of the ACPS and RCPB contribute 7% of earnable compensation. Members of the ACPS are eligible for retirement upon accumulating 30 years of service. Absent 30 years of eligibility, options exist for retirement based upon age and years of eligibility if a member's age is 62 or older. Generally, the full service pension allowance equals 1.2% of the AFC for the three highest consecutive years for the ACPS. RCPB members are eligible for full service pension when their combined age and eligibility service equals 90 years or they attain age 65 after 10 years of eligibility. The RCPB full service pension allowance is equal to 1.5% of the AFC for the five highest years as an employee. Members of the ACPS and RCPB are eligible for cost-of-living adjustments. ACPS members have the adjustment capped at 3% and is applied to all benefits attributable to service earned before June 30, 2011 which would have been in payment for one year. ACPS and RCPB members have the cost-of-living allowance capped at 2.5% for service earned on and after July 1, 2011 or the increase in the consumer price index if the most recent calendar quarter was greater than or equal to the assumed rate. In years in which cost-of-living adjustments would be less than zero due to a decline in the consumer price index, retirement allowances will not be adjusted. Cost-of-living adjustments in succeeding years are adjusted until the difference between the negative cost-of-living adjustment that would have been applied and the zero cost-of-living adjustment is fully recovered.

Pension system members are eligible for early service retirement benefits. The ACPS allows an early service payment upon attaining age 55 with at least 15 years of eligibility service. The benefit payable will be the ACPS full service pension which will be reduced by 0.5% for each month by which the retirement precedes age 62.

The maximum reduction is 42%. The RCPB members are eligible for early service pension payments attaining age 60 and 15 years of eligible service. The benefit payable will be the RCPB full service pension which will be reduced by 0.5% for each month by which the retirement precedes age 65. The maximum reduction is 30%.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

Teachers' and Employees' Pension System (Continued)

Ordinary disability retirement is possible for ACPS and RCPB members upon completing five years of eligibility service and receiving certification from the Medical Board that the member is permanently incapable of performing their necessary job functions. The ordinary disability pension allowances generally equal the full service pension allowance if the members are at least age 62 on the date of retirement.

There is also an accidental disability pension benefit if the Medical Board certifies that, in the course of job performance, and as the direct result of an accidental injury, the member became totally and permanently disabled. The accidental disability allowance equals the sum of an annuity determined as the actuarial value of the members' accumulated contributions plus 2/3 (66.7%) of AFC. Allowance may not exceed the members' AFC.

To be eligible for death benefits, pension system members must have accumulated at least one year of eligibility service prior to the date of death or died in the line of duty. Generally, the benefit is equal to the members' annual earnable compensation on the date of death plus accumulated contributions.

Pension system members are vested depending upon their plan. ACPS members are vested with five years of service. RCPB members are vested with 10 years of service.

For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive 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 benefit 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 either the Teachers' or Employees' Retirement System (ERS) 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 AFC multiplied by the number of years of accumulated creditable service.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

Teachers' and Employees' Pension System (Continued)

An individual who is a member of either the Teachers' or Employees' 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 either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's 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.

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance.

The State of Maryland, which is a non-employer contributor to the Teachers' Retirement System (TRS) and Teachers' Pension System (TPS), makes non-employee contributions in amounts required by State statutes at a set cost-sharing amount through 2017. The Board pays all employer contributions for employees who participate in the Employees' Pension System (EPS). Employees participating in the EPS include employees classified as custodial and cafeteria personnel. Employer contribution rates for custodial and cafeteria personnel are established by annual actuarial valuations, subject to the approval of the systems' Board of Trustees in accordance with the Annotated Code of Maryland.

Employees covered under the TRS, TPS and the EPS are required by State statute to contribute 7.0% of earned compensation.

For the year ended June 30, 2019 and thereafter, the Board is responsible for paying 100% of the normal cost for the TPS and TRS plans. The State of Maryland is responsible for paying 100% of the School System's past costs related to TPS and TRS plans. This meets the criteria of a special funding situation in accordance with Governmental Accounting Standards. The State's contributions on behalf of the Board for the year ended June 30, 2024 were \$6,377,507, which were equal to the State's required contributions for that year. The contributions are recognized as revenues and expenditures in the Unrestricted Current Expense Fund. The Board's contributions for the year ended June 30, 2024 were \$3,273,196 to the TRS and TPS, and \$905,618 for the EPS, which were equal to the Board's required contributions for that year.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

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

Before discussion of the process used to calculate and allocate the net pension liability, it is important to understand Maryland's particular situation concerning the payment of employer pension costs for Maryland's teacher population under the 24 Boards of Education (BOE).

At the time that the GASB's pension changes were under consideration, an initiative for pension cost sharing was before the 2012 session of the General Assembly. This legislation, which became law, required each BOE to begin paying the "normal cost" for their teachers starting in FY 2013 and full normal cost to be paid in FY 2017 and each year thereafter.

Because the State of Maryland pays the unfunded liability and the local BOEs pay the normal cost for the teachers' pension, the local Boards of Education are not required under GASB 68 to record their share of the unfunded pension liability for the TRS but instead, that liability is recorded by the State of Maryland. The portion of the net pension liability recorded by the State of Maryland related to the Board's teachers' pensions was \$93,371,310 as of June 30, 2023. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 that was roll-forwarded to June 30, 2023, using the entry age normal actuarial cost method. The Board's portion of the net pension liability recorded by the State was calculated based on pension contributions made for Board teacher pensions relative to total employer contributions for the Teachers' Retirement System and Teachers' Pension System for the year ended June 30, 2023, actuarially determined. As June 30, 2023, the Board's proportion was 0.79 percent.

Certain non-teacher Board personnel including custodial and cafeteria personnel participate in the ERS. The Board has responsibility for the funding of these employee contributions and therefore, is required under GASB 68 to record their proportional share of the net pension liability of the Employee' Retirement and Pension System. The proportional share is based on the employer contributions for only those employees participating in the ERS and does not include contributions made for employees participating in the TRS.

At June 30, 2024, the Board reported a liability of \$7,566,086 for its proportionate share of the ERS and EPS net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on the Board's contributions to the ERS relative to total contributions made by all participants to the Maryland State Retirement and Pension System for the year ended June 30, 2023, actuarially determined. At June 30, 2023, the Board's proportion was 0.03285 percent compared to 0.03099 percent at June 30, 2022, an increase of 0.00186.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

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

Pension expense for the ERS plan for the year ended June 30, 2023 was \$1,077,065.

