

**The Board of Education of  
Dorchester County**

AUDITED FINANCIAL STATEMENTS

For the year ended June 30, 2025

# The Board of Education of Dorchester County

## TABLE OF CONTENTS

	Page
<b>Independent Auditors' Report on the Financial Statements</b>	3 - 5
<b>Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	6 - 7
<b>Management's Discussion and Analysis</b>	9 - 17
<b>Financial Statements</b>	
Statement of Net Position	19
Statement of Activities	20
Balance Sheet - Governmental Funds	21 - 22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	23 - 24
Statement of Net Position - Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Notes to Financial Statements	28 - 54
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund	56 - 59
Schedule of Proportionate Share of Net Pension Liability	60
Schedule of Board Contributions - Pension Plans	61
Schedule of Total OPEB Liability and Related Ratios	62
Notes to Required Supplementary Information	63 - 64
<b>Additional Supplementary Information</b>	
School Activities Fund Operations	66
Budgetary Comparison Schedule - Food Services Fund	67
Food Services Fund - Schedule of Changes in Net Position by Area of Responsibility	68 - 69



## **INDEPENDENT AUDITORS' REPORT**

The Board of Education of Dorchester County  
Cambridge, Maryland

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of The Board of Education of Dorchester County, a component unit of Dorchester County, Maryland (“the Board”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Board’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of The Board of Education of Dorchester County, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during the year ended June 30, 2025, the Board adopted new accounting guidance from the Government Accounting Standards Board (GASB) Statement No. 101, “Compensated Absences,” and Statement No. 102, “Certain Risk Disclosures.” Our opinion is not modified with respect to this matter.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Board of Education of Dorchester County'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 of Education of Dorchester County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Board of Education of Dorchester County'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 schedule – general fund, schedule of proportionate share of net pension liability, schedule of board contributions - pension plans, and schedule of total OPEB liability and related ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Board of Education of Dorchester County's basic financial statements. The accompanying school activities fund operations, budgetary comparison schedule – food service fund, and food service fund – schedule of changes in net position by area of responsibility, are presented for the purpose 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 fund operations, budgetary comparison schedule – food service fund, and food service fund – schedule of changes in net position by area of responsibility 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 September 29, 2025, on our consideration of The Board of Education of Dorchester County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Board of Education of Dorchester County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Board of Education of Dorchester County's internal control over financial reporting and compliance.

The image shows a handwritten signature in blue ink that reads "UHY LLP". The letters are stylized and cursive.

Salisbury, Maryland  
September 29, 2025



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

The Board of Education of Dorchester County  
Cambridge, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of The Board of Education of Dorchester County, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise The Board of Education of Dorchester County's basic financial statements, and have issued our report thereon dated September 29, 2025.

### **Report on Internal Control over Financial Reporting**

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

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

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

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

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

## **Purpose of this Report**

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

The image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are stylized and cursive, with the "U" and "H" being particularly prominent.

Salisbury, Maryland  
September 29, 2025

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# **THE BOARD OF EDUCATION OF DORCHESTER COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

The discussion and analysis of The Board of Education of Dorchester County's (the "Board") financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2025, and a comparison with the results of the fiscal year ended June 30, 2024. Please read this in conjunction with the Board's financial statements, notes to financial statements, and supplemental information, which immediately follow this section.

## **FINANCIAL HIGHLIGHTS**

- The Board's net position is \$26,565,983 an increase of \$1,732,762 or 7.0%, from the prior year. This is primarily due to a decrease in deferred inflows of resources related to Other Post-Employment Benefits and Pensions. See Note 9 for further details.
- Among major funds (see page 24), the General Fund had \$102,368,760 in revenues and \$105,340,895 in expenditures. Additionally, \$200,000 of prior year fund balance was transferred from the General Fund to the School Construction Fund to mainly cover critical roofing, and HVAC projects. There was a resulting net decrease in the General Fund fund balance of \$3,172,135.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

A review of the Budgetary Comparison Schedule, which is a required supplemental report, is also included in this MD&A.

**Government-wide Financial Statements** The government-wide financial statements are designed to provide a broad overview of the Board's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the assets and liabilities of the Board, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The Statement of Activities presents information showing how the net position of the Board changed during the most recent fiscal year. All changes in net position are reported utilizing the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

In the Statement of Net Position, and the Statement of Activities, the Board has two kinds of activities:

- Governmental Activities – basic services of a school system are reported such as instructional costs, special education, transportation, operation and maintenance of plant, and administration.
- Business-type Activities – our Food Services department, which charges a fee to its customers, is reported here.

The government-wide financial statements can be found on pages 19-20.

**Fund Financial Statements** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The Board's two types of funds – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the Board's basic operations are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the Board's general operations. The Board maintains three governmental funds – General Fund (which includes both unrestricted, restricted, and school activity funding sources) and School Construction.
- Proprietary Funds- When the Board charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities, but provide more detail and additional information, such as a Statement of Cash Flows. The Board's only proprietary fund is Food Services.

The fund financial statements can be found on pages 21-27.

**Notes to the Financial Statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 28-54.

## **FINANCIAL ANALYSIS**

### **The School System as a Whole**

Table 1  
Condensed Statement of Net Position

	<u>All Activities</u>		Increase (Decrease) From FY 2024
	<u>FY 2025</u>	<u>FY 2024</u>	
<b>Assets</b>			
Current and Other Assets	\$12,294,593	\$19,952,029	\$(7,657,436)
Capital Assets	<u>111,419,984</u>	<u>109,287,528</u>	<u>2,132,456</u>
Total Assets	<u>123,714,577</u>	<u>129,239,557</u>	<u>(5,524,980)</u>
<b>Deferred Outflows of Resources</b>	<u>11,949,900</u>	<u>12,962,249</u>	<u>(1,012,349)</u>
<b>Liabilities</b>			
Long-Term Liabilities	62,947,993	60,063,192	2,884,801
Other Liabilities	<u>8,191,827</u>	<u>12,274,797</u>	<u>(4,082,970)</u>
Total Liabilities	<u>71,139,820</u>	<u>72,337,989</u>	<u>(1,198,169)</u>
<b>Deferred Inflows of Resources</b>	<u>37,958,674</u>	<u>45,030,596</u>	<u>(7,071,922)</u>
<b>Net Position</b>			
Invested in Capital Assets, Net of Debt	108,740,069	106,151,659	2,588,410
Restricted	-	402,164	(402,164)
Unrestricted	<u>(82,174,086)</u>	<u>(81,720,602)</u>	<u>(453,484)</u>
<b>Total Net Position</b>	<u>\$26,565,983</u>	<u>\$24,833,221</u>	<u>\$1,732,762</u>

**Net Position** Table 1 provides a comparison of the Board's net position for FY 2025 and FY 2024. For all activities in FY 2025, the Board's assets exceeded its liabilities by \$26,565,983. This is an increase of \$1,732,762 from FY2024. The unrestricted deficit (\$82,174,086) is due mainly to liabilities related to the recognition and reporting of Other Post-Employment Benefits (OPEB) as required by the Governmental Accounting Standards Board (GASB) pronouncement #75, and GASB 68 which requires the estimation of the long-term liability of future pension obligations. Further details can be found in Notes 6, 7 & 9.

The largest portion of the Board's net position, \$108,740,069 reflects its investment in capital assets (e.g., buildings and improvements, furniture and equipment, and leased equipment). The Board uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The remaining net position consists of an unrestricted deficit balance of \$82,174,086.

Table 2  
Statement of Activities

	<u>All Activities</u>		Increase (Decrease)
	<u>FY 2025</u>	<u>FY 2024</u>	<u>From FY 2024</u>
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$5,248,653	\$5,090,486	\$158,167
Operating Grants and Contributions	15,922,574	20,782,075	(4,859,501)
General Revenues:			
Dorchester County			
General Fund	23,740,838	24,006,036	(265,198)
School Construction	69,271	253,663	(184,392)
State of Maryland			
General Fund	60,405,124	55,293,096	5,112,028
School Construction	8,341,779	4,167,633	4,174,146
Interest	466,053	695,789	(229,736)
Other	621,844	512,560	109,284
<b>Total Revenues</b>	<u>114,816,136</u>	<u>110,801,338</u>	<u>4,014,798</u>
<b>Governmental Activity Expenses</b>			
<b>Administration</b>	2,560,664	2,641,775	(81,111)
School Management & Support Instruction	7,361,299	7,503,602	(142,303)
Salaries	33,828,091	35,622,228	(1,794,137)
Textbooks & Supplies	2,718,475	2,721,898	(3,423)
Other	9,572,153	9,673,852	(101,699)
Special Education	9,591,551	8,859,805	731,746
Student Personnel Services	4,596,348	3,236,965	1,359,383
Student Health Services	1,308,729	1,063,719	245,010
Student Transportation	5,186,439	5,013,806	172,633
Operation of Plant	5,412,926	5,171,559	241,367
Maintenance of Plant	2,581,028	2,796,992	(215,964)
Fixed Charges	17,558,177	16,436,652	1,121,525
Community Services	661,711	372,787	288,924
School Activity Expenses	1,103,777	1,028,607	75,170
State Retirement Contributions	4,444,429	3,733,432	710,997
Capital Outlay	293,856	8,804	285,052
<b>Business-Type Activities</b>			
Food Services Expenses	4,303,721	4,128,678	175,043
<b>Total Expenses</b>	<u>113,083,374</u>	<u>110,015,161</u>	<u>3,068,213</u>
Change in Net Position	<u>\$1,732,762</u>	<u>\$786,177</u>	<u>\$946,585</u>

**Changes in Net Position** Table 2 (page 12) shows the key elements for the increase of the Board’s net position for the year ended June 30, 2025. The results of fiscal year 2024 are shown as a comparison. Total Revenues were \$114,816,136 an increase of \$4,014,798 over FY 2024. Total expenses were \$113,083,374 an increase of \$3,068,213 over FY 2024. Operating Grant revenues decreased approximately 23.38%. In addition, there was a decrease in County funding of 1.85% while there was an increase in State Aid funding of 15.62%. Expenses increased mainly in student personnel services and fixed charges. Both income and expenses were impacted by the further implementation of the Blueprint legislation, and inflationary cost pressures.

The Board’s expenses are primarily related to instructing, caring for (food and health), and transporting students. As shown in Table 2, regular education instructional salaries, textbooks & supplies, and other instructional charges total \$46,118,719 a decrease of \$1,899,259 over FY 2024. Special Education costs total \$9,591,551, an increase of \$731,746 over FY 2024. Student Transportation costs total \$5,186,439, an increase of \$172,633 from FY 2024. Operation and Maintenance of Plant costs total \$7,993,954 an increase of \$25,403 from FY 2024.

