

Frederick County Public Schools

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2025

191 South East Street, Frederick, MD 21701

www.fcps.org

Board of Education of Frederick County, Maryland
A Component Unit of Frederick County, Maryland





Frederick County Public Schools
Board of Education of Frederick County, Maryland
A Component Unit of Frederick County, Maryland

Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

Prepared by:

**Frederick County Public Schools
Financial Reporting Department
Fiscal Services Division**

**Heather Jo Clabaugh, MBA
Associate Superintendent of Fiscal Services**

**Melissa Rollison, MBA
Financial Reporting Manager**



FREDERICK COUNTY PUBLIC SCHOOLS

Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2025

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FREDERICK COUNTY PUBLIC SCHOOLS

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INTRODUCTORY SECTION

**Board of Education
of Frederick County
June 30, 2025**

September 25, 2025

Members of the Board of Education and Citizens of Frederick County, Maryland:

Maryland State law requires that local education agencies publish at the close of each year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. In compliance with that requirement, the Financial Reporting Department publishes the Annual Comprehensive Financial Report (ACFR) of the Frederick County Public School System (FCPS). This ACFR is a thorough and detailed presentation of FCPS' financial position, activities, and balances for the fiscal year (FY) ended June 30, 2025.

This report has been prepared pursuant to Education Article Section 5-109 of the Annotated Code of Maryland. The report consists of management's representations concerning the finances of FCPS. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Internal accounting controls are designed to provide reasonable assurance that assets are safeguarded and accounted for properly and to ensure the reliability of accounting information for preparing financial statements in conformity with U.S. GAAP. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The FCPS financial statements have been audited by SB & Company, LLC, an independent firm of licensed certified public accountants. SB & Company issued an unmodified opinion on the ACFR for fiscal year ended June 30, 2025. The independent public accountants' report is located at the front of the financial section of this report. Management's Discussion and Analysis (MD&A) immediately follows the independent public accountants' report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

All funds and accounts of The Board of Education of Frederick County (Board) are included in this ACFR. For financial reporting purposes, FCPS is defined as a component unit of the Frederick County Government. Therefore, FCPS is included in the ACFR of Frederick County.

FCPS is also required to undergo a federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies in accordance with the *Single Audit Act Amendments of 1996* and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. In addition to reporting on the fair presentation of the financial statements, the Single Audit places special emphasis on internal controls and legal requirements involved in the administration of federal awards. The Single Audit is available separately from the ACFR.

FCPS Profile

The Board is the elected body, corporate and politic, established under Maryland law to provide public education to children in pre-kindergarten through grade 12 residing within the borders of Frederick County, Maryland. The Board is composed of seven at-large members serving four-year terms and one student representative serving a one-year term. The Board determines educational policy and employs a Superintendent of schools to administer the school system.

FCPS provided general education, special education and vocational education to 48,054 students during FY2025 within 69 schools. These schools consist of 38 elementary schools, 13 middle schools, 10 high schools, 4 charter schools, 2 alternative schools, 1 virtual school, and 1 career and technology center. Frederick County remains one of the fastest growing counties in Maryland and as a result, FCPS is one of the fastest growing school districts. The 2024-2025 enrollment increased by 373 students over prior school year 2023-2024. For school year 2025-2026, the enrollment is projected at 48,868 students within 69 schools. This projection equates to an increase in enrollment growth of 814 students or 1.7 percent.

The four charter schools FCPS had during the 2025 school year were Monocacy Valley Montessori Public Charter School (MVMPCS), Carroll Creek Montessori Public Charter School (CCMPCS), Frederick Classical Charter School (FCCS), and Sabillasville Environmental Public Charter School (SEPCS). In accordance with Maryland Code, the Board shall provide funding to the four charter schools in an amount of county, state, and federal money for elementary and secondary students that is commensurate with the amount disbursed to other public schools in the local jurisdiction. Although the charter schools function as semi-independent schools, with their own governance and instructional design, educational achievement is measured against the same performance standards used by the local and state boards of education. Staff members of the charter schools are FCPS employees, attendance is open to all FCPS students and each school's administration reports to the Superintendent. Sabillasville Environmental Public Charter School opened for the 2022-2023 school year with a three-year conditional approval passed by the Board on September 8, 2021. This approval was renewed for five years by the Board on March 26, 2025.