At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 472,924	\$ 27,217
Change in proportionate share	702,362	
Net difference between projected and actual earnings	723,383	
Difference between actual and expected experience	265,925	304,461
Board contributions to the Employees' Pension System subsequent to the measurement date	905,618	
Total	<u>\$ 3,070,212</u>	<u>\$ 331,678</u>

\$905,618 reported as deferred outflows of resources related to pensions resulting from Board contributions to the ERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2025	\$ 383,382
2026	284,771
2027	834,502
2028	274,395
2029	55,866
Thereafter	0
Total	<u>\$ 1,832,916</u>

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

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

The total pension liability was determined by and actuarial valuation as of June 30, 2022, and rolled forward to June 30, 2023, using the entry age normal actuarial cost method. The actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Individual Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Inflation	2.25% price, 2.75% wage
Salary increases	2.75% to 11.25%
Discount rate	6.80%
Investment rate of return	6.80%
Retirement Age	Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females.

The 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 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 reduce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the System 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	34.00%	6.90%
Private Equity	16.00%	8.60%
Rate Sensitive	20.00%	2.60%
Credit Opportunity	9.00%	5.60%
Real Assets	15.00%	5.40%
Absolute Return	6.00%	4.40%
Total	<u>100.00%</u>	

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

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

The discount rate used to measure the total pension liability was 6.80 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the State will be made at current statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to determine the total pension liability.

The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.80 percent, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80 percent) or 1-percentage-point higher (7.80 percent) than the current rate:

	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
Board's proportionate share of the net pension liability	\$ 11,218,961	\$ 7,566,086	\$ 4,534,816

Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

NOTE 7 - RELATED PARTIES

The Board is closely related to Allegany County and the State of Maryland, and is dependent on these two sources for the major portion of its current expense funding. The amounts received and receivable during the year are disclosed within the financial statements

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - CASH AND INVESTMENTS

Deposits

At June 30, 2024, the carrying amount of the Board's reconciled bank deposits was \$36,827,312 and the various bank balances were \$37,471,939. Certificates of Deposit measured at fair value were \$457,041. Of the bank and CD balances, \$736,631 was covered by federal depository insurance. Total deposits collateralized by securities held by the pledging financial institution were \$3,910,373. Deposits not covered by federal depository insurance or collateral were \$33,281,976.

During fiscal 2023, the Board implemented sweep accounts for its main checking and operating accounts to take advantage of favorable interest rates. The sweep accounts are invested in a Government Money Market Fund as defined in Rule 2a-7 under the Investment Company Act of 1940, as amended. This means that the fund invests at least 99.5% of its total assets in (1) U.S. government securities, (2) repurchase agreements that are collateralized fully by U.S. government securities or cash, (3) cash, and/or (4) other money market mutual funds that operate as Government Money Market Funds. As a result, the cash on hand at June 30, 2024 includes \$33,275,649 in Government Money Market Funds, net of outstanding checks, that while not risk free have low risk and are highly liquid. Total funds at June 30, 2024 that were not covered federal depository insurance, collateral, or invested in sweep accounts was \$6,327.

Investments

The Board's investment practices are governed by the Annotated Code of the State of Maryland. The Annotated Code limits the Board's investment activity to certificates of deposit, money market funds, instruments of the U.S. Treasury, and repurchase agreements secured by U.S. Treasury and other federal securities.

All investment revenue is recorded in the fund that held the investments at year end.

As of June 30, 2024, the Board's local investments in certificates of deposit and maturities are outlined as follows:

	Fair Value	Investment Maturity in Months			
		Less Than 1	1-6	6-12	More Than 12
Certificates of Deposit	\$457,041	\$15,043	\$407,168	\$34,830	\$0

Investments of \$16,981,398 related to other post-employment benefits are discussed at Note 11 – Other Post-Employment Benefits Other Than Pension Benefits.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk - In accordance with its investment policy, the Board manages its exposure to declines in fair values arising from interest rates by limiting the maturity date of securities to no more than 2 years from the date of purchase, unless it is matched to a specific cash flow requirement.

Credit Risk – The Board’s investment policy for investments outside the MABE pooled investment trust limits the investments of the portfolio to 5% of Bankers Acceptances, 5% to money market mutual funds, and 5% to commercial paper. The Board’s investment policy complies with Maryland state law limits.

Custodial Credit Risk – Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor-board’s name.

NOTE 9 - ON-BEHALF PAYMENTS

The State of Maryland paid \$6,377,507, into the State Retirement and Pension System of Maryland on behalf of the Board.

In addition, the Board receives support in the form of “on-behalf spending” from the Allegany County Government. School nurses are provided to the Board through the Allegany County Health Department at a total cost of \$2,102,974 of which \$994,515 is paid by the Board and the remainder of \$1,108,459 is funded by County, State, and Federal funds.

County government also supported the school system by assisting with school security of \$109,448 for public school students and mental health spending in the amount of \$36,572 for both public and non-public school students.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - COMMITMENTS, CONTINGENCIES, RISKS, AND SUBSEQUENT EVENTS

The Board is exposed to risks of loss from lawsuits, medical and dental insurance claims, workers' compensation claims, and property damage claims. The Board manages its risks for these claims in various ways. Risks of loss arising from property damage and errors and omissions have been transferred to the Board's insurance carrier through the purchase of set premium insurance. The Board retains the risk of loss for medical and dental claims and has included \$4,244,805 in accrued expenses on the balance sheet to cover incurred but not reported claims. This amount decreased by \$2,270,113 from the prior year amount of \$6,514,918, and was based on total claims paid of \$24,713,716 and \$22,992,792 for 2024 and 2023, respectively. The Board does not include any other incremental costs in its basis. The Board's insurance consultant had advised that the recorded liability is sufficient. The Board purchased stop-loss insurance, however, so that if an individual claim exceeds \$350,000, the insurance company will reimburse the Board for the excess.

Hospital Insurance Liability at Beginning of Year	\$ 6,514,918
Claims and changes in estimates during the year	22,443,603
Claims paid	(24,713,716)
Hospital Insurance Liability at End of Year	\$ 4,244,805

The Board participates in the Maryland Association of Boards of Education's risk pool to manage the risks for workers' compensation claims. The Board pays an annual premium into the pool and may participate in refunds or be assessed additional premiums based on the experience of the pool and the Board's individual experience. No additional amounts have been recorded in the financial statements for any additional assessments since it is unlikely that a material amount, if any, will be assessed.

The Board also joined the Maryland Association of Boards of Education risk pool, organized as a trust, for the purpose of providing property, liability, and automobile coverage to members of the pool for an annual premium. Such premiums are actuarially calculated for the pool as a whole based upon loss data and are allocated to members based on student enrollment, number, and type of vehicles as well as experience modification factors. The Pool is reinsured on a claims-made basis for liabilities, covering claims aggregating \$3 million per system per year.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - COMMITMENTS, CONTINGENCIES, RISKS, AND SUBSEQUENT EVENTS (Continued)

The Board is exposed to a variety of threatened and pending litigation at June 30, 2024. No liability has been recorded for contingencies in the financial statements as the Board does not believe it is likely that a material liability will result from these claims that will not be covered by insurance, and no amount is determinable.

The Board evaluated subsequent events through January 13, 2025, for possible inclusion in the financial statements for potential required disclosures.