**The Board’s Funds**

Table 3  
Statement of Expenditures – Governmental Funds  
(General & School Construction)

	<u>Total Cost</u>		Increase (Decrease)
	<u>FY 2025</u>	<u>FY 2024</u>	<u>From FY 2024</u>
Administration	\$2,546,085	\$2,626,567	\$(80,482)
School Management & Support	7,361,299	7,503,602	(142,303)
Instruction:			
Salaries & Wages	33,772,531	35,516,202	(1,743,671)
Textbooks & Supplies	2,718,475	2,721,898	(3,423)
Other	3,366,944	3,596,409	(229,465)
Special Education	9,591,551	8,859,805	731,746
Pupil Personnel Services	4,596,348	3,236,965	1,359,383
Health Services	1,308,729	1,063,719	245,010
Pupil Transportation	5,111,939	4,926,664	185,275
Operation of Plant	5,412,926	5,171,559	241,367
Maintenance of Plant	2,540,145	2,747,841	(207,696)
Fixed Charges	24,785,889	23,306,367	(2,964,907)
Community Service	661,711	372,787	288,924
School Activity Expenditures	1,103,777	1,028,607	75,170
Capital Outlay	<u>9,147,174</u>	<u>6,001,866</u>	<u>3,145,308</u>
Total Cost of Services	<u>\$114,025,523</u>	<u>\$108,680,858</u>	<u>\$5,344,665</u>

As noted earlier, the Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. Fund balance in the Governmental Funds is divided between assigned balances and unassigned balances. Unassigned balances in the general fund are required by state law to be appropriated in the following year's budget. Assigned balances of capital projects, school activities, and other governmental funds are to be spent for the purpose of the fund and are not available for spending at the Board's discretion.

The Board's two Governmental Funds are the General Fund and the School Construction Fund. Table 3 (see page 13) presents the cost of 15 major school system functions within these Governmental Funds: Administration, School Management & Support, Instruction (comprised of Salaries, Textbooks and Supplies, and Other Costs), Special Education, Pupil Personnel Services, Health Services, Pupil Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, Community Services, School Activity Expenditures, and Capital Outlay.

The *General Fund* is the chief operating fund of the Board. It includes both unrestricted and restricted funding sources. Restricted funding sources are generally in the form of federal and state grants. On page 24 the Statement of Revenues, Expenditures and Changes in Fund Balances reflects a total fund balance of \$3,370,619 at the end of fiscal year 2025. The total fund balance on June 30, 2024 was \$6,542,754. Overall fund balance decreased \$3,172,135. The Board had budgeted for a decrease in fund balance of approximately \$4,200,000.

Of the \$3,370,619 fund balance, \$338,549 is assigned for accrued leave, \$200,000 for the FY 2026 operating budget, and \$583,225 for student activities. Total unassigned fund balance is \$2,248,845.

General Fund salaries totaled \$57,131,680 while the associated fringe benefits of retirement, social security, unemployment, commercial insurance, and health and accident insurance added \$20,345,856 to arrive at 78% of total General Fund expenditures.

**Proprietary Funds** Proprietary funds focus on the determination of changes in net position and cash flows. The Board's sole proprietary fund is the Food Service Fund. The Food Service net position balance on June 30, 2024 was \$1,449,346. It decreased by \$267,395 to \$1,181,951 on June 30, 2025. This decrease was primarily the result of increasing food and salary and related fringe costs.

Table 4  
Original Budget, Final Budget, and Actual Results  
General Fund  
FY 2025

	<u>Budgeted Amounts</u>		<u>Actual Results</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
County Appropriations	\$23,740,838	\$23,740,838	\$23,740,838	\$0
State of Maryland	59,987,567	59,987,567	59,978,338	(9,229)
Other Sources	569,500	569,500	1,087,897	518,397
Restricted Revenues	6,237,546	6,237,546	11,904,931	5,667,385
Fund Balance Appropriated	4,240,620	4,240,620	(200,000)	(4,440,620)
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<b>Total Revenues</b>	<b><u>94,776,071</u></b>	<b><u>94,776,071</u></b>	<b><u>96,512,004</u></b>	<b><u>1,735,933</u></b>
<b>Governmental Activity Expenses</b>				
Administration	2,282,617	2,547,617	2,546,084	1,533
School Management & Support	7,255,693	7,255,693	7,156,225	99,468
Instruction				
Salaries	28,587,165	29,837,165	29,795,603	41,562
Textbooks & Supplies	1,564,221	2,169,221	2,165,247	3,974
Other	1,988,400	2,148,400	2,146,830	1,570
Special Education	6,846,445	6,966,445	6,964,833	1,612
Student Personnel Services	6,856,161	4,756,161	4,596,026	160,135
Health Services	1,323,714	1,323,714	1,308,729	14,985
Student Transportation	5,009,095	5,009,095	5,003,185	5,910
Operation of Plant	4,765,124	4,975,124	4,970,561	4,563
Maintenance of Plant	2,438,515	2,533,515	2,529,145	4,370
Fixed Charges	19,486,941	18,881,941	18,669,530	212,411
Capital Outlay	134,434	134,434	35,760	98,674
Restricted Expenditures	6,237,546	6,237,546	11,904,931	(5,667,385)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Expenses</b>	<b><u>94,776,071</u></b>	<b><u>94,776,071</u></b>	<b><u>99,792,689</u></b>	<b><u>(5,016,618)</u></b>
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<b>Net Change in Fund Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$(3,280,685)</b>	<b>\$(3,280,685)</b>

**General Fund Budgetary Highlights**

The General Fund operates under a legally adopted annual budget. The budget is subdivided into State mandated categories of expenditures including Administration, School Management & Support, Instructional Salaries, Instructional Supplies and Textbooks, Other Instructional Costs, Special Education, Student Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, Community Services and Capital Outlay. The legal level of budgetary control is at the category level. The Board may approve amendments to the budget recommended by the Board's administration by transferring funds within categories, but transfers between categories must also be approved by the County Council.

For fiscal year 2025 the Board presented, and the County Council approved, one budget amendment/transfer requests. The budget amendment transferred funds from

The budget amendment primarily transferred funds from Student Personnel Services and Fixed Charges to the Instruction categories.

As shown in Table 4, during the fiscal year actual revenues and actual expenses resulted in a decrease in fund balance of \$3,280,685.

**Capital Assets**

The School Construction Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the County.

At the end of fiscal year 2025, the Board had \$111,267,189 invested in land, buildings, furniture and equipment, vehicles, and leased equipment. Table 5 gives the breakdown by asset type, net of accumulated depreciation and amortization.

Table 5  
Capital Assets  
(Net of Depreciation and Amortization)  
FY 2025

Construction in Progress	\$ 7,908,278
Buildings and Improvements	98,375,644
Furniture and Equipment	4,294,593
Vehicles	277,921
Leased Equipment	385,812
Technology Arrangements	24,941
Food Services Equipment and Vehicles	<u>152,795</u>
<b>Total Capital Assets</b>	<b>\$ <u>111,419,984</u></b>

The Capital Improvement Budget for FY 2026 will utilize State funding, County funding, and specialized grants to complete the following capital projects:

- HVAC projects at South Dorchester PreK-8, Choptank Elementary, Mace’s Lane Middle, and Cambridge-South Dorchester High school
- Roof replacement project at Mace’s Lane Middle school
- Feasibility studies at Sandy Hill Elementary and Warwick Elementary school
- Solar and energy efficiency upgrades project at South Dorchester PreK-8 school

## **FACTORS BEARING ON THE BOARD'S FUTURE**

At the time these financial statements were prepared and audited, the Board was aware of the following factors that could significantly affect its financial condition in the future:

- The Maryland Commission on Innovation and Excellence in Education, known as the Kirwan Commission, was tasked with updating the State's school funding formula. Based on Commission recommendations, Senate Bill 1030 established The Blueprint for Maryland's Future as current State education policy. The effects on the use of education funding are in constant flux as the law is being interpreted and implemented. It is unclear if the funding will be adequate to cover the change in mandated delivery of public education.
- The Board's decrease in fund balance is a concern and could significantly impact the FY27 and future budgets.
- Funding other post-retirement benefits (OPEB) in accordance with GASB 75 remains a concern. GASB 75 is an accounting standard for all governmental agencies which addresses post-employment benefits, other than pensions, such as health care. Under GASB 75 the District must recognize the present cost and liability of future health care that has been earned by current and retired employees. There is no requirement to fund this obligation, however, it does become a liability against the Board's assets as reported in the Government-wide Statement of Net Position. Currently, health care expenses for retirees and active employees are expensed when paid. This practice is expected to continue especially with the economic conditions our funding entities face at this time. Whether or not this liability is funded in the future may affect our budget, and the bond rating of county and state governments. See Notes 2-K, 6, and 9 for detailed information on the impact of implementing GASB 75.
- During FY 2015 the Board implemented provisions of GASB 68, Accounting and Financial Reporting for Pensions. GASB 68 requires the Board to report their proportionate share of the Maryland State Retirement and Pension System's net pension liability. The Board's proportionate share is calculated by the System's actuary and is reported as a liability on the Board's Government-wide Statement of Net Position. Currently, pension costs for retirees and active employees are expensed when paid. See Notes 2-K, 6, and 7 for detailed information on the impact of implementing GASB 68.

### **Contacting the Board's Financial Management**

This financial report is designed to provide a general overview of the finances of the Board of Education of Dorchester County, and to demonstrate the Board's accountability for the resources it receives. If you have any questions about this report or need additional financial information, contact the Superintendent's Office, Dorchester County Public Schools, 700 Glasgow Street, Cambridge, MD 21613

## FINANCIAL STATEMENTS

# The Board of Education of Dorchester County

## STATEMENT OF NET POSITION

June 30, 2025

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 9,993,820	\$ 7,805	\$ 10,001,625
Accounts receivable:			
Federal funds from State of Maryland	572,154	186,545	758,699
State of Maryland	459,572	-	459,572
Other	1,056,872	-	1,056,872
Internal balances	(870,816)	870,816	-
Inventory	-	17,825	17,825
Construction in progress	7,908,278	-	7,908,278
Other capital assets, net	103,358,911	152,795	103,511,706
<b>TOTAL ASSETS</b>	<b>122,478,791</b>	<b>1,235,786</b>	<b>123,714,577</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	2,856,238	-	2,856,238
Other post-employment benefits (OPEB)	9,093,662	-	9,093,662
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>11,949,900</b>	<b>-</b>	<b>11,949,900</b>
<b>LIABILITIES</b>			
Accounts payable:			
Vendors	1,104,103	36,017	1,140,120
Accrued payroll and other employee withholdings	3,707,783	-	3,707,783
Unearned revenue - federal and state	93,095	-	93,095
Unearned revenue - other	16,980	-	16,980
Other accrued expenses	2,632,152	-	2,632,152
Long-term liabilities:			
Due within one year	601,697	-	601,697
Due in more than one year	62,930,175	17,818	62,947,993
<b>TOTAL LIABILITIES</b>	<b>71,085,985</b>	<b>53,835</b>	<b>71,139,820</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	293,780	-	293,780
Other post-employment benefits (OPEB)	37,664,894	-	37,664,894
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>37,958,674</b>	<b>-</b>	<b>37,958,674</b>
<b>NET POSITION</b>			
Net investment in capital assets	108,587,274	152,795	108,740,069
Unrestricted (deficit)	(83,203,242)	1,029,156	(82,174,086)
<b>TOTAL NET POSITION</b>	<b>\$ 25,384,032</b>	<b>\$ 1,181,951</b>	<b>\$ 26,565,983</b>