FCPS is a successful school system in a diverse and fast-growing community. Frederick County bridges rural, suburban, and urban lifestyles near both the Washington, DC and Baltimore metropolitan communities. The racial/ethnic composition of the student body is 49.0 percent White; 21.0 percent Hispanic/Latino; 14.0 percent Black; 8.0 percent Asian; 7.0 percent two or more races; and less than 1.0 percent American Indian/Alaskan Native and Pacific Islander/Native Hawaiian. We serve students with varying needs, including students receiving special education services (12.0 percent), multilingual learners (8.0 percent), and students receiving Free and/or Reduced-Price Meal services (34.0 percent).

With more than 7,400 full-time equivalent employee positions, including nearly 3,500 teachers, FCPS is one of the largest single employers in Frederick County. Our buses travel an estimated 7.8 million miles of city, suburban, and rural roadways annually. We operate and maintain over 6.9 million square feet under roof and more than 1,500 acres of property.

Factors Affecting Financial Condition

Local Economy. Frederick County, Maryland, founded in 1748, originally included the present Maryland counties of Garrett, Allegany, Washington, Carroll and Montgomery. It is located in the north central part of Maryland, is 664 square miles in area, and serves a population over 299,000. Frederick County is bordered on the north by the Commonwealth of Pennsylvania, on the west by Washington County, Maryland, on the east by Howard and Carroll Counties, both in Maryland, and on the south by Montgomery County, Maryland and the Commonwealth of Virginia.

Frederick County has a diverse economy and is well positioned for business growth and development. Location, upscale business and employment parks, available infrastructure, business friendly programs, a highly skilled and educated workforce, and room to grow are all key factors for businesses looking to locate or expand in Frederick County.

Frederick County Government and the State of Maryland are the primary sources of revenue for Frederick County Public Schools. These two funding sources are significantly affected by property assessments and personal income. FCPS receives approximately 93.5 percent of its governmental fund revenues from the Frederick County Government and the State of Maryland; and, therefore, the economic condition of these entities bears heavily on the financial condition of FCPS. Frederick County's unemployment rate increased from 3.0 percent in 2024 to 3.2 percent as of May 2025. This was less than the state unemployment rate of 3.3 percent and less than the national rate of 4.1 percent for the same time period. According to the most recent data, Frederick County's per capita income is in the top 30 percent of Maryland counties.

The adopted FY2026 operating budget totals \$970.2 million, an increase of \$29.5 million or 3.1 percent over the original FY2025 operating budget. State funding increased due to increasing FCPS enrollments as well as the continuing implementation of the Blueprint for Maryland's Future funding formula. Together, state revenues and the local county appropriation account for 94.3 percent of the total operating budget funding. State revenues for FY2026 reached \$457.8 million, which is \$23.7 million or 5.5 percent greater than the revenues for FY2025. Revenue from Frederick County of \$457.4 million is \$20.3 million or 4.6 percent more than the prior year.

Capital funding continues to be strained; as schools continue to age and enrollment growth continues, FCPS will need to construct, renovate and repair schools, as well as identify and allocate funds for those purposes. With the age of many FCPS school buildings, major building systems such as boilers, chillers and roofs are approaching or exceeding normal life expectancies. The average age of school buildings varies from 36.7 years for high schools, 43.7 years for middle schools to 40.8 years for elementary schools. Forty-six, or 66.7 percent, of the county's schools are in part at least twenty-five years old.

Long-term Financial Planning. Based on 10-year enrollment projections, the Board of Education's goals and objectives (as delineated in the Strategic Plan), as well as state and county plans and programs, the Facilities Division annually updates an Educational Facilities Master Plan (EFMP). This plan assesses the age and capacity of school facilities and generates a list of proposed capacity and renovation projects. This also serves as the basis for the six-year Capital Improvement Plan budget.

Another factor affecting the financial condition and long-term financial planning of FCPS is the funding of the other post-employment benefits (OPEB) liability. Due to budget constraints, the Board removed the budgeted OPEB contribution in FY2024, FY2025, and FY2026. Despite not making a contribution to the Trust in FY2024 and FY2025, the net OPEB liability decreased \$152.0 million for a reported net OPEB liability of \$320.0 million. An increase in the discount rate was the primary component contributing to the decreased liability. As of June 30, 2025, the net OPEB liability was approximately 40.0 percent funded as a percentage of the total OPEB liability. FCPS relies on a third-party actuary to calculate the net OPEB liability. The net OPEB liability continues to be a significant liability required to be recorded in the financial statements. In the event the market conditions do not remain favorable, and depending on future changes to the actuarial assumptions, the net OPEB liability could increase significantly if contributions to the OPEB Trust are not reinstated.

FCPS completed construction of a new central office facility in FY2010, which consolidated personnel from four locations into one. This move, which has afforded economies of scale in operating costs, was financed through a lease-leaseback transaction. FCPS was able to take advantage of the low interest rate environment in FY2013 and in FY2020, refinancing the lease interest rate while retaining the original maturity date of September 1, 2032. The amount of the future minimum lease payments for the fiscal years 2026-2033 is \$6.2 million.