Long-range facilities plan

A long-range facilities plan for the future operation of County schools has been approved by vote by the School Board. Formal action is required for school consolidations and new school constructions. Funding for any action would come from State, County, and the Board funds. The board designated funds of \$2,765,007 as restricted for use in stadium renovations, aging school projects, and technology infrastructure.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In fiscal year 2018, GASB issued a new accounting standard for the employer of OPEB plans (Statement No. 75 Accounting and Reporting for Postemployment Benefits Other than Pensions). The Board adopted and implemented this standard.

Since 1992, a new policy was implemented to subsidize a portion of the retiree's health care premiums. For 2023, a maximum subsidy for all retirees of \$185,000 was Board approved. The total annual amount of the subsidy for the 2024 fiscal year is as follows for 70 retirees:

<u>Years of Service at Retirement</u>	<u>Total Premium Subsidy Paid</u>	
	<u>Under Age 65</u>	<u>Over Age 65</u>
25 - 29 years	\$ 0	\$57,612
30 or more years	\$ 0	\$102,298

Plan Description

In 2000, the "Retiree Insurance Benefit Plan" was established to subsidize a portion of future retirees' health care costs. Eligible employees retiring after June 30, 2002 will be covered under this plan. Eligible employees who retired prior to July 1, 2002 will continue to receive supplements under the plan described in the previous paragraph. The Board contributed \$1,420,000 toward the fund during the fiscal year ended June 30, 2024.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Plan Description (Continued)

The Retiree Insurance Benefit Plan, a single-employer plan, is an independent fund jointly established by the Board of Education of Allegany County and four bargaining units to reimburse eligible retirees a portion of their post-retirement health insurance costs. Annual benefits to be paid from the fund are to be determined by a Plan Oversight Committee, consisting of five employee union representatives and four representatives appointed by the Board. The plan is presented within the financial statements as a Fiduciary Fund

In March 2009, the Board entered into an agreement with the Maryland Association of Boards of Education (MABE), together with certain member Boards of Education of Maryland to establish the MABE Pooled OPEB Investment Trust (MABE Pool) in order to pool assets of the member Boards of Education for investment purposes and to arrange for the establishment of a reserve to pay health and welfare benefits for future retirees. The assets of the MABE Trust are managed by GYL Financial Synergies and consist of money market funds, U.S. government securities, fixed income securities, asset-backed securities, equity securities, mutual funds and exchange traded funds.

At June 30, 2024 the net position of the MABE Trust was valued at \$694.65 million; the School System's interest was \$16,981,398 which is held in trust for the OPEB liability. Certain investments in the trust are measured at net asset value and as such are not subject to fair value disclosure leveling. The pool does not carry a credit quality rating.

The MABE OPEB Trust is audited annually by an independent CPA firm. Cohen & Company, LTD performed this service. The audit report is usually issued by September 1st each year, a copy of which can be obtained by sending a request to the following address: Administrator of the MABE Pooled Investment Trust, 621 Ridgely Road, Suite 300, Annapolis, MD 21401-1112. The State of Maryland Treasurer's Office provides regulatory oversight of the investment pool, and the fair value of the School System's position in the pool is the same as the fair value of pool shares. The Board can withdraw its allocated investment balance from the fund by providing written notification six months prior to the intended date of withdrawal.

Plan Membership and Benefits Provided

In addition to subsidizing a portion of retiree health care benefits, the Board provides other post-employment benefits under a single employer plan. The Board provides medical benefits including prescription drug to eligible employees who retire from the Allegany County Public School System. The employer's contributions are financed on a pay-as-you-go basis through negotiated agreements with employee bargaining groups, and the future payment for these benefits is contingent upon annual approval of the operating budget. As of the May 31, 2023 actuarial valuation date, plan membership included 1,148 active employees that may receive this benefit in the future and 1,005 retirees and beneficiaries that are currently eligible for this benefit. There were 724 retirees taking advantage of some portion of retiree benefits as of June 30, 2024. Details of the post-retirement benefits are as follows:

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Medical Benefits

Retirees are eligible for continued membership of the school system's group medical plans provided they have at least 15 years of service with the Allegany County Public Schools. Employees must actually retire from the Board and begin receiving retirement benefits from the State of Maryland without any time break between the last day of employment and their retirement date. Employees must retire July 1, 2002, or thereafter.

The retiree pays the premiums for these benefits but is eligible for a reduction of the premium based upon years of service and age. Retirees with 30 years of service are eligible for the maximum benefit. Retirees with more than 25 years, but less than 30 years of services are eligible for 85% of the maximum benefit. Retirees with over 20 years of service, but less than 25 years of service are eligible for 70% of the maximum benefit. Retirees with over 15 years of service but less than 20 years of service are eligible for 55% of the maximum benefit. The fund will reimburse for health, dental, vision, and prescription premiums paid toward the Board insurance, other employer provided insurance, private policies, and/or Medicare B. Retirees can be covered by any health insurance plan they choose. They can be covered by any combination of the Board's health insurance, their spouse's insurance and/or a supplemental health insurance policy. If the employee dies in service July 1, 2002, or thereafter, their spouse may be eligible for benefits as explained in the negotiated contract.

Actuarial Methods and Assumptions.

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

Actuarial Valuation Date:	June 30, 2024
Measurement Date	June 30, 2023
Amortization Method	Entry Age Normal
Inflation	2.5 percent
Salary Increases	4.0 percent
Discount Rate	7.0 percent
Investment Rate of Return	7.0 percent
Mortality:	Pub-2010 Teacher Headcount-weighted
with fully generational scale MP-2021. The table represents the most recent table released by the Society of Actuaries specifically for governmental employees.	

Projections of benefits for financial purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)

Accrual Methods and Assumptions (Continued)

The last complete actuarial valuation was performed as of June 30, 2023. The June 30, 2023 valuation was based on (a) the plan provisions as in effect on that date, (b) employee data as of May 31, 2023, as provided by the plan sponsor, and (c) asset information as of June 30, 2023. The measurement included a 7.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5% for 2024, decreasing by 0.25% per year until it reaches 4.5%. The actuarial value of assets was determined using market value.

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

Investments

The MABE Trust's policy in regard to the allocation of invested assets is established and may be amended by the Trustees by a majority vote of its members. It is the policy of the Trust to pursue an investment strategy that emphasizes growth of principal while avoiding excess risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index.

The MABE Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes and aims to refrain from dramatically shifting asset allocations over short time spans.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)

Investments (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The expected inflation rate is 2.26%.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
US Large Cap Equity	16.5%	7.27%
US Mid Cap Equity	6.0%	7.84%
US Small Cap Equity	7.5%	8.60%
Non-US Developed Large Cap Equity	15.0%	8.38%
Emerging Markets Equity	8.0%	10.66%
US Real Estate - REITS	4.0%	7.63%
US Aggregate Fixed Income	35.0%	4.12%
US High Yield Fixed Income	5.0%	6.32%
US Cash	3.0%	2.97%
Total	100.0%	6.58%

The level of plan assets are sufficient to cover projected future obligated payments.