**The Board of Education of Dorchester County**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2025**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities</b>							
Current:							
Administration	\$ 2,560,664	\$ -	\$ -	\$ -	\$ (2,560,664)	\$ -	\$ (2,560,664)
School management and support	7,361,299	-	205,075	-	(7,156,224)	-	(7,156,224)
Instructional salaries and wages	33,828,091	-	3,976,928	-	(29,851,163)	-	(29,851,163)
Textbooks and instructional supplies	2,718,475	-	553,228	-	(2,165,247)	-	(2,165,247)
Other instructional costs	9,572,153	-	1,220,113	-	(8,352,040)	-	(8,352,040)
Special education	9,591,551	-	2,626,718	-	(6,964,833)	-	(6,964,833)
Pupil personnel services	4,596,348	-	322	-	(4,596,026)	-	(4,596,026)
Health services	1,308,729	-	-	-	(1,308,729)	-	(1,308,729)
Pupil transportation	5,186,439	-	108,753	-	(5,077,686)	-	(5,077,686)
Operation of plant	5,412,926	-	442,367	-	(4,970,559)	-	(4,970,559)
Maintenance of plant	2,581,028	-	11,000	-	(2,570,028)	-	(2,570,028)
Fixed charges	17,558,177	-	1,671,930	-	(15,886,247)	-	(15,886,247)
Community services	661,711	-	661,711	-	-	-	-
School activity expenditures	1,103,777	1,212,327	-	-	108,550	-	108,550
On-behalf State Retirement contributions	4,444,429	-	4,444,429	-	-	-	-
Capital outlay	293,856	-	-	8,837,836	8,543,980	-	8,543,980
<b>Total Governmental Activities</b>	<b>108,779,653</b>	<b>1,212,327</b>	<b>15,922,574</b>	<b>8,837,836</b>	<b>(82,806,916)</b>	<b>-</b>	<b>(82,806,916)</b>
<b>Business-Type Activities</b>							
Food Services	4,303,721	4,036,326	-	-	-	(267,395)	(267,395)
<b>Total Business-Type Activities</b>	<b>4,303,721</b>	<b>4,036,326</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(267,395)</b>	<b>(267,395)</b>
<b>Totals</b>	<b>\$ 113,083,374</b>	<b>\$ 5,248,653</b>	<b>\$ 15,922,574</b>	<b>\$ 8,837,836</b>	<b>(82,806,916)</b>	<b>(267,395)</b>	<b>(83,074,311)</b>
<b>General Revenues</b>							
Dorchester County					23,740,838	-	23,740,838
State of Maryland					59,978,338	-	59,978,338
Investment earnings					466,053	-	466,053
Miscellaneous					621,844	-	621,844
<b>Total General Revenues</b>					<b>84,807,073</b>	<b>-</b>	<b>84,807,073</b>
Change in Net Position					2,000,157	(267,395)	1,732,762
Net Position Beginning of Year					23,383,875	1,449,346	24,833,221
Net Position End of Year					<b>\$ 25,384,032</b>	<b>\$ 1,181,951</b>	<b>\$ 26,565,983</b>

**The Board of Education of Dorchester County**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2025**

	GENERAL FUND	SCHOOL CONSTRUCTION	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 9,993,820	\$ -	\$ 9,993,820
Accounts receivable:			
Federal funds from State of Maryland	572,154	-	572,154
State of Maryland	441,104	18,468	459,572
Other	1,038,102	18,770	1,056,872
Due from other Board of Education funds	-	296,400	296,400
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 12,045,180</b>	<b>\$ 333,638</b>	<b>\$ 12,378,818</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable:			
Vendors	\$ 1,057,335	\$ 46,768	\$ 1,104,103
Due to other Board of Education funds	1,167,216	-	1,167,216
Accrued payroll and other employee withholdings	3,707,783	-	3,707,783
Unearned federal and state funds	93,095	-	93,095
Other unearned revenues	16,980	-	16,980
Other accrued expenses	2,632,152	-	2,632,152
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>8,674,561</b>	<b>46,768</b>	<b>8,721,329</b>
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>FUND BALANCES</b>			
Assigned to:			
Accrued leave reserve	338,549	-	338,549
School construction and capital maintenance projects	-	286,870	286,870
School activities	583,225	-	583,225
Subsequent year's budget	200,000	-	200,000
Unassigned	2,248,845	-	2,248,845
	<hr/>	<hr/>	<hr/>
Total fund balances	3,370,619	286,870	3,657,489
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 12,045,180</b>	<b>\$ 333,638</b>	<b>\$ 12,378,818</b>

*See Independent Auditors' Report and Notes to Financial Statements.*

**Total governmental funds balances** \$ 3,657,489

**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 in the governmental fund financial statements. 111,267,189

Deferred outflows of resources not reported in the fund financial statements.

Pension	2,856,238	
Other post-employment benefits	<u>9,093,662</u>	
Total		11,949,900

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Financed purchases	(2,263,812)	
Long-term leases	(395,995)	
Subscription-based information technology arrangements	(20,108)	
Accrued leave	(1,580,986)	
Pension liability, net	(6,175,598)	
Other post-employment benefits, net	<u>(53,095,373)</u>	
Total		(63,531,872)

Deferred inflows of resources not reported in the fund financial statements

Pension	(293,780)	
Other post-employment benefits	<u>(37,664,894)</u>	
Total		<u>(37,958,674)</u>

**Net position of governmental activities** \$ 25,384,032

**The Board of Education of Dorchester County**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2025**

	GENERAL FUND	SCHOOL CONSTRUCTION	Total Governmental Funds
<b>REVENUES</b>			
County Appropriation	\$ 23,740,838	\$ 69,271	\$ 23,810,109
State of Maryland	59,978,338	38,794	60,017,132
On behalf State of Maryland	-	8,302,985	8,302,985
Restricted Federal revenues	10,114,670	-	10,114,670
Restricted State revenues	1,735,663	-	1,735,663
Restricted County, Agency and Local revenues	54,598	-	54,598
On-behalf State Retirement contributions	4,444,429	-	4,444,429
Other sources	1,087,897	-	1,087,897
School activity revenues	1,212,327	-	1,212,327
<b>TOTAL REVENUES</b>	<u>102,368,760</u>	<u>8,411,050</u>	<u>110,779,810</u>
<b>EXPENDITURES</b>			
Current:			
Administration	2,546,085	-	2,546,085
School management and support	7,361,299	-	7,361,299
Instructional salaries and wages	33,772,531	-	33,772,531
Textbooks and instructional supplies	2,718,475	-	2,718,475
Other instructional costs	3,366,944	-	3,366,944
Special education	9,591,551	-	9,591,551
Pupil personnel services	4,596,348	-	4,596,348
Health services	1,308,729	-	1,308,729
Pupil transportation	5,111,939	-	5,111,939
Operation of plant	5,412,926	-	5,412,926
Maintenance of plant	2,540,145	-	2,540,145
Fixed charges	20,341,460	-	20,341,460
Community services	661,711	-	661,711
School activity expenditures	1,103,777	-	1,103,777
On-behalf State Retirement contributions	4,444,429	-	4,444,429
Capital outlay	462,546	8,684,628	9,147,174
<b>TOTAL EXPENDITURES</b>	<u>105,340,895</u>	<u>8,684,628</u>	<u>114,025,523</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	(2,972,135)	(273,578)	(3,245,713)
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers - school construction fund	(200,000)	200,000	-
<b>Net change in fund balances</b>	(3,172,135)	(73,578)	(3,245,713)
Fund balances, beginning	6,542,754	360,448	6,903,202
Fund balances, ending	<u>\$ 3,370,619</u>	<u>\$ 286,870</u>	<u>\$ 3,657,489</u>

*See Independent Auditors' Report and Notes to Financial Statements.*

**Net change in fund balances - total governmental funds** \$ (3,245,713)

**Amounts reported for governmental activities in the statement of activities are different because:**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Fixed asset additions	8,910,308	
Current year depreciation and amortization expense	<u>(6,791,125)</u>	
Total		2,119,183

In governmental fund financial statements proceeds from a sale are shown as an increase in financial resources. In government wide financial statements, gain or loss is calculated and reported. (56,990)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued leave, net	(55,560)	
Change in pension expense due to deferred financing outflow	1,005,327	
Change in pension expense due to net pension liability	(1,371,633)	
Change in pension expense due to deferred financing inflows	130,567	
Change in post-employment benefits expense due to deferred financing outflow	(2,017,676)	
Change in post-employment benefits expense due to net OPEB liability	(1,904,657)	
Change in post-employment benefits expense due to deferred financing inflow	<u>6,941,355</u>	
Total		2,727,723

Repayment of financed purchases, long-term leases, and subscription-based information technology arrangements are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Financed purchases	290,647	
Long-term leases	146,076	
Subscription-based information technology arrangements	<u>19,231</u>	
Total		<u>455,954</u>

Change in net position of governmental activities \$ 2,000,157

**The Board of Education of Dorchester County**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2025**

	<u>Business-Type Activities</u>
	<u>Food Service</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 7,805
Accounts receivable:	
Federal funds from State of Maryland	186,545
Inventory	17,825
Due from other Board of Education funds	<u>870,816</u>
Total current assets	<u>1,082,991</u>
Capital assets, net	<u>152,795</u>
<b>TOTAL ASSETS</b>	<u><u>1,235,786</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	36,017
Accrued leave	<u>17,818</u>
<b>TOTAL LIABILITIES</b>	<u>53,835</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	
<b>NET POSITION</b>	
Net investment in capital assets	152,795
Unrestricted	<u>1,029,156</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 1,181,951</u></u>

**The Board of Education of Dorchester County**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**Year Ended June 30, 2025**

	<u>Business-Type Activities</u>
	<u>Food Service</u>
OPERATING REVENUES	
Sale of meals	\$ 165,017
Federal assistance	3,574,890
State assistance	43,803
USDA donated commodities	248,780
Vendor rebates	3,836
TOTAL OPERATING REVENUES	<u>4,036,326</u>
OPERATING EXPENSES	
Food	1,567,243
Salaries and wages	1,419,415
Fixed charges	735,934
Contracted services	76,159
Supplies and materials	114,577
Other charges	2,690
USDA donated commodities	248,780
Depreciation	12,286
Additional equipment	126,637
TOTAL OPERATING EXPENSES	<u>4,303,721</u>
OPERATING INCOME	<u>(267,395)</u>
Change in net position	(267,395)
Net position beginning of year	<u>1,449,346</u>
Net position end of year	<u>\$ 1,181,951</u>

**The Board of Education of Dorchester County**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**Year Ended June 30, 2025**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from students	\$ 166,842
Operating grants received	3,607,370
Payments to food and related suppliers	(1,565,254)
Payments to other suppliers	(298,888)
Payments to employees and employee related benefits	(2,153,061)
Net cash used by operating activities	<u>(242,991)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of vehicle and equipment	<u>(82,549)</u>
Net cash used by investing activities	<u>(82,549)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Payments from other Board funds	<u>326,465</u>
Net cash provided by noncapital financing activities	<u>326,465</u>

Net increase in cash	925
Cash, beginning of year	<u>6,880</u>
Cash, end of year	<u><u>\$ 7,805</u></u>

**Reconciliation of Operating Loss to Net Cash  
Provided by Operating Activities:**

Operating loss	\$ (267,395)
Adjustments:	
Depreciation	12,286
(Increase) decrease in assets:	
Inventory	(1,847)
Accounts receivable	(11,323)
Increase (decrease) in liabilities:	
Accounts payable	23,000
Accrued leave	<u>2,288</u>
Total adjustments	<u>24,404</u>
Net cash used by operating activities	<u><u>\$ (242,991)</u></u>

**Noncash items:**

Donation of food commodities	\$ 248,780
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**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 1. Description of The Board of Education of Dorchester County**

The Board of Education of Dorchester County (the "Board") is empowered by Title 13A of the Code of Maryland Regulations to fulfill the elementary and secondary educational needs of students in Dorchester County, Maryland (the "County").