FCPS entered into a new energy performance contract lease in FY2018, as lessee, to finance various deferred maintenance and facility improvements. The Board refinanced this lease in FY2020 in order to lower the interest rate from 3.39 percent to 2.08 percent with projected savings of \$917 thousand. The original maturity date of September 1, 2033 remains the same under the current lease agreement. The amount of the future minimum lease payments for the fiscal years 2026-2034 is \$10.3 million.

In FY2023, FCPS signed a lease agreement as lessee for warehouse space. The lease is for two suites and has an initial term of ten years with monthly payments that commenced in FY2024. After the initial maturity date of July 1, 2033, the lease agreement provides two (2) five (5) year option renewal periods. It is reasonably certain the Board will exercise the renewal option to extend the maturity date to FY2043 on one of the two suites. The amount of future minimum lease payments for the fiscal years 2026-2043 is \$8.1 million.

In FY2024, FCPS signed a lease agreement for office space, with an executed first amendment. The lease is for an initial term of five years with monthly payments commencing in FY2025. After the initial maturity date of July 1, 2029, the lease agreement provides one (1) five (5) year option renewal period. A second amendment to the lease agreement was signed in May 2025, which leased an additional 1,758 square feet. The terms of the second amendment were consistent with the original lease agreement. The amount of future minimum lease payments for the fiscal years 2026-2034 is \$4.0 million.

Relevant Financial Policies. Maryland boards of education have no taxing authority or ability to increase the budget, so our public-school systems depend extensively on state and local governments for revenue. State funding is established primarily during the annual January-April legislative session of the General Assembly and funds are administered through the Maryland State Department of Education (MSDE).

Pursuant to state law, Frederick County Government provides significant fiscal support to FCPS. Due to this fiscal reliance, much of the budget process is built around the County budget timeline. Preparing the operating budget involves school system staff, as well as citizen participation. In the fall, requests are submitted and reviewed by the Superintendent and other school officials. In January, after consideration, the Superintendent recommends to the Board an operating budget for the coming fiscal year that is aligned with our strategic plan. Board members review the proposal, make changes if they desire, take it to public hearing in late January, and then reevaluate and modify it accordingly before forwarding it to the Frederick County Government. The County Executive recommends and the County Council must approve the allocation to the Board. By statute, the County Council must approve the County's budget by May 31st. Then the Board adopts the detailed school system budget that takes effect July 1.

The annual budget is prepared in legal conformance with Maryland State law. The general budget is adopted by state-mandated categories of expenditures. Formal budgetary integration, including encumbrance accounting, is employed as a management control device during the year for the governmental fund types. Management is allowed to transfer funds within the state-mandated categories of expenditures but transfers between the categories must be approved by both the Board of Education and the Frederick County Council.

By Maryland statute, each county must appropriate to the Board of Education an amount equal to, or greater than, the prior year per pupil appropriation. This is referred to as the "maintenance of effort" (MOE) calculation. The County, by law, is allowed to appropriate above the maintenance of effort. The FY2026 budget reflects an additional \$13.6 million over the FY2025 appropriation or \$10.9 million above Maintenance of Effort (MOE) from the County. This was the eleventh consecutive year of funding from the County exceeding MOE requirements.

Capital projects are primarily funded by Frederick County Government and the State of Maryland. The Board of Education has no authority to issue debt. Funds are budgeted and appropriated on both a project and an annual basis. Capital project funds carry forward at the end of each year and are available until the completion of the project. Budget transfers between projects require the same approvals as transfers between major expenditure categories and approvals by both the Board of Education and the County Council.

Blueprint for Maryland's Future. The Blueprint for Maryland's Future Act is a landmark, generational piece of legislation intended to enhance and improve the state and local investment in Maryland's public-school systems. This legislation is based on the recommendations of the Commission on Innovation and Excellence in Education (commonly referred to as the Kirwan Commission) and centers around five policy areas: early childhood education; high quality diverse teachers and school leaders in every school; an instructional system that is based on world-class standards and fully aligns with a college and career readiness standard; a system that meets the needs of all students including students with disabilities, students from low-income families, and students where English is not a primary language; and a strong system of accountability. Initial funding for the Blueprint implementation began in FY2020 with funding for pre-kindergarten expansion, concentration of poverty funding, teacher salary incentives, additional special education funding and targeted intervention funding. This funding continued in FY2021 and expanded in FY2022 with FY2023 being the first year of funding based on the revised state funding formulas prescribed in the Blueprint legislation. Due to enrollment growth as well as the 10-year implementation of the Blueprint for Maryland's Future funding formulas, the state funding for FY2026 increased \$23.7 million over FY2025 state funding.