Rate of Return on Investments

For the year ended June 30, 2024, the annual money-weighted rate of return on investments net of investment expense was 7.35 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Actual future returns may vary due to the timing of capital contributions and redemptions.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)

Change in Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2023	\$ 28,461,629	\$ 15,833,523	\$ 12,628,106
Changes for the year:			
Service cost	408,547	-	408,547
Interest	1,935,184	-	1,935,184
Difference between expected and actual experience	-	-	-
Assumption changes	100,443	-	100,443
Contributions - employer	-	1,660,378	(1,660,378)
Contributions - employee	-	-	-
Net investment income	-	1,163,638	(1,163,638)
Benefit payments	(1,660,378)	(1,660,378)	-
Administrative expense	-	(15,764)	15,764
Other changes	-	-	-
Net Changes	783,796	1,147,874	(364,078)
Balance at June 30, 2024	\$ 29,245,425	\$ 16,981,397	\$ 12,264,028

For the year ended June 30, 2024, the Board recognized OPEB expense of \$1,519,042.

Sensitivity of the net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB 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 the current discount rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB Liability	\$15,225,517	\$12,264,028	\$9,696,060

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)

Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 3.5 percent) or 1-percentage-point higher (8.5 percent decreasing to 5.5 percent) than the current healthcare rates:

	1% Decrease (6.5% to 3.5%)	Healthcare Cost Trend Rate (7.5% to 4.5%)	1% Increase (8.5% to 5.5%)
Net OPEB Liability	<u>\$ 2,349,156</u>	<u>\$ 12,264,028</u>	<u>\$ 15,725,780</u>

Deferred Outflows and Deferred Inflows of Resources Related to Other Post-Employment Benefits

At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 1,165,328	\$ (43,287)
Difference between expected and actual experience	-	(1,444,065)
Net difference between projected and actual earnings on OPEB plan investments	701,088	-
	<u>\$ 1,866,416</u>	<u>\$ (1,487,352)</u>

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Deferred Outflows and Deferred Inflows of Resources Related to Other Post-Employment Benefits (Continued)

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

Year ended June 30:		
2025	\$	166,917
2026		632,461
2027		(315,966)
2028		(104,648)
2029		(12,735)
Thereafter		13,035
Total	\$	379,064

NOTE 12 - LEASE AND SUBSCRIPTION-BASED OBLIGATIONS

LEASE OBLIGATIONS:

The Board leases photocopy and printing equipment as right-to use assets with interest rates of 8.0% and maturity dates up to 2030. The right-to-use assets under lease arrangements as of June 30, 2024 were \$309,129 with \$85,048 representing the current portion and \$224,081 representing the long-term portion. In fiscal 2023, the right-to-use assets under lease arrangements were \$192,742 of which \$88,076 was current and \$104,666 was considered long-term. The increase in long-term liabilities was \$119,415. The obligations are secured by the equipment under lease.

Following is a schedule of principal and interest payments under leases as of June 30, 2024:

<u>Year Ended June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 85,048	\$ 21,461	\$ 106,509
2026	70,110	15,311	85,421
2027	66,114	9,819	75,933
2028	54,226	5,010	59,236
2029	32,710	1,201	33,911
2030 and thereafter	921	9	930
Total	\$ 309,129	\$ 52,811	\$ 361,940

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - LEASE AND SUBSCRIPTION-BASED OBLIGATIONS (Continued)

LEASE OBLIGATIONS (Continued)

The following is right-to-use assets under lease arrangements, which are included in capital assets as governmental activities on the statement of net position at June 30, 2024:

Cost	\$1,106,340
Less: Amortization	<u>(781,585)</u>
	<u>\$324,755</u>

SUBSCRIPTION-BASED OBLIGATIONS

The Board has adopted the provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* for the year ended June 30, 2023. SBITAs have become increasingly prevalent as governments and vendors are moving away from traditional information technology (IT) arrangements based on a purchasing/perpetual licensing model and move to a subscription model. Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - LEASE AND SUBSCRIPTION-BASED OBLIGATIONS (Continued)

SUBSCRIPTION-BASED OBLIGATIONS (Continued)

The Board has entered into several subscription-based information technology agreements (SBITAs) as a subscriber to finance the right-to-use assets software subscriptions. These include online-teaching software designed for instructors to increase efficiency, student engagement & simplify workflows; an integrated Enterprise Resource Planning (ERP) platform for financials, procurement, HR, payroll and revenues; and a cloud-based student information and learning tool. When the interest rate implicit in the lease agreement is not readily determinable, the Board utilizes the Prime rate at the time of purchase to discount the lease payments.

Changes in Subscription-Based Obligations for the year ended June 30, 2024 were as follows:

	<u>Long-Term</u>	Current (due within <u>one year</u>)	<u>Total</u>
Balance - June 30, 2023	\$ 652,244	\$ 475,785	\$ 1,128,029
Additions	-	-	-
Reductions	(168,781)	(307,004)	(475,785)
Balance - June 30, 2024	<u>483,463</u>	<u>168,781</u>	<u>652,244</u>
Change for Year	(168,781)	(307,004)	(475,785)

The net SBITA right-to-use intangible asset was \$1,640,907 at June 30, 2024. The intangible asset is amortized on a monthly straight-line basis.

The right-to-use assets under subscription-based arrangements were as follows:

Right-to-Use Subscription-Based Assets:	Governmental <u>Activities</u>
Total Amortizable Capital Assets	\$3,621,790
<u>Less: Amortization</u>	<u>1,980,883</u>
Total	<u>\$1,640,907</u>

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - LEASE AND SUBSCRIPTION-BASED OBLIGATIONS (Continued)

SUBSCRIPTION-BASED OBLIGATIONS (Continued)

The following are the future minimum principal and interest SBITA payments at June 30, 2024:

Fiscal Year Ending June 30,	Principal	Interest
2025	\$ 168,781	\$28,566
2026	148,563	20,344
2027	160,904	13,070
2028	173,996	5,197
2029	-	-
2030-2034	-	-
2035-2039	-	-
Total	<u>\$ 652,244</u>	<u>\$67,177</u>

NOTE 13 - FUND BALANCE

A surplus fund balance of \$27,665,015 existed in the Current Expense Fund Type, Unrestricted Fund, as of June 30, 2024. A surplus of \$7,336,570 was unassigned.