**Financial Reporting Entity**

The Board is the basic level of government which has financial accountability and control over all activities related to public school education in Dorchester County, Maryland. The Board receives funding from local, State and Federal government sources and must comply with the requirements of these funding source entities.

The Board is a component unit of Dorchester County, Maryland and is included in the County's reporting entity. This conclusion has been reached based on the following criteria: 1) the County is responsible for approving the Board's budget and establishing spending limitations and 2) the Board cannot issue bonded debt, but the County can and does issue bonds to finance school system operations. In addition, there are no component units which are included in the Board's reporting entity.

**Note 2. Summary of Significant Accounting Policies**

The financial statements of the Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

The most significant of the Board'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.

**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 Board. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities. Internal activity between funds is eliminated from the statements.

The statement of net position presents the financial condition of the governmental and business-type activities of the Board at year-end, excluding fiduciary funds. 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 business-type activities of the Board. Direct expenses are those that are specifically associated with a service, program, or department and therefore 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.

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 2. Summary of Significant Accounting Policies (Continued)**

**A. Basis of Presentation (continued)**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

Revenues which are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. 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 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 a more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column.

**B. Fund Accounting**

The Board uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary (the Board has no fiduciary funds).

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Board's major governmental funds:

General Fund - The General Fund is the general operating fund of the Board. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund and general operating expenditures are accounted for in this fund.

School Construction Fund – School Construction Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Board administers the construction and repair of public schools and uses the School Construction Fund to record the revenues from the County and other governmental units and the expenditures in connection therewith. The State of Maryland made payments to the Board or directly to contractors on-behalf of the Board amounting to \$8,341,779 for the year ended June 30, 2025.

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 2. Summary of Significant Accounting Policies (Continued)**

**B. Fund Accounting (continued)**

PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as enterprise.

Enterprise funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Board’s major enterprise fund is:

Food service fund – This fund accounts for the financial transactions related to the food service operations of the Board.

**C. Measurement Focus**

Government-wide financial statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Board are included on the statement of net position.

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 government funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds 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 proprietary activities.

**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 the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 2. Summary of Significant Accounting Policies (Continued)**

**D. Basis of Accounting (continued)**

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

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

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

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

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

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

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

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

**E. Budgetary Data**

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

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 2. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Data (continued)**

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

**F. Inventory**

On government-wide financial statements and the fund financial statements of proprietary funds, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Food received from the USDA is included at values stated by the USDA and is offset by a deferred credit until consumed.

**G. Capital Assets**

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Board maintains a capitalization threshold of fifty thousand dollars. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

All reported capital assets except land, land improvements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	20 – 50 years	N/A
Furniture and Equipment	5 – 20 years	15 years
Vehicles	8 – 10 years	N/A

Assets that have been acquired with funds received through federal grants must be used in accordance with the terms of the grant. Federal regulations require, in some cases that the Board must reimburse the federal government for any assets which the Board retains for its own use after the termination of the grant unless otherwise provided by the grantor.

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 2. Summary of Significant Accounting Policies (Continued)**

**G. Capital Assets (continued)**

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease term commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systemic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset.

**H. Compensated Absences**

The Board recognizes a liability for compensated absences that meet the criteria outlined in GASB Statement No. 101. A liability is recognized when leave is attributable to services already rendered, accumulates and carries forward, and it is more likely than not that the leave will be used or paid in the future. The measurement of the liability is based on the employees' pay rates at the end of the reporting period. Key factors influencing the assessment of the "more likely than not" criteria include the government's established leave policies and historical data regarding employee usage and forfeiture of leave. Expenditures in the Statement of Revenues and Expenditures for such items are the amounts accrued during the year that normally would be liquidated with expendable available financial resources.

As of June 30, 2025, annual and sick leave, earned, but not taken by Board employees, was \$1,580,986. This amount is based on vested accumulated annual leave as of June 30, 2025, for employees eligible to receive annual leave benefits at retirement. Sick leave is accrued for employees with at least 20 years of service and calculated at \$30 per day. There is no limit on the accumulation of sick leave. An accrual in the amount of \$133,457 was made in the General fund for the year ended June 30, 2025. This amount is an estimate of the accumulated annual and sick leave which is due and payable at June 30, 2025 as it will be paid to retirees during the first month of the fiscal year ending June 30, 2026. The remaining liability of \$1,447,529 is reported as a noncurrent liability in the government-wide financial statements. An accrual of \$17,818 was made in the Food Service fund.

**I. Accrued Liabilities and Long-Term Obligations**

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

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

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 2. Summary of Significant Accounting Policies (Continued)**

**J. Net Position**

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

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

**K. Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that period. The Board has two items that qualify for reporting in this category. The Board recognizes a deferred outflow of resources related to its pension liability (Note 7) and OPEB liability (Note 9) for changes in assumptions, the net difference between projected and actual investment earnings on plan investments, the difference between actual and expected experience, change in the proportion and share of contributions, and contributions subsequent to the measurement date. These amounts are deferred and recognized as an outflow from resources in the period that the amounts become available.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two items that qualify for reporting in this category. The Board recognizes a deferred inflow of resources related to its pension liability (Note 7) and OPEB liability (Note 9) for changes in assumptions, the net difference between projected and actual investment earnings on plan investments, the difference between actual and expected experience, and change in the proportion and share of contributions. This item is deferred and recognized as an inflow from resources in the period that the amounts become available.

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

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 2. Summary of Significant Accounting Policies (Continued)**

**L. Fund Balance**

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

**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 sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**N. Estimates**

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

**O. Cash and Cash Equivalents**

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

**P. Interfund Receivables and Payables and Transfers**

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

**Q. Encumbrance Accounting**

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are reported as assigned fund balance in the governmental fund financial statements. There were no encumbrances outstanding at June 30, 2025.

**R. On-behalf Payments**

The Board recognizes as revenue and expenditures amounts expended on its behalf during the fiscal year for amounts paid by third parties. During fiscal year 2025, the Board recognized \$4,444,429 for amounts expended on its behalf by the State of Maryland for retirement contributions.

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 2. Summary of Significant Accounting Policies (Continued)**

**R. New Accounting Policies**

The Board Adopted Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences and Statement No. 102, Certain Risk Disclosures at July 1, 2024. GASB Statement No. 101's objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model. The adoption of this standard did not require a change in the Board's compensated absence recognition and measurement policy. GASB Statement No. 102's objective is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The Board has not identified any events associated with a concentration or constraint that would require disclosure.

**Note 3. Cash and Investments**

Deposits:

At June 30, 2025, the Board had bank deposits with various commercial banks totaling \$4,797,156 (carrying value \$4,305,589). As required by law, each depository is to pledge securities at least equal to the amount on deposit at all times in addition to insurance provided by the Federal Deposit Insurance Corporation (FDIC). The depository banks pledge collateral for specific accounts which are held in the Board's name at The Bank of New York Mellon. As of June 30, 2025, the bank deposits were exposed to custodial credit risk as follows:

	Governmental Activities	Business-Type Activities
Insured	\$ 727,132	\$ 7,805
Uninsured and Collateral Held by Pledging Bank's Trust Department in the Board's Name	4,038,792	-
Uninsured and Undercollateralized	23,427	-
<b>Total</b>	<b>\$ 4,789,351</b>	<b>\$ 7,805</b>

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 3. Cash and Investments (Continued)**

Investments:

Investments of \$5,696,036 (carrying value of \$5,696,036) consist solely of U.S. Government Securities made through the State of Maryland Local Government Investment Pool (MLGIP) which provides local government units of the State a safe investment vehicle for short-term investment of funds. The MLGIP was created as part of the Annotated Code of Maryland and is rated AAAM by Standard and Poors, their highest rating for money market funds. Unit value is computed using the amortized cost method and the pool maintains a \$1.00 per unit constant value. The pool is a Rule 2a7 like pool, which is not registered with the Securities and Exchange Commission, but generally operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The Board has no unfunded commitments nor significant terms or conditions for redemption. The investment objectives of the Pool are to preserve the capital value of the dollars invested, to provide a competitive rate of return and to provide a readily available source of daily liquidity. The amortized cost of the pool is the same as the value of the pool shares,

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

Reconciliation to Statement of Net Position:

Cash at carrying value	\$ 4,305,589
Investments	5,696,036
<b>Total cash and investments</b>	<b>\$ 10,001,625</b>

**Note 4. Interfund Receivables and Payables**

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
General Fund		
Due to School Construction fund	\$ -	\$ 296,400
Due to Food Service Fund	-	870,816
School Construction Fund		
Due from General Fund	296,400	-
<b>BUSINESS-TYPE ACTIVITIES</b>		
Enterprise Fund		
Due from General Fund	870,816	-
<b>TOTAL ALL FUNDS</b>	<b>\$ 1,167,216</b>	<b>\$ 1,167,216</b>

Due to/from other funds represent advances of cash for operating needs. Transfers of \$200,000 from the General Fund to the School Construction Fund are for capital projects.