Major Facilities Initiatives. Frederick County is one of the fastest growing counties in the State of Maryland and continues to experience population growth. Over the last several years, the capital budget has included new schools and replacement schools to relieve overcrowding throughout the county. In FY2025, the Green Valley Elementary Replacement and the Valley Elementary Replacement Schools were completed and opened for the 2025-2026 school year. Together, the multi-year constructed facilities have incurred cumulative costs of \$87.9 million as of June 30, 2025. In addition, the FY2025 capital budget included design funding for the Middletown Elementary/Middle Co-located Replacement, Yellow Springs Elementary Replacement and Linganore Creek Elementary (formerly New Elementary School #41); incurring costs of \$3.2 million, \$3.4 million and \$1.3 million, respectively. Included in the Capital Improvement Program for FY2026 is additional funding for the construction of the following projects: Middletown

Elementary/Middle Co-located Replacement, Yellow Springs Elementary Replacement School, the Linganore Creek Elementary (formerly New Elementary School #41), design funding for the Brunswick High Replacement, and funding towards the FCPS Bus Facility. The systemic improvements funded in FY2026 include a playground replacement, limited renovations, boiler replacement and the purchase of three buses.


Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to FCPS for its ACFR for the fiscal year ended June 30, 2024. This was the sixteenth year that FCPS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and demonstrates a constructive "spirit of full disclosure," reflection of FCPS' financial health. FCPS intends to submit the FY2025 ACFR to the GFOA to determine its eligibility for another certificate. Our FY2024 GFOA Certificate of Achievement can be found on page 6 of this ACFR.


FCPS has also received, for the seventeenth consecutive year, the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting for its FY2024 ACFR. This award, valid for one year, is granted only after an intensive review of the ACFR by an expert panel of certified public accountants and practicing school business officials. FCPS plans to submit the FY2025 ACFR to ASBO and believes the report continues to meet ASBO's certificate program requirements. The FY2024 ASBO Certificate of Excellence in Financial Reporting can be found on page 7 of this ACFR.

The preparation of this report could not have been accomplished without the skilled and dedicated services of the entire staff of the Financial Reporting Department and our external auditors SB & Company, LLC. Our appreciation is also extended to the Accounting Department and the Budget Department, as well as all who assisted in the timely closing of the school system's financial records. Many other departments in the system contributed to this report, including the photographs and student artwork published throughout this document. The high standard of conformity of this report reflects the professional competence of all individuals responsible for its preparation. We would also like to recognize the Board of Education for their continuing support for maintaining the highest standards of professionalism in the management of FCPS' finances.

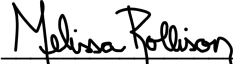
Respectfully submitted,



Dr. Cheryl L. Dyson
Superintendent of Schools



Heather Jo Clabaugh, MBA
Associate Superintendent
of Fiscal Services
Fiscal Services Division



Melissa Rollison, MBA
Financial Reporting Manager
Fiscal Services Division



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Frederick County Public Schools
Maryland**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Frederick County Public Schools

**for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2024.**

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.



A handwritten signature in black ink, reading 'Ryan S. Stechschulte'.

Ryan S. Stechschulte
President

A handwritten signature in black ink, reading 'James M. Rowan'.

James M. Rowan, CAE, SFO
CEO/Executive Director

Frederick County Public Schools

Elected Officials

Board of Education of Frederick County

The Board of Education (Board) consists of seven elected voting members and one non-voting student member. It serves as the governing body for Frederick County Public Schools (FCPS) and is responsible for setting policy not otherwise controlled by federal and state laws. The Board reviews and approves FCPS budgets and oversees expenditures from county, state and federal sources.

Elected Board members serve four-year staggered terms. The student member is a high school student selected by the Frederick County Association of Student Councils and serves a one-year term.

The Board hires and reviews the work of the Superintendent of Schools, monitors implementation of the district's strategic plan, and gives final approval to curriculum matters and materials, staff appointments, equipment purchases, land acquisitions and school construction, renovations, and repairs, as well as gives final acceptance to grant awards.

The Superintendent serves as the system's curricular, operational, fiscal, and community leader. The Superintendent is responsible for assuring that the school system carries out Maryland public laws relating to schools; the Maryland State Department of Education's bylaws and policies; and the local school Board's mission, goals, and policies. The Superintendent also serves as Secretary and Treasurer to the Board of Education.



Rae Gallagher
President
Dec