NOTE 14 - ACCOUNTS RECEIVABLE

Total accounts receivable of Governmental Funds in the financial statements as of June 30, 2024 is \$35,399,664. This total consists of the following components:

County Government	\$ 0
State Government	14,323,654
Federal Government	20,543,436
Other Local Education Agencies	17,560
Other	<u>515,014</u>
Total	<u>\$ 35,399,664</u>

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 15 - STADIUM FUNDS

Greenway Avenue Stadium

On August 13, 1996 the Board approved a \$1 surcharge on adult ticket sales for varsity football, varsity soccer, and varsity track sporting events held at Greenway Avenue Stadium. The \$1 surcharge is also assessed on student ticket sales for the varsity football homecoming game. The funds are to be used to maintain, renovate, and upgrade Greenway Avenue Stadium. These funds are collected by Fort Hill and Allegany High Schools and remitted to the central office. Once received by the central office, these funds become part of the School Construction Fund.

The activity for the year ended June 30, 2024 is as follows:

Balance, beginning of year	\$ 341,263
Add: Ticket surcharge collections	17,806
Donation	0
Tower rent	19,891
Less: Expenditures	0
Balance, end of year	<u>\$ 378,960</u>

Mountain Ridge Stadium

On March 13, 2007 the Board approved a \$1 surcharge on adult ticket sales for varsity football, varsity soccer, and varsity track sporting events held at Mountain Ridge Stadium. The funds are to be used to maintain, renovate, and upgrade Mountain Ridge Stadium. These funds are collected by Mountain Ridge High School and remitted to the central office. Once received by the central office, these funds become part of the School Construction Fund.

The activity for the year ended June 30, 2024 is as follows:

Balance, beginning of year	\$ 90,281
Add: Ticket surcharge collections	8,927
Interest	0
Less: Expenditures	0
Balance, end of year	<u>\$ 99,208</u>

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 16 - FAIR VALUE MEASUREMENTS

Government Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, defines fair value, establishes a framework for measuring fair value, establishes a three level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Represented by quoted prices that are available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities.
- Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed securities and swap agreements.
- Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement including the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and private investments in public entities.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at June 30, 2024 are as follows:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 457,041	\$ -	\$ -	\$ 457,041
MABE Investment Assets:				
Corporate Bonds	-	2,451,970	-	2,451,970
Corporate Asset Backed Securities	-	162,056	-	162,056
Equity Securities	5,340,334	-	-	5,340,334
Exchange Traded Funds	-	-	-	-
Mutual Funds	5,255,307	-	-	5,255,307
Municipal Bonds	-	-	-	-
Foreign Government Bonds	-	13,630	-	13,630
US Government and Agency Fixed Income	-	-	-	-
Asset Backed Securities	-	2,784,386	-	2,784,386
Total MABE investments by fair value level	10,595,641	5,412,042	-	16,007,683
Total Investments measured at Fair Value	\$ 11,052,682	\$ 5,412,042	\$ -	\$ 16,464,724
MABE Investments measured at net asset value				973,715
Total Investments Measured at Fair Value and Net Asset Value				\$ 17,438,439

The fair value measurement for these assets are based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data (Level 2). In certain cases, where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the hierarchy.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 17 - PRIOR PERIOD ADJUSTMENTS

The beginning net position has been corrected in the Statement of Revenues, Expenditures and Changes in Fund Balance for the General fund. The Board adopted GASB No. 96, Subscription-Based Information Technology Arrangements, for the year ended June 30, 2023. The Board recorded payments on arrangements that benefited periods after year-end as prepaids and amortized prepaids to expense in the periods covered by the arrangements in the June 30, 2023, fund financial statements. As the arrangements are considered fixed assets, the correct fund statement treatment is to expense the arrangements when purchased.

The detail of the impact of the change is presented in the table below:

<u>DESCRIPTION</u>	<u>GENERAL FUND</u>	<u>RESTRICTED FUND</u>
Record adjustment to July 1, 2022 fund balance to remove Prepaids at transition to GASB No. 96	\$ (435,744)	\$ (1,540,519)
Record Capital outlay, year ended June 30, 2023	(777,828)	(427,619)
Reverse amortization of prepaid in the year ended June 30, 2023 - Instruction, textbooks and Instructional supplies	154,582	-
Reverse amortization of prepaid in the year ended June 30, 2023 - Instruction, other	57,699	869,617
Reverse amortization of prepaid in the year ended June 30, 2023 - Special education	41,234	-
Reverse amortization of prepaid in the year ended June 30, 2023 - Operation of plant and equipment	4,605	-
Transfers	<u>(1,098,521)</u>	<u>1,098,521</u>
Change in beginning fund balance (decrease), July 1, 2023	<u>\$ (2,053,973)</u>	<u>\$ -</u>
Impact of change on year end June 30, 2023 excess (deficiency) of revenues over expenditures	<u>\$ (519,708)</u>	<u>\$ 441,998</u>

The adjustment had no impact on the change in net position or the governmental statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	Unrestricted		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Budgeted Amounts Original	Final		
REVENUES				
County - regular appropriation	\$ 34,204,700	\$ 34,204,700	\$ 34,204,700	\$ -
State - direct	92,461,995	92,461,995	91,215,699	(1,246,296)
Federal - direct	-	200,000	200,126	126
Fund Balance	250,000	250,000		(250,000)
Other revenue	1,158,500	1,608,500	1,735,915	127,415
TOTAL REVENUES	<u>128,075,195</u>	<u>128,725,195</u>	<u>127,356,440</u>	<u>(1,368,755)</u>
EXPENDITURES				
Administration	2,751,904	2,751,904	2,722,668	29,236
Mid-level administration	7,769,342	7,769,342	7,721,742	47,600
Instruction - salaries	46,669,315	45,319,315	44,041,395	1,277,920
Instruction - textbooks & instructional supplies	3,064,761	2,347,621	2,118,479	229,142
Instruction - other	2,617,465	3,184,605	2,278,979	905,626
Student personnel services	663,429	763,429	761,341	2,088
Health services	897,528	897,528	885,914	11,614
Student transportation	6,893,932	6,893,932	6,864,172	29,760
Operation of plant and equipment	9,409,135	10,159,135	10,320,067	(160,932)
Maintenance of plant	1,961,660	1,861,660	1,810,320	51,340
Fixed charges	26,969,233	27,419,233	25,963,480	1,455,753
Community Service	-	-	-	-
Food Services	493,432	493,432	-	493,432
Capital outlay	790,000	990,000	1,315,320	(325,320)
Special education	17,124,059	17,874,059	18,432,580	(558,521)
TOTAL EXPENDITURES	<u>128,075,195</u>	<u>128,725,195</u>	<u>125,236,457</u>	<u>3,488,738</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>2,119,983</u>	<u>2,119,983</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers	-	-	(904,959)	(904,959)
Leases and subscriptions-based payables	-	-	225,306	225,306
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(679,653)</u>	<u>(679,653)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>1,440,330</u>	<u>1,440,330</u>
FUND BALANCE - JULY 1, 2023 as originally present	<u>28,278,658</u>	<u>28,278,658</u>	<u>28,278,658</u>	<u>-</u>
Change in Beginning fund Balance (see Note 17)	<u>-</u>	<u>-</u>	<u>(2,053,973)</u>	<u>(2,053,973)</u>
FUND BALANCE - JULY 1, 2023 as restated	<u>28,278,658</u>	<u>28,278,658</u>	<u>26,224,685</u>	<u>(2,053,973)</u>
FUND BALANCE - JUNE 30, 2024	<u>\$ 28,278,658</u>	<u>\$ 28,278,658</u>	<u>\$ 27,665,015</u>	<u>\$ (613,643)</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - RESTRICTED (CURRENT EXPENSE) AND FOOD SERVICE
FOR THE YEAR ENDED JUNE 30, 2024**