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance				Balance	
	June 30, 2024	Additions	Deductions	Transfers	June 30, 2025	
<b>Governmental Activities</b>						
<b>Capital assets, not being depreciated:</b>						
Construction in progress	\$ 5,148,255	\$ 8,856,799	\$ (56,990)	\$ (6,039,786)	\$ 7,908,278	
Total capital assets, not being depreciated	5,148,255	8,856,799	(56,990)	(6,039,786)	7,908,278	
<b>Capital assets, being depreciated:</b>						
Buildings and improvements	199,733,041	-	-	6,039,786	205,772,827	
Furniture and equipment	10,642,860	-	-	-	10,642,860	
Vehicles	1,841,929	53,509	-	-	1,895,438	
Total capital assets, being depreciated	212,217,830	53,509	-	6,039,786	218,311,125	
Less accumulated depreciation:						
Buildings and improvements	(101,457,199)	(5,939,984)	-	-	(107,397,183)	
Furniture and equipment	(5,749,239)	(599,028)	-	-	(6,348,267)	
Vehicles	(1,528,039)	(89,478)	-	-	(1,617,517)	
Total accumulated depreciation	(108,734,477)	(6,628,490)	-	-	(115,362,967)	
Total capital assets, being depreciated, net	103,483,353	(6,574,981)	-	6,039,786	102,948,158	
<b>Intangible right-to-use assets:</b>						
Leased equipment	1,433,452	-	(692,272)	-	741,180	
Less accumulated amortization	(899,403)	(148,237)	692,272	-	(355,368)	
Total intangible right-to-use assets, net	534,049	(148,237)	-	-	385,812	
<b>Intangible subscription assets:</b>						
SBITAs	74,864	-	-	-	74,864	
Less accumulated amortization	(35,525)	(14,398)	-	-	(49,923)	
Total intangible subscription assets, net	39,339	(14,398)	-	-	24,941	
Governmental activities capital assets, net	\$ 109,204,996	\$ 2,119,183	\$ (56,990)	\$ -	\$ 111,267,189	
<b>Business-type activities</b>						
Equipment	\$ 128,695	\$ -	\$ -	\$ -	\$ 128,695	
Vehicles	28,344	82,549	-	-	110,893	
Accumulated depreciation	(74,507)	(12,286)	-	-	(86,793)	
Business-type activities capital assets, net	\$ 82,532	\$ 70,263	\$ -	\$ -	\$ 152,795	

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 14,579
Instructional costs	6,661,163
Pupil transportation	74,500
Maintenance of plant	40,883
Total governmental depreciation expense	<u>\$ 6,791,125</u>

Depreciation expense was charged to business-type functions as follows:

Food Service	\$ 12,286
Total business-type depreciation expense	<u>\$ 12,286</u>
Total depreciation expense	<u>\$ 6,803,411</u>

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 6. Long-Term Liabilities**

A summary of long-term liabilities for the year ended June 30, 2025 is as follows:

	Balance			Balance		Due within
	June 30, 2024	Increases	Decreases	June 30, 2025	one year	
<b>GOVERNMENTAL ACTIVITIES</b>						
Financed purchases	\$ 2,554,459	\$ -	\$ 290,647	\$ 2,263,812	\$ 298,407	
Intangible right-to-use leases	542,071	-	146,076	395,995	149,725	
SBITAs	39,339	-	19,231	20,108	20,108	
Compensated absences	1,525,426	55,560	-	1,580,986	133,457	
Net pension liability (Note 7)	4,803,965	1,371,633	-	6,175,598	-	
Net OPEB liability (Note 9)	51,190,716	1,904,657	-	53,095,373	-	
<b>Total</b>	<b>\$ 60,655,976</b>	<b>\$ 3,331,850</b>	<b>\$ 455,954</b>	<b>\$ 63,531,872</b>	<b>\$ 601,697</b>	
<b>BUSINESS-TYPE ACTIVITIES</b>						
Accrued leave	\$ 15,530	2,288	-	\$ 17,818	\$ -	

Long-term liabilities are normally paid from the General Fund.

**Note 7. Pension Plans**

**Plan Description**

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

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

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

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 7. Pension Plans (Continued)**

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

General Plan Policies

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

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

Significant Plan Benefits and Policies

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

**Teachers' and Employees' Retirement Systems**

Retirement Benefits:

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

Vested Allowance:

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

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 7. Pension Plans (Continued)**

**Teachers' and Employees' Retirement Systems (continued)**

Employee Contributions:

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

**Teachers' and Employees' Pension Systems**

Pension Benefits:

A member may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. On retirement from service, a member shall receive an annual service pension allowance. The annual pension allowance is equal to 1.2% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued prior to July 1, 1998 and 1.8% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.

Vested Allowance:

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

Employee Contributions:

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

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

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 7. Pension Plans (Continued)**

**Teachers' and Employees' Pension Systems (continued)**

Employer Contributions:

For the year ended June 30, 2025 the Board's total payroll for all employees was \$58,551,095. Total covered payroll was \$50,447,619. Covered payroll refers to all compensation paid by the Board to active employees covered by either the Teachers' Systems or Employees' Systems.

During fiscal year 2025, the State of Maryland contributed \$4,444,429 to the Systems on behalf of the Board. The Board has recognized the State on-behalf payments as both a revenue and expense in the General Fund.

Teachers' Retirement and Pension Systems:

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay the State 100% of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. As contractually required, during fiscal year 2025, the Board contributed \$2,003,452 to the Teachers' Retirement and Pension System.

Employees' Retirement and Pension Systems:

During fiscal year 2025, the Board contributed \$709,777 to the Employees' Retirement and Pension System.

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

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

At June 30, 2025, the Board reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Board. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

	<b>2025</b>
Board's proportionate share of the net pension liability (Employees' Systems)	\$ 6,175,598
State's proportionate share of the net pension liability (Teachers' Systems)	<u>37,507,243</u>
Total	<u><u>\$ 43,682,841</u></u>

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 7. Pension Plans (Continued)**

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2024, the Board's proportion of the net pension liability was .023% which was substantially the same as it's proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Board recognized pension expense of \$2,713,229 in the fund financial statements and \$2,948,969 in the government-wide financial statements. At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ 416,664	\$ -
Net difference between projected and actual investment earnings on pension plan investments	446,043	-
Difference between actual and expected experience	637,854	149,459
Change in proportion and share of contributions	645,900	144,321
Board contributions subsequent to measurement date	709,777	-
	<hr/>	<hr/>
Total	<u>\$ 2,856,238</u>	<u>\$ 293,780</u>

The \$709,777 of deferred outflows of resources resulting from the Board's contributions to the Employees' Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life ranging from 5.44 to 5.52 years. The net difference in investment earnings is being amortized over a closed five-year period. The following table shows the amortization of these balances:

<b>Year Ending June 30,</b>	<b>Amortization</b>
2026	\$ 316,388
2027	733,091
2028	403,379
2029	287,756
2030	112,067
	<hr/>
	<u>\$ 1,852,681</u>

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 7. Pension Plans (Continued)**

***Actuarial Assumptions***

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

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	15 years for State system
Asset Valuation Method	5-year smoothed market
Inflation	2.50% general, 3.00% wage
Salary Increases	3.00% to 22.50%, including wage inflation
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 2024 valuation pursuant to the 2024 experience study for the period July 1, 2018 to June 30, 2023.
Mortality	Various versions of the Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2021 fully generational mortality Improvements scale for males and females.

***Investments***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	34%	6.00%
Private Equity	16%	8.50%
Rate Sensitive	20%	2.40%
Credit Opportunity	9%	5.40%
Real Assets	15%	5.50%
Absolute Return	6%	3.90%
Total	<u>100%</u>	

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 7. Pension Plans (Continued)**

***Discount rate***

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

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

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

	<u>Discount Rate</u>	<u>Board's Net Pension Liability</u>
1% decrease	5.80%	\$ 8,975,273
Current discount rate	6.80%	\$ 6,175,598
1% increase	7.80%	\$ 3,841,871

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 8. Risk Management**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, the Maryland Association of Boards of Education Group Insurance Pool (the "Pool") was formed when several Maryland boards of education joined together to pool their casualty risks. Property insurance coverage was added in 1988 and workers compensation in fiscal year 2000. The Board pays an annual premium to the Pool each year which is calculated by an actuary. It is intended that the Pool be self-sustaining through member premiums. Reinsurance is carried through commercial companies for claims which exceed coverage limits as specified in the agreement. Should the Pool encounter deficits in its casualty and/or property funds, such deficits may be made up from assessments of the participating boards on a pro rata basis.

The Board continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. The Board purchases health insurance from a provider through a modified retrospective rating arrangement agreement. Settled claims have not exceeded insurance coverage for each of the past three fiscal years.

The Board is a member of the Eastern Shore of Maryland Educational Consortium (ESMEC) Health Alliance Trust, a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that ESMEC be self-sustaining through member premiums. Currently, ESMEC keeps on hand a recommended conservative reserve of 7.5% for medical, drug, dental and vision. At April 2025, the Boards' funds held by ESMEC exceeded the recommended conservative reserve by \$363,443. All funds held by ESMEC are restricted to being used only for health care expenses.

**Note 9. Post-Employment Health Care Benefits**

**Plan Description**

The Board of Education of Dorchester County administers a single employer defined benefit healthcare plan ("the Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the Board's group health insurance plan, which covers both active and retired members. The Plan does not issue a stand-alone report. Benefit provisions are based on contractual agreements with employee groups. Employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' pension system described below:

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

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

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

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

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 9. Post-Employment Health Care Benefits (Continued)**

**Plan Membership**

At June 1, 2024 (valuation date), the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	382
Inactive plan members or beneficiaries entitled but not yet receiving benefits	44
Active plan members	792
	1,218

**Funding Policy**

The Board pays a portion of retiree healthcare premiums based on years-of-service ranging from 15 years of service to 30+ years of service until the retiree becomes Medicare-eligible. The retiree pays the remaining premium, including the cost of eligible dependents. Pre-Medicare retirees may choose between two medical plans (a PPN plan and an EPO plan). Both plans include medical and prescription benefits. Once a participant is Medicare eligible, the participant must switch to a Medicare supplement plan, which is also packaged with a prescription plan. Retirees have the option of electing dental and vision coverage in addition to medical coverage.

Commencing July 1, 2013, at the time of retirement, the employee must make an election to continue in the Board sponsored health care plan or to receive the Board subsidy as a payment towards the cost of a health insurance plan selected by the retiree. In order to receive the Board subsidy, the retiree must either enroll in the Board's health care program or, at least annually, provide proof of payments to a health insurance program where the amount paid by the retiree equals or exceeds the Board subsidy. The subsidy paid by the Board shall not exceed the total premium for the plan selected and paid for by the retiree. Retirees can opt out of the Board health care plan only at the time of retirement. Benefits continue for the lifetime of the retiree. Dependents and surviving spouses can stay in the plan but must pay the full cost of coverage.

**Employer Contribution**

The employer subsidy is a flat dollar amount based upon a participant's service. The subsidy amount is different for retirees before being eligible for Medicare than for participants who are eligible for Medicare. The subsidy requires a minimum of 15 years of service with the Board and retirement from the State of Maryland Pension System.

The chart below summarizes the annual employer subsidy for the most recent fiscal year:

Years of Service	EPO Plan Pre-Medicare Employer Subsidy	PPO Plan Pre-Medicare Employer Subsidy	Post-Medicare Employer Subsidy
15 - 19	\$4,509	\$4,517	\$3,372
20 - 29	\$5,040	\$5,070	\$3,565
30 or more	\$5,570	\$5,531	\$3,757

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 9. Post-Employment Health Care Benefits (Continued)**

**Net OPEB Liability**

The annual OPEB expense under GASB Statement No. 75 is equal to the change in the unfunded actuarial accrued liability from the prior year’s measurement date to the current year measurement date, with some of the liability changes being deferred to future years. Changes in the actuarial accrued liability due to experience gains or losses or changes in assumptions are recognized over the expected future working lifetime of all plan participants, including retirees. For the fiscal year ended June 30, 2025, the Board recognized an OPEB expense of \$3,019,022.

The Board’s total OPEB liability is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The following table shows the components of the Board’s total OPEB liability as of June 30, 2025:

Total OPEB liability	
Service cost	\$ 2,347,456
Interest cost	1,947,805
Experience losses/(gains)	247,149
Changes of assumptions	(931,697)
Benefit payments	<u>(1,706,056)</u>
Net change in total OPEB liability	1,904,657
Total OPEB liability, beginning of year	<u>51,190,716</u>
Total OPEB liability, end of year (a)	<u><u>\$ 53,095,373</u></u>

Payments have typically been liquidated from the General Fund in prior years.

**Funding Status and Funding Progress**

The Board has not established an irrevocable trust and funds benefits on a pay-as-you-go basis. Contributions to the plan are made as benefit payments and expenses become due. Benefit payments totaled \$1,706,056 for the year ended June 30, 2025. As of the most recent actuarial valuation, the plan was zero percent funded. The total OPEB liability for benefits was \$53,095,373, all of which was unfunded. The covered employee payroll was \$50,447,619, and the ratio of the net OPEB liability to the covered payroll was 105.25%.

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

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 9. Post-Employment Health Care Benefits (Continued)**

**Funding Status and Funding Progress (continued)**

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

- *Measurement date* – The Board selected a June 30, 2024 measurement date for fiscal year-end 2025. The measurement date can be any date between the last day of the prior fiscal year and the last day of the current fiscal year.
- *Cost method* – This valuation uses the Entry Age Normal Funding Method calculated on an individual basis with level percentage of payroll.
- *Claims data* – Monthly paid claims, administrative expenses and enrollment for employees and retirees from January 1, 2021 through December 31, 2023 were supplied by the carrier.
- *Demographic data* – Data included current medical coverage for current employees and retirees as of June 1, 2024.
- *Discount rate assumption* – The discount rate used to determine liabilities under GASB 75 depends on the entity’s funding policy. The discount rate for government entities that do not prefund benefits through an irrevocable Trust is based on an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Board uses the Fidelity 20-year Municipal General Obligation AA bond (Municipal GO AA) index. This rate was 3.97% as of June 30, 2024 adjusted from 3.86% at June 30, 2023.
- *Health care trend* – The healthcare cost trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The current valuation uses the 2024 version of the model with baseline assumptions. The following assumptions were used as input variables into this model:

Rate of Inflation	2.6%
Rate of Growth in Real Income / GDP per capita	1.4%
Excess Medical Growth	0.9%
Expected Health Share of GDP in 2033	19.0%
Health Share of GDP Resistance Point	17.0%
Year for Limiting Cost Growth to GDP Growth	2075

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 9. Post-Employment Health Care Benefits (Continued)**

**Funding Status and Funding Progress (continued)**

- *Salary Scale* – Annual rates of salary increase include a 2.50% inflation rate and vary based on years of service and age:

Annual rates of Salary Increase for the first 10 years of service:

Years of Service	Rate
0	9.25%
1	6.75%
2	5.75%
3	5.75%
4	5.75%
5	5.75%
6	5.75%
7	5.50%
8	5.50%
9	5.50%

Annual rates of Salary Increase with 10 or more years of service:

Years of Service	Rate	Years of Service	Rate
10	5.50%	20	3.75%
11	5.25%	21	3.75%
12	5.25%	22	3.75%
13	4.75%	23	3.25%
14	4.75%	24	3.25%
15	4.75%	25	3.25%
16	4.75%	26	3.25%
17	4.25%	27	3.25%
18	4.25%	28+	2.75%
19	3.75%		

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 9. Post-Employment Health Care Benefits (Continued)**

**Funding Status and Funding Progress (continued)**

- *Decrement Assumptions –*

Active Employees	SOA Pub 2010 Teachers Employees Headcount-Weighted Mortality Table, projected on a fully generational basis using mortality improvement scale MP-2021
Healthy Retirees and Spouses	SOA Pub 2010 Teachers Retirees Headcount-Weighted Mortality Table, projected on a fully generational basis using mortality improvement scale MP-2021
Disabled Retirees	SOA Pub 2010 Disabled Retirees Headcount-Weighted Mortality Table, projected on a fully generational basis using mortality improvement scale MP-2021

**Sensitivity of the Total and Net OPEB Liability**

The following table presents the Board’s total OPEB liability using the discount rate of 3.97%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	<u>Discount Rate</u>	<u>Board's Total OPEB Liability</u>
1% decrease	2.97%	\$ 62,544,827
Current discount rate	3.97%	\$ 53,095,373
1% increase	4.97%	\$ 45,566,047

The following table presents the Board’s total OPEB liability using the health care trend rate of 4.04%, as well as what the total OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the current rate:

	<u>Health Care Trend Rate</u>	<u>Board's Total OPEB Liability</u>
1% decrease	3.04%	\$ 44,492,312
Current trend rate	4.04%	\$ 53,095,373
1% increase	5.04%	\$ 64,422,964

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 9. Post-Employment Health Care Benefits (Continued)**

**Deferred Inflows/Outflows of Resources related to OPEB**

At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ 7,552,681	\$ 17,097,481
Net difference between projected and actual investment earnings on OPEB plan investments	-	-
Difference between actual and expected experience	219,688	20,567,413
Board contributions subsequent to measurement date	1,321,293	-
Total	<u>\$ 9,093,662</u>	<u>\$ 37,664,894</u>

The \$1,321,293 of deferred outflows of resources resulting from the Board's contributions to the plan subsequent to the measurement date of June 30, 2024 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. Amounts reported as differences between projected and actual earnings on OPEB plan investments will be amortized and expensed over a closed five-year period. Amounts reported as differences between expected and actual experience will be amortized and expensed over a period equal to the average remaining service lives of all employees that are provided with other post-employment benefits through the plan. Amounts reported as changes in assumptions will be amortized and expensed over a period equal to the average remaining service lives of all employees that are provided with other post-employment benefits through the plan. Amortization expense related to net deferred inflows and outflows of resources over the next five years is expected to be as follows:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2026	\$ (5,992,990)
2027	(4,864,573)
2028	(4,793,402)
2029	(3,792,611)
2030	(4,878,241)
Thereafter	<u>(5,570,708)</u>
	<u>\$ (29,892,525)</u>

Changes in assumptions in the most recent actuarial valuation included adjusting the discount rate to the latest 20-year Municipal GO AA Index, adjusting the healthcare cost trend assumption using the 2024 Getzen model released by the Society of Actuaries (SOA), and updating the claims assumption to include the most recent plan experience.

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 10. Financed Purchases**

The Board has entered into a non-cancelable contract that transfers ownership at the end of the contract term, thus the Board has recorded the related obligation and the related asset in the appropriate funds.

Financed purchase obligations at June 30, 2025 consist of the following:

Energy equipment, Bank of America, interest at 2.67%; payable in annual installments of approximately \$358,851, including interest through December 2031.	\$ 2,263,812
<hr/>	
	<u>\$ 2,263,812</u>

Future minimum payments under these obligations, which will be funded from the General Fund, are as follows:

Fiscal year ending June 30,	
2026	\$ 358,851
2027	358,851
2028	358,851
2029	358,851
2030	358,851
Thereafter	717,699
<hr/>	
Total	2,511,954
Less amounts representing interest	(248,142)
<hr/>	
Present value of net minimum purchased finance payments	<u>\$ 2,263,812</u>

Interest expense on the above financed purchases was approximately \$68,000 for the year ended June 30, 2025.

The cost of items acquired under these financed purchase arrangements, as included in capital assets, totaled \$4,188,274 and the related accumulated depreciation was \$2,512,964 at June 30, 2025.

**Note 11. Intangible Right-to-Use Assets**

The Board implemented the guidance of GASB No. 87, Leases, at July 1, 2021 for accounting and reporting leases that had previously been reported as operating leases and recognized the value of copiers leased under long-term contracts along with a related liability.

At July 1, 2022 the Board had a variety of lease agreements in place for copiers. Payments under these leases total approximately \$32,000 per year for leases expiring during fiscal year 2026. For purposes of discounting future payments on these leases. the Board used its incremental borrowing rate in place at the time of lease inception of 2.65%.

**The Board of Education of Dorchester County**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2025**

**Note 11. Intangible Right-to-Use Assets (Continued)**

During fiscal year 2023, the Board entered into additional copier lease agreements. Payments under these leases total approximately \$128,000 per year for leases that expire in fiscal year 2028. For purposes of discounting future payments on these leases the Board used its incremental borrowing rate in place at the time of lease inception of 2.46%.

The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 5.

Minimum lease payments over the next three years include:

Lease Payments to Maturity			
Total			
	Principal	Interest	Total
2026	149,725	9,801	159,526
2027	121,639	6,058	127,697
2028	124,631	3,066	127,697
	\$ 395,995	\$ 18,925	\$ 414,920

Interest expense on the above intangible right-to-use assets was approximately \$13,500 for the year ended June 30, 2025.

**Note 12. Subscription-Based Information Technology Arrangements (SBITAs)**

Subscription-based information technology arrangements (SBITAs) represent contracts that convey control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software for a defined period. The Board’s SBITAs include software related to a communication platform. There is one remaining payment on the contract totaling \$21,025 which includes \$20,108 in principal and \$917 in interest.

**Note 13. Commitments and Contingencies**

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

The Board receives a substantial amount of its support from Federal, State and local agencies in the form of grants. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Board has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2025 may be impaired. In the opinion of the Board, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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

## REQUIRED SUPPLEMENTARY INFORMATION

**The Board of Education of Dorchester County**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE-BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended June 30, 2025**

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
County appropriation	\$ 23,740,838	\$ 23,740,838	\$ 23,740,838	\$ -
State of Maryland revenues:				
<i>Blueprint:</i>				
Foundation program	24,534,451	24,534,451	24,534,451	-
Compensatory education	16,022,716	16,022,716	16,022,716	-
Special education	2,598,316	2,598,316	2,598,316	-
Transportation	3,249,574	3,249,574	3,249,574	-
English learners	1,521,807	1,521,807	1,521,807	-
Guaranteed tax base	1,626,475	1,626,475	1,626,475	-
Transition grant program	1,123,288	1,123,288	1,123,288	-
Education effort adjustment	598,936	598,936	598,936	-
Prekindergarten supplemental	2,108,710	2,108,710	2,099,481	(9,229)
Teacher career ladder	14,584	14,584	14,584	-
College and career ready	26,178	26,178	26,178	-
Concentration of poverty - personnel	3,011,855	3,011,855	3,011,855	-
Concentration of poverty - per pupil	3,144,656	3,144,656	3,144,656	-
Supplemental instruction	299,576	299,576	299,576	-
Coordinator	106,445	106,445	106,445	-
<b>Total State of Maryland revenues</b>	<b>59,987,567</b>	<b>59,987,567</b>	<b>59,978,338</b>	<b>(9,229)</b>
Other sources:				
Tuition and transfers	75,000	75,000	81,196	6,196
Interest income	200,000	200,000	466,053	266,053
Miscellaneous	229,500	229,500	459,640	230,140
Rental income - building	40,000	40,000	61,612	21,612
Bus rental	25,000	25,000	19,396	(5,604)
<b>Total other sources</b>	<b>569,500</b>	<b>569,500</b>	<b>1,087,897</b>	<b>518,397</b>
Restricted revenues	6,237,546	6,237,546	11,904,931	5,667,385
<b>TOTAL REVENUES</b>	<b>90,535,451</b>	<b>90,535,451</b>	<b>96,712,004</b>	<b>6,176,553</b>
<b>EXPENDITURES</b>				
Administration:				
Salaries and wages	1,763,117	1,813,117	1,813,058	59
Contracted services	342,000	578,000	577,705	295
Supplies and materials	80,500	67,500	66,736	764
Other charges	97,000	89,000	88,585	415
<b>Total administration</b>	<b>2,282,617</b>	<b>2,547,617</b>	<b>2,546,084</b>	<b>1,533</b>