	Restricted				Food Service			
	Budgeted Amounts Original	Budgeted Amounts Final	Actual Budgetary Basis	Variance With Final Budget Positive (Negative)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
REVENUES								
State - direct	\$ 4,145,319	\$ 4,145,319	\$ 6,315,752	\$ 2,170,433	\$ 115,000	\$ 115,000	\$ 199,184	\$ 84,184
Federal - direct					385,000	385,000	545,285	160,285
- received through State & Pass-Thru Agencies	29,438,197	29,438,197	23,408,161	(6,030,036)	3,750,000	3,750,000	3,787,485	37,485
Other revenue	164,600	164,600	441,545	276,945	385,000	385,000	696,957	311,957
TOTAL REVENUES	33,748,116	33,748,116	30,165,458	(3,582,658)	4,635,000	4,635,000	5,228,911	593,911
EXPENDITURES								
Administration	115,521	115,521	154,614	(39,093)				
Mid-level administration	233,163	233,163	1,603,643	(1,370,480)				
Instruction - salaries	7,805,327	7,805,327	8,309,346	(504,019)				
Instruction - textbooks & instructional supplies	4,428,569	4,428,569	1,806,273	2,622,296				
Instruction - other	3,111,916	3,111,916	1,982,759	1,129,157				
Student personnel services	-	-	1,190	(1,190)				
Health services	334,991	334,991	206,650	128,341				
Student transportation	109,879	109,879	332,083	(222,204)				
Operation of plant and equipment	500,000	500,000	1,068,499	(568,499)				
Maintenance of plant	4,015,000	4,015,000	257,888	3,757,112				
Fixed charges	4,071,076	4,071,076	4,408,026	(336,950)				
Community services	535,805	535,805	526,791	9,014				
Capital outlay	5,000,000	5,000,000	4,835,652	164,348				
Special education	3,486,869	3,486,869	3,890,103	(403,234)				
Food Service	-	-	22,654	(22,654)	5,128,430	5,128,430	5,792,582	(664,152)
TOTAL EXPENDITURES	33,748,116	33,748,116	29,406,171	4,341,945	5,128,430	5,128,430	5,792,582	(664,152)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	759,287	759,287	(493,430)	(493,430)	(563,671)	(70,241)
OTHER FINANCING SOURCES (USES)								
Interfund transfers			(759,287)	(759,287)	493,430	493,430	448,534	(44,896)
NET CHANGE IN FUND BALANCES	-	-	-	-	-	-	(115,137)	(115,137)
FUND BALANCE - JULY 1, 2023	-	-	-	-	1,963,816	1,963,816	1,963,816	(69,737)
FUND BALANCE - JUNE 30, 2024	\$ -	\$ -	\$ -	\$ -	\$ 1,963,816	\$ 1,963,816	\$ 1,848,679	\$ (184,874)

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY
RECONCILIATION OF BUDGETARY BASIS TO GAAP
JUNE 30, 2024

	Revenues	Expenditures	Current Year Effect on Fund Balance
Unrestricted Current Expense Fund Budgetary Basis	\$ 127,356,440	\$ 125,236,457	\$ 2,119,983
Retirement contribution made by the State on behalf of the Board	6,377,507	6,377,507	-
Board, and local contributions for nurses, security and mental health professionals	1,254,479	1,254,479	-
Statement of Revenues, Expenditures, and Change in Fund Balances Actuals	<u>\$ 134,988,426</u>	<u>\$ 132,868,443</u>	<u>\$ 2,119,983</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE 1 - BUDGET TO ACTUAL VARIANCES

General Fund

For the year ended June 30, 2024, General Fund revenues fell short of budget expectations while expenditures came in under budget.

Revenues of \$1,249,924 for the Blueprint for Maryland's Future Prekindergarten grant and \$227,834 for the College and Career Readiness grant were originally included in fiscal 2024 budget as unrestricted. There was an overage of state revenues that related to non-public placements of \$317,636. Public schools are required to provide a free and appropriate education to all students in a public school system. When students have intensive educational needs that cannot be met by the local school system, the school system is mandated to provide an education in a facility that can meet those needs. The cost is shared between the local school system and state government based upon a formula. The number of students receiving services and severity of the services needed also plays a role in the overall costs.

Federal revenues showed a positive variance of \$126. Within that category, other revenues relating for the afterschool program meals were \$81,815 while Medicare Part D revenues were \$118,311. The system is self-insured for health insurance purposes. As a result, the system qualifies for the Medicare Part D program that reimburses the system for a portion of prescription drug benefits provided to Medicare eligible retirees. The Government Accounting Standards Board (GASB) has issued a technical bulletin requiring recipients of Medicare Part D funds to show these proceeds as revenue. The system budget is based upon past experience.

The district budgeted to utilize fund balance of \$250,000 for additional school security officers and resources. The district did not need to utilize these funds for school security.

A favorable variance of \$1,277,920, existed for Instructional salaries at the end of fiscal 2024. The majority of the variance was a result of the treatment of the Prekindergarten grant as restricted. Another contributing factor was that the district was able to use grant funds in certain instances versus budgeted funds.

Other instructional expenditures came in under budget. Contracted services were over budget by approximately \$79,694, however, other charges, and equipment were all under budget in fiscal 2024. Savings from equipment of \$330,923 made up the majority of the variance. Several items were able to be purchased through grants versus unrestricted funds.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE 1 - BUDGET TO ACTUAL VARIANCES (Continued)

General Fund (Continued)

Administration was less than budget as a result of the bank charges being lower than anticipated by \$11,981. Expenses for IT contractual services were less than anticipated.

Mid-level Administration was less than budget as a result of budgeting additional administrative coverage on a long term basis that was not utilized this year. Contracted services were higher than originally budgeted.

Special Education was over budget by \$558,521. The number of special needs students rose by 9.8% this fiscal year from 1,199 to 1,316. There was an unfavorable salary variance as the district increased the number of instructional resources devoted to the infant and toddler and preschool population. There was a corresponding negative variance for non-public placement transfers within fiscal 2024 as they were driven by student need. While the district had a positive state revenue variance relating to non-public placements, there is a corresponding cost increase in the support of students requiring these additional services. There was also an increase in the number of students requiring occupational and physical therapy services across the district.

Health Services came in under budget by \$11,614. The contracted services with the Health Department were less than anticipated while still providing schools with appropriate on site nursing professionals.

The operations department was over budget by \$160,392. Overall, salaries were higher than anticipated within the budget as we were able to fill open security positions. Supplies and materials were lower than plan, while there were increases in utility costs which contributed to a negative variance within other charges category. Equipment came in slightly under the amended budget.

The school system was able to come in under budget in fixed charges even with additional resources being allocated to the district's rising healthcare costs. The district is self-insured for healthcare costs. Overall, fixed charge expenditures were below plan by \$1,455,753 for fiscal 2024. The variance relating to payroll taxes was as a result of savings in salaries and wages. Overall, payroll taxes were \$306,694 below budget. Retirement costs were also below plan by \$293,786.

The school system was over budget in Capital Outlay by \$325,320. This variance was a result of capital lease additions and three ongoing SBITAs.

BOARD OF EDUCATION OF ALLEGANY COUNTY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE 1 - BUDGET TO ACTUAL VARIANCES (Continued)

Special Revenue Fund – Restricted

Restricted revenues and expenses for the year were \$30,165,458 compared to a budget of \$33,748,116. This is a decrease of 10.6% or \$3,582,658 from the budget. Restricted revenues are tied to the availability of grants and funding. The district is still utilizing federal funding attributable to coronavirus relief or CARES. Overall, CARES and ARP spending was \$14,778,718 this year compared to budgeted CARES and ARP spending of \$21,340,000. This variance is primarily timing related within CARES III projects and MD Leads projects. Restricted Blueprint spending this year was \$5,245,583 compared to the budget of \$3,159,068. Spending is prescribed within the grants themselves but ranged from the purchase of technology such as devices and access points, infrastructure to support school computer usage, hotspots for students and staff without connectivity, contractual resources for distance learning, summer school programs and tutoring to mitigate learning loss, building infrastructure, protective personnel equipment, additional custodial staffing to support cleaning at schools and safely reopening schools.

Special Revenue Fund – Food Service

In fiscal 2023, schools reverted back to pre-pandemic operational models with students paying based upon their economic circumstances. That model was continued during fiscal 2024. Summer meals in fiscal 2024 were limited to schools who were hosting summer school. Overall, compared to budget, total revenues plus interfund transfers increased by \$549,015. The majority of the variance was a result of an increase in Other revenue for student meal payments and other sales of \$311,957 and federal revenues of \$197,770.

Expenses within the fund increased to \$5,792,582 compared to a budget of \$5,128,430. A portion of the variance relates to the cost of salaries increasing as a result of the negotiated agreements as well as an increase in Maryland's minimum wage. Another portion of the variance relates to the increase in supplies and materials as inflationary factors influenced both the cost of food as well as food related supplies.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE 2 - RECONCILIATION OF BUDGETARY BASIS TO GAAP

Actual results of operations are presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual on the budgetary basis of accounting, in order to provide a meaningful comparison of actual results with budget estimates. Under the budgetary basis, lease and subscription based obligation principal payments are recognized as a current expense. In addition, retirement contributions made by the State on behalf of the Board, and local contributions for nurses, security, and mental health professionals are not recognized as revenue and current expense on the budget basis.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**SCHEDULE OF NET OTHER POST EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 1,660,378	\$ 1,633,528	\$ 1,618,030	\$ 1,572,880	\$ 1,600,868	\$ 1,619,502	\$ 1,607,290
Contributions in relation to the actuarially determined contribution	<u>\$ (1,660,378)</u>	<u>\$ (1,633,528)</u>	<u>\$ (1,618,030)</u>	<u>(1,572,880)</u>	<u>(1,600,868)</u>	<u>(1,619,502)</u>	<u>(1,607,290)</u>
Contribution deficiency (excess)				<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	80,303,250	77,718,640	72,618,514	68,527,140	66,916,160	67,194,377	63,892,883
Contribution as a percentage of covered employee payroll	2.07%	2.10%	2.23%	2.30%	2.39%	2.41%	2.52%

Notes:

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

Changes since prior valuation:

NONE.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**RETIREE POST-EMPLOYMENT BENEFITS-SCHEDULE OF CHANGES IN THE BOARD'S NET OPEB AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	2024	2023	2022	2021	2020	2019	2018
TOTAL OPEB LIABILITY							
Service cost	\$ 408,547	\$ 398,680	\$ 398,283	\$ 443,747	\$ 371,344	\$ 347,050	\$ 324,346
Interest	1,935,184	1,903,455	1,856,130	1,972,504	1,750,690	1,718,804	1,690,682
Difference between expected & actual experience	-	(521,221)	-	(2,387,106)	-	-	-
Change of assumptions	100,443	319,071	47,319	(96,563)	2,633,852	-	-
Benefit payments	(1,660,378)	(1,633,528)	(1,618,030)	(1,572,880)	(1,600,868)	(1,619,502)	(1,607,290)
Net change in total OPEB liability	783,796	466,457	683,702	(1,640,298)	3,155,018	446,352	407,738
Total OPEB liability - beginning	28,461,629	27,995,172	27,311,470	28,951,768	25,796,750	25,350,398	24,942,660
Total OPEB liability - end	<u>\$ 29,245,425</u>	<u>\$ 28,461,629</u>	<u>\$ 27,995,172</u>	<u>\$ 27,311,470</u>	<u>\$ 28,951,768</u>	<u>\$ 25,796,750</u>	<u>\$ 25,350,398</u>
PLAN FIDUCIARY NET POSITION							
Contributions-employer	\$ 1,660,378	\$ 1,633,528	\$ 1,618,030	\$ 1,572,880	\$ 1,600,868	\$ 1,619,502	\$ 1,607,290
Net investment income	1,163,638	1,280,278	(2,242,443)	3,276,688	419,617	867,405	838,773
Administrative expenses	(15,764)	(15,442)	(14,829)	(14,593)	(47,444)	-	-
Benefit payments	(1,660,378)	(1,633,528)	(1,618,030)	(1,572,880)	(1,600,868)	(1,619,502)	(1,607,290)
Net change in plan fiduciary position	1,147,874	1,264,836	(2,257,272)	3,262,095	372,173	867,405	838,773
Plan fiduciary net position - beginning	15,833,523	14,568,687	16,825,959	13,563,864	13,191,691	12,324,286	11,485,513
Plan fiduciary net position - end	<u>\$ 16,981,397</u>	<u>\$ 15,833,523</u>	<u>\$ 14,568,687</u>	<u>\$ 16,825,959</u>	<u>\$ 13,563,864</u>	<u>\$ 13,191,691</u>	<u>\$ 12,324,286</u>
Board's net OPEB liability- end	<u>\$ 12,264,028</u>	<u>\$ 12,628,106</u>	<u>\$ 13,426,485</u>	<u>\$ 10,485,511</u>	<u>\$ 15,387,904</u>	<u>\$ 12,605,059</u>	<u>\$ 13,026,112</u>
Plan fiduciary net position as a percentage of the total OPEB liability	58.07%	55.63%	52.04%	61.61%	46.85%	51.14%	48.62%
Covered employee payroll	80,303,250	77,718,640	72,618,514	68,527,140	66,916,160	67,194,377	63,892,883
Net OPEB liability as a percentage of covered-employee payroll	15.27%	16.25%	18.49%	15.30%	23.00%	18.76%	20.39%

Notes:

This schedule is presented to illustrate the requirement to show information for 10 years. Until a full 10 year trend is completed, the Board will present the information for the years that are available.

Key Assumptions:

Actuarial Valuation Date:	June 30, 2023
Measurement Date:	June 30, 2024
Amortization Method:	Entry Age Normal
Salary Increases:	4.0%
Discount Rate:	7.0%
Investment Rate of Return:	7.0%
Mortality:	Pub-2010 Teachers Headcount-weighted with fully generational scale MP-2021. The table represents the most recent table released by the Society of Actuaries specifically for governmental employees.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - MARYLAND STATE RETIREMENT AND PENSION SYSTEM
LAST 10 FISCAL YEARS**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Board's proportion of the net pension liability (asset)	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Board's proportionate share of net pension liability	\$ 7,566,086	\$ 6,200,969	\$ 4,476,487	\$ 6,142,206	\$ 5,730,106	\$ 5,846,752	\$ 5,657,005	\$ 6,932,618	\$6,917,608	\$5,665,273
Board's covered employee payroll	7,330,749	6,691,795	6,420,914	6,211,901	6,338,813	6,491,484	6,517,359	6,710,481	\$7,210,687	\$7,469,056
Board's proportionate share of the net pension liability as a percentage of its covered employee payroll	103.21%	92.67%	69.72%	98.88%	90.04%	90.07%	86.80%	103.31%	95.94%	75.85%
Plan fiduciary net position as a percentage of the total pension liability	73.81%	76.27%	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

Notes:

The amounts presented for each fiscal year were determined as of the measurement period year-end. The measurement period year-end was one year prior to each fiscal year-end.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**SCHEDULE OF THE BOARD'S CONTRIBUTIONS - MARYLAND STATE RETIREMENT AND PENSION SYSTEM
LAST 10 FISCAL YEARS**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 905,618	\$ 801,250	\$ 707,322	\$ 657,501	\$ 582,676	\$ 570,493	\$ 555,671	\$ 532,468	\$ 572,404	\$ 701,601
Contributions in relation to the contractually required contribution	<u>\$ (905,618)</u>	<u>\$ (801,250)</u>	<u>\$ (707,322)</u>	<u>\$ (657,501)</u>	<u>\$ (582,676)</u>	<u>\$ (570,493)</u>	<u>\$ (555,671)</u>	<u>\$ (532,468)</u>	<u>\$ (572,404)</u>	<u>\$ (701,601)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Board's covered-employee payroll	\$ 8,000,160	\$ 7,330,749	\$ 6,691,795	\$ 6,420,914	\$ 6,211,901	\$ 6,338,813	\$ 6,491,484	\$ 6,517,359	\$6,710,481	\$7,210,687
Contributions as a percentage of covered-employee payroll	11.32%	10.93%	10.57%	10.24%	9.38%	9.00%	8.56%	8.17%	8.53%	9.73%

Notes:

The amounts presented for each fiscal year were determined as of the measurement period year-end. The measurement period year-end was one year prior to each fiscal year-end.

100% of the net pension liability associated with the system is the responsibility of the State of Maryland. Consequently, 10 year information is not provided for the Teachers' Retirement System.

There were no changes in benefit terms during the year.

Changes in Actuarial Assumptions

None

BOARD OF EDUCATION OF ALLEGANY COUNTY

SCHOOL ACTIVITIES -

INCREASES, DECREASES AND BALANCES BY SCHOOL

For Year Ended June 30, 2024

	Balances June 30, 2024	Increases	Decreases	Balances June 30, 2024
HIGH SCHOOLS				
Allegany	\$ 287,052	\$ 438,617	\$ 428,022	\$ 297,647
Center for Career and Technical Education	94,909	86,547	95,779	85,677
Fort Hill	350,362	570,109	539,489	380,982
Mountain Ridge	339,391	504,488	510,711	333,168
Total High Schools	1,071,714	1,599,761	1,574,001	1,097,474
MIDDLE SCHOOLS				
Braddock	67,072	100,535	83,433	84,174
Mount Savage	78,717	162,735	159,311	82,141
Washington	123,174	59,547	57,011	125,710
Westmar	71,556	31,241	25,849	76,948
Total Middle Schools	340,519	354,058	325,604	368,973
ELEMENTARY SCHOOLS				
Beall	36,834	40,302	41,727	35,409
Bel Air	20,940	18,360	15,010	24,290
Cash Valley	40,597	23,903	22,753	41,747
Cresaptown	94,701	25,697	32,110	88,288
Flintstone-school	202,977	12,386	44,148	171,215
Flintstone-McLuckie	353,602	33,394	4,000	382,996
Frost	97,351	43,081	30,875	109,557
Georges Creek	79,140	42,398	56,587	64,951
John Humbird	50,572	20,847	26,011	45,408
Northeast	66,911	23,427	25,560	64,778
Parkside	18,077	24,144	26,658	15,563
South Penn	64,689	77,753	68,929	73,513
West Side	30,299	51,628	55,069	26,858
Westernport	32,863	41,398	46,546	27,715
Total Elementary Schools	1,189,553	478,718	495,983	1,172,288
TOTAL SCHOOLS	\$ 2,601,786	\$ 2,432,537	\$ 2,395,588	\$ 2,638,735

**STATEMENT CONCERNING DEBT SERVICE FUND
FOR PUBLIC SCHOOL CONSTRUCTION**

Board of Education of Allegany County
Cumberland, Maryland

Our audit of the basic financial statements of the Board of Education of Allegany County as of June 30, 2024 and for the year then ended was intended for the purpose of formulating an opinion on the basic financial statements taken as a whole. The Board of Education of Allegany County has no jurisdiction, direct or indirect, over the Debt Service Fund for Public School Construction, and the fund is, consequently, outside the scope of our audit. Therefore, detailed information with respect to the Debt Service Fund is not included in this report.

Maryland law passed in 1971 provides for payment by the State of all costs, in excess of available federal funds, of all approved public school construction and capital improvements projects in its counties and Baltimore City. In addition, the law provides for payment of principal and interest on debt issued by any subdivision for public school construction, if the debt was outstanding or obligated as of June 30, 1967.

Additional legislation passed during 1973 provides that the State will assume public school costs for debt obligated after June 30, 1967 on construction contracts let prior to July 1, 1967.