**The Board of Education of Dorchester County**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE-BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended June 30, 2025**  
**(Continued)**

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
School management and support:				
Salaries and wages	\$ 6,636,693	\$ 6,577,693	\$ 6,563,180	\$ 14,513
Contracted services	58,000	117,000	116,755	245
Supplies and materials	77,000	77,000	52,381	24,619
Other charges	484,000	484,000	423,909	60,091
Total school management and support	7,255,693	7,255,693	7,156,225	99,468
Instructional salaries and wages:				
Salaries and wages and contingency	28,587,165	29,837,165	29,795,603	41,562
Textbooks and instructional supplies:				
Supplies and materials and contingency	1,564,221	2,169,221	2,165,247	3,974
Other instructional costs:				
Contracted services	1,381,900	1,492,700	1,491,930	770
Other charges	531,500	579,500	578,829	671
Transfers	75,000	76,200	76,071	129
Total other instructional costs	1,988,400	2,148,400	2,146,830	1,570
Special education:				
Salaries and wages	5,454,345	4,971,845	4,971,744	101
Contracted services	1,332,000	1,960,500	1,960,020	480
Supplies and materials	30,500	6,500	5,604	896
Other charges	29,600	27,600	27,465	135
Total special education	6,846,445	6,966,445	6,964,833	1,612
Pupil personnel services:				
Salaries and wages	4,084,692	3,884,692	3,864,848	19,844
Contracted services	2,248,000	748,000	662,088	85,912
Supplies and materials	499,469	99,469	61,065	38,404
Other charges	24,000	24,000	8,025	15,975
Total pupil personnel services	6,856,161	4,756,161	4,596,026	160,135

**The Board of Education of Dorchester County**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE-BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended June 30, 2025**  
**(Continued)**

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Health services contracted services:				
Salaries and wages	\$ 115,714	\$ 127,714	\$ 127,129	\$ 585
Contracted services	1,205,000	1,193,000	1,181,600	11,400
Supplies and materials	3,000	3,000	-	3,000
<b>Total health services contracted services</b>	<b>1,323,714</b>	<b>1,323,714</b>	<b>1,308,729</b>	<b>14,985</b>
Pupil transportation:				
Salaries and wages	763,752	932,752	932,200	552
Contracted services	3,950,751	3,736,751	3,734,679	2,072
Supplies and materials	196,934	222,934	222,215	719
Other charges	97,658	82,658	80,186	2,472
Equipment	-	34,000	33,905	95
<b>Total pupil transportation</b>	<b>5,009,095</b>	<b>5,009,095</b>	<b>5,003,185</b>	<b>5,910</b>
Operation of plant:				
Salaries and wages	2,229,624	2,163,624	2,162,067	1,557
Contracted services	245,000	377,000	376,350	650
Supplies and materials	308,000	308,000	306,794	1,206
Other charges	1,963,000	2,126,000	2,125,350	650
Land, buildings, and equipment	19,500	500	-	500
<b>Total operation of plant</b>	<b>4,765,124</b>	<b>4,975,124</b>	<b>4,970,561</b>	<b>4,563</b>
Maintenance of plant:				
Salaries and wages	1,169,715	1,156,215	1,155,450	765
Contracted services	419,000	504,000	503,002	998
Supplies and materials	483,800	400,800	398,774	2,026
Other charges	366,000	366,500	366,208	292
Equipment	-	106,000	105,711	289
<b>Total maintenance of plant</b>	<b>2,438,515</b>	<b>2,533,515</b>	<b>2,529,145</b>	<b>4,370</b>
Fixed charges:				
Insurance and employee benefits	19,486,941	18,881,941	18,669,530	212,411
<b>Total fixed charges</b>	<b>19,486,941</b>	<b>18,881,941</b>	<b>18,669,530</b>	<b>212,411</b>

**The Board of Education of Dorchester County**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE-BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended June 30, 2025**  
**(Continued)**

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Capital outlay:				
Salaries and wages	\$ 133,434	\$ 133,434	\$ 35,760	\$ 97,674
Supplies and materials	500	500	-	500
Other charges	500	500	-	500
Total capital outlay	<u>134,434</u>	<u>134,434</u>	<u>35,760</u>	<u>98,674</u>
Total unrestricted expenditures	88,538,525	88,538,525	87,887,758	650,767
Restricted expenditures	<u>6,237,546</u>	<u>6,237,546</u>	<u>11,904,931</u>	<u>(5,667,385)</u>
TOTAL EXPENDITURES	<u>94,776,071</u>	<u>94,776,071</u>	<u>99,792,689</u>	<u>(5,016,618)</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING USES	<u>(4,240,620)</u>	<u>(4,240,620)</u>	<u>(3,080,685)</u>	<u>1,159,935</u>
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	4,240,620	4,240,620	-	(4,240,620)
Appropriation to school construction fund	-	-	(200,000)	(200,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,240,620</u>	<u>4,240,620</u>	<u>(200,000)</u>	<u>(4,440,620)</u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,280,685)</u>	<u>\$ (3,280,685)</u>

**The Board of Education of Dorchester County**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSION PLANS**  
**Schedule of Proportionate Share of Net Pension Liability**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Board's proportion of the net pension liability	0.0169977%	0.0167681%	0.0168716%	0.0182841%	0.0194004%	0.0202381%	0.0209318%	0.0193746%	0.0208593%	0.0234774%
Board's proportionate share of the net pension liability	\$ 3,532,417	\$ 3,956,270	\$ 3,648,275	\$ 3,836,287	\$ 4,001,461	\$ 4,574,093	\$ 3,140,251	\$ 3,876,572	\$ 4,803,965	\$ 6,175,598
State's proportionate share of the net pension liability	36,226,287	43,481,273	40,229,165	39,277,026	37,124,469	40,825,142	25,110,971	33,914,448	33,923,458	37,507,243
<b>Total</b>	<b>\$ 39,758,704</b>	<b>\$ 47,437,543</b>	<b>\$ 43,877,440</b>	<b>\$ 43,113,313</b>	<b>\$ 41,125,930</b>	<b>\$ 45,399,235</b>	<b>\$ 28,251,222</b>	<b>\$ 37,791,020</b>	<b>\$ 38,727,423</b>	<b>\$ 43,682,841</b>
Board's covered payroll	\$ 33,689,148	\$ 34,546,250	\$ 35,613,901	\$ 35,699,566	\$ 37,297,818	\$ 38,610,542	\$ 40,681,992	\$ 42,264,247	\$ 47,870,857	\$ 50,447,619
Board's proportionate share of the net pension liability as a percentage of its covered payroll	10.49%	11.45%	10.24%	10.75%	10.73%	11.85%	7.72%	9.17%	10.04%	12.24%
Total pension liability as a percentage of the plan fiduciary net position	0.09%	0.10%	0.09%	0.08%	0.08%	0.08%	0.04%	0.06%	0.06%	0.06%

**The Board of Education of Dorchester County**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSION PLANS**  
**Schedule of Board Contributions**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required contributions	\$ 1,550,684	\$ 1,632,324	\$ 1,798,058	\$ 1,823,817	\$ 1,899,932	\$ 1,916,058	\$ 1,924,251	\$ 2,371,767	\$ 2,534,281	\$ 2,713,229
Contributions in relation to the contractually required contribution	1,550,684	1,632,324	1,798,058	1,823,817	1,899,932	1,916,058	1,924,251	2,371,767	2,534,281	2,713,229
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 33,689,148	\$ 34,546,250	\$ 35,613,901	\$ 35,699,566	\$ 37,297,818	\$ 38,610,542	\$ 40,681,992	\$ 42,264,247	\$ 47,870,857	\$ 50,447,619
Contributions as a percentage of covered payroll	4.60%	4.73%	5.05%	5.11%	5.09%	4.96%	4.73%	5.61%	5.29%	5.38%

**The Board of Education of Dorchester County**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY**  
**Schedule of Total OPEB Liability and Related Ratios**

	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability								
Service cost	\$ 3,623,705	\$ 2,996,190	\$ 3,077,799	\$ 3,096,466	\$ 3,988,626	\$ 4,013,888	\$ 2,430,651	\$ 2,347,456
Interest cost	2,139,195	2,477,278	2,625,283	2,125,246	2,000,409	1,504,337	2,208,814	1,947,805
Changes in benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(106,766)	(12,258,435)	(236,770)	(10,756,958)	(21,166)	(13,322,719)	247,149
Changes of assumptions	(10,155,753)	(533,800)	3,251,349	10,007,468	2,855,961	(22,533,399)	558,630	(931,697)
Benefit payments	<u>(1,349,324)</u>	<u>(1,481,721)</u>	<u>(1,408,823)</u>	<u>(1,225,409)</u>	<u>(1,437,739)</u>	<u>(1,372,251)</u>	<u>(1,323,685)</u>	<u>(1,706,056)</u>
Net change in total OPEB liability	\$ (5,742,177)	\$ 3,351,181	\$ (4,712,827)	\$ 13,767,001	\$ (3,349,701)	\$ (18,408,591)	\$ (9,448,309)	\$ 1,904,657
Total OPEB liability, beginning of year	<u>75,734,139</u>	<u>69,991,962</u>	<u>73,343,143</u>	<u>68,630,316</u>	<u>82,397,317</u>	<u>79,047,616</u>	<u>60,639,025</u>	<u>51,190,716</u>
Total OPEB liability, end of year (a)	<u>\$ 69,991,962</u>	<u>\$ 73,343,143</u>	<u>\$ 68,630,316</u>	<u>\$ 82,397,317</u>	<u>\$ 79,047,616</u>	<u>\$ 60,639,025</u>	<u>\$ 51,190,716</u>	<u>\$ 53,095,373</u>
Covered employee payroll	\$ 35,613,901	\$ 35,699,566	\$ 37,297,818	\$ 38,610,542	\$ 40,681,992	\$ 42,264,247	\$ 47,870,857	\$ 50,447,619
Total OPEB liability as of % of covered-employee payroll	196.53%	205.45%	184.01%	213.41%	194.31%	143.48%	106.94%	105.25%

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

**The Board of Education of Dorchester County**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2025**

**Note 1. Budgetary Comparison Schedule**

The Board of Education annually adopts budgets for the General Fund and Food Service Fund. All appropriations are legally controlled at the categorical level for the General Fund and the Food Service Fund.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General and Food Service Funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Adjustments necessary to convert the results of operations and fund balances at the end of the year on the GAAP basis to the budgetary basis are as follows:

		June 30, 2025 GENERAL FUND		
		Revenues	Expenditures	Fund Balances
GAAP BASIS	\$	102,368,760	\$ 105,340,895	\$ 3,370,619
Student activities		(1,212,327)	(1,103,777)	(583,225)
Payments made on-behalf of the Board by State of Maryland to the Maryland State Retirement System		(4,444,429)	(4,444,429)	-
<b>BUDGETARY BASIS</b>	<b>\$</b>	<b>96,712,004</b>	<b>\$ 99,792,689</b>	<b>\$ 2,787,394</b>

**Note 2. Pension Plans**

**Changes in Benefit Terms**

There were no significant benefit changes during the year.

**Changes in Assumptions**

There were no significant actuarial assumption changes during the year.

**The Board of Education of Dorchester County**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2025**

**Note 2. Pension Plans (Continued)**

**Method and Assumptions used in Calculations of Actuarially Determined Contributions**

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	15 years for State system
Asset Valuation Method	5-year smoothed market
Inflation	2.50% general, 3.00% wage
Salary Increases	3.00% to 22.50%, including wage inflation
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 2024 valuation pursuant to the 2024 experience study for the period July 1, 2018 to June 30, 2023.
Mortality	Various versions of the Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2021 fully generational mortality Improvements scale for males and females.

**Note 3. Post-Employment Health Care Benefits**

**Changes in Benefit Terms**

There were no significant benefit changes during the year.

**Changes in Assumptions**

- The discount rate changed from 3.86% at June 30, 2023 to 3.97% at June 30, 2024.

**Method and Assumptions**

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation	2.60%
Salary Increases	Varies based on years of service and age
Investment Rate of Return	3.97%
Medical Trend	Based on the Society of Actuaries (SOA) 2024 Getzen Long-Term Healthcare Cost Trend Model baseline assumptions. This model was designed to estimate the trend after 2025. The trend rate was set to 7.5% for 2024 and 7.0% for 2025. This trend rate is greater than the past valuation due to recent inflation, which is estimated to result in higher medical costs as providers renew their contracts. The trend is expected to decrease to 5.29% by 2030 and 4.54% by 2050, ultimately leveling off at 4.04% in 2075.
Mortality	The mortality rates for Active Employees was calculated using the SOA Pub 2010 Teachers Employees Headcount-Weighted Mortality Table, projected on a fully generational basis using mortality improvement scale MP-2021. The mortality rates for Healthy Retirees and Spouses was calculated using the SOA Pub 2010 Teachers Retirees Headcount-Weighted Mortality Table, projected on a fully generational basis using mortality improvement scale MP-2021. The mortality rates for Disabled Retirees was calculated using the SOA Pub 2010 Teachers Disabled Retirees Headcount-Weighted Mortality Table, projected on a fully generational basis using mortality improvement scale MP-2021.

## ADDITIONAL SUPPLEMENTARY INFORMATION

**The Board of Education of Dorchester County**  
**SCHOOL ACTIVITIES FUND OPERATIONS**  
**Year Ended June 30, 2025**

<u>School Name</u>	June 30,	<u>Year Ended June 30, 2025</u>		
	2024	Additions -	Deductions -	Fund
	<u>Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance</u>
	<u>Balance</u>			
Hurlock Elementary School	\$ 18,091	\$ 57,723	\$ 56,207	\$ 19,607
Maple Elementary School	18,193	40,154	32,723	25,624
Choptank Elementary School	17,887	26,745	19,202	25,430
Sandy Hill Elementary School	12,697	23,782	18,106	18,373
South Dorchester K-8 School	56,517	51,337	49,661	58,193
Vienna Elementary School	42,074	54,650	38,850	57,874
Warwick Elementary School	11,012	72,773	62,754	21,031
Maces Lane Middle School	6,610	7,531	4,365	9,776
North Dorchester Middle School	21,547	28,135	32,929	16,753
Cambridge South Dorchester High School	112,955	420,703	384,473	149,185
North Dorchester High School	88,848	224,012	200,737	112,123
School of Technology	68,244	204,782	203,770	69,256
<b>Total</b>	<b>\$ 474,675</b>	<b>\$ 1,212,327</b>	<b>\$ 1,103,777</b>	<b>\$ 583,225</b>

**The Board of Education of Dorchester County**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET POSITION - BUDGET AND ACTUAL**  
**FOOD SERVICES FUND**  
**Year Ended June 30, 2025**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES</b>				
Sale of meals	\$ 170,000	\$ 170,000	\$ 165,017	\$ (4,983)
Federal assistance	3,308,000	3,308,000	3,574,890	266,890
State assistance	180,000	180,000	43,803	(136,197)
USDA donated commodities	280,000	280,000	248,780	(31,220)
Vendor rebates	-	-	3,836	3,836
<b>TOTAL REVENUES</b>	<b>3,938,000</b>	<b>3,938,000</b>	<b>4,036,326</b>	<b>98,326</b>
<b>OPERATING EXPENSES</b>				
Current:				
Food	1,250,000	1,250,000	1,567,243	(317,243)
Salaries and wages	1,396,538	1,396,538	1,419,415	(22,877)
Fixed charges	697,312	697,312	735,934	(38,622)
Contracted services	71,000	71,000	76,159	(5,159)
Supplies and materials	117,250	117,250	114,577	2,673
Other charges	12,000	12,000	2,690	9,310
Depreciation	-	-	12,286	(12,286)
USDA donated commodities	325,000	325,000	248,780	76,220
Capital outlay	68,900	68,900	126,637	(57,737)
<b>TOTAL EXPENSES</b>	<b>3,938,000</b>	<b>3,938,000</b>	<b>4,303,721</b>	<b>(365,721)</b>
<b>OPERATING LOSS</b>	<b>-</b>	<b>-</b>	<b>(267,395)</b>	<b>(267,395)</b>
Change in net position	\$ -	\$ -	\$ (267,395)	\$ (267,395)

**The Board of Education of Dorchester County**  
**FOOD SERVICES FUND**  
**SCHEDULE OF CHANGES IN NET POSITION BY AREA OF RESPONSIBILITY**  
**Year Ended June 30, 2025**

	<u>Total</u>	<u>Board Admin.</u>	<u>C.S.D.H.S.</u>	<u>N.D.H.S.</u>	<u>Maces Lane</u>	<u>N.D.M.S.</u>	<u>Hurlock Elementary</u>
Net position, beginning of year	\$ 1,449,346	\$ 1,449,346	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue:							
Food sales:							
A la carte	165,017	-	40,925	20,940	20,795	17,435	6,809
State revenue match	43,803	-	6,348	3,945	6,442	3,504	4,380
Federal reimbursements	3,574,890	120,601	403,737	250,797	452,145	294,231	352,047
USDA donated commodities	248,780	-	30,631	18,723	32,557	21,405	24,669
Vendor rebates	3,836	3,836	-	-	-	-	-
Total revenue	<u>4,036,326</u>	<u>124,437</u>	<u>481,641</u>	<u>294,405</u>	<u>511,939</u>	<u>336,575</u>	<u>387,905</u>
Cost of food used:							
Beginning inventory	15,977	186	2,492	943	1,346	2,318	916
Purchased food	1,569,091	54,365	181,349	108,581	190,181	123,585	149,703
USDA donated commodities	248,780	-	30,631	18,723	32,557	21,405	24,669
Supplies	94,534	21,454	11,778	8,721	11,643	9,124	4,823
Salaries and wages	1,253,831	163,452	128,190	91,590	130,030	83,048	101,019
Food available for use	<u>3,182,213</u>	<u>239,457</u>	<u>354,440</u>	<u>228,558</u>	<u>365,757</u>	<u>239,480</u>	<u>281,130</u>
Less: Ending inventory	17,825	381	2,383	1,226	2,619	2,307	1,050
Total cost of food used	<u>3,164,388</u>	<u>239,076</u>	<u>352,057</u>	<u>227,332</u>	<u>363,138</u>	<u>237,173</u>	<u>280,080</u>
Net revenue	<u>871,938</u>	<u>(114,639)</u>	<u>129,584</u>	<u>67,073</u>	<u>148,801</u>	<u>99,402</u>	<u>107,825</u>
Expenses:							
Salaries and wages	165,584	165,584	-	-	-	-	-
Fixed charges	735,934	103,862	46,138	47,812	56,027	56,594	81,031
Contract services	76,159	-	8,727	11,196	5,457	7,921	5,462
Supplies/materials	20,043	39	8,009	1,220	1,780	1,138	820
Other charges	2,690	-	1,830	163	40	(237)	35
Depreciation	12,286	12,286	-	-	-	-	-
Equipment	126,637	23,894	5,040	37	242	12,836	1,678
Total expenditures	<u>1,139,333</u>	<u>305,665</u>	<u>69,744</u>	<u>60,428</u>	<u>63,546</u>	<u>78,252</u>	<u>89,026</u>
Change in net position	(267,395)	(420,304)	59,840	6,645	85,255	21,150	18,799
Transfers	-	152,909	(59,840)	(6,645)	(85,255)	(21,150)	(18,799)
Net position, end of year	<u>\$ 1,181,951</u>	<u>\$ 1,181,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**The Board of Education of Dorchester County**  
**FOOD SERVICES FUND**  
**SCHEDULE OF CHANGES IN NET POSITION BY AREA OF RESPONSIBILITY**  
**Year Ended June 30, 2025**  
**(Continued)**

	Maple Elementary	Sandy Hill Elementary	South Dorchester K-8	Choptank Elementary	Vienna Elementary	Warwick Elementary
Net position, beginning of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue:						
Food sales:						
A la carte	7,481	11,071	15,598	10,010	2,000	11,953
State revenue match	5,215	4,819	1,314	5,153	1,314	1,369
Federal reimbursements	470,393	374,860	151,346	341,420	142,964	220,349
USDA donated commodities	32,809	26,538	11,427	24,217	9,934	15,870
Vendor rebates	-	-	-	-	-	-
Total revenue	515,898	417,288	179,685	380,800	156,212	249,541
Cost of food used:						
Beginning inventory	1,813	1,198	1,315	422	958	2,070
Purchased food	206,048	177,722	71,678	152,936	58,626	94,317
USDA donated commodities	32,809	26,538	11,427	24,217	9,934	15,870
Supplies	8,163	5,593	2,133	5,861	2,629	2,612
Salaries and wages	130,440	135,815	62,466	105,190	49,918	72,673
Food available for use	379,273	346,866	149,019	288,626	122,065	187,542
Less: Ending inventory	2,083	1,121	1,379	1,036	1,151	1,089
Total cost of food used	377,190	345,745	147,640	287,590	120,914	186,453
Net revenue (expense)	138,708	71,543	32,045	93,210	35,298	63,088
Expenses:						
Salaries and wages	-	-	-	-	-	-
Fixed charges	100,464	68,948	48,597	71,833	17,198	37,430
Contract services	5,079	4,077	4,729	9,769	6,065	7,677
Supplies/materials	1,279	1,185	821	1,372	1,230	1,150
Other charges	1,216	53	(291)	53	24	(196)
Depreciation	-	-	-	-	-	-
Equipment	422	3,697	13,214	59,214	3,071	3,292
Total expenditures	108,460	77,960	67,070	142,241	27,588	49,353
Change in net position	30,248	(6,417)	(35,025)	(49,031)	7,710	13,735
Transfers	(30,248)	6,417	35,025	49,031	(7,710)	(13,735)
Net position, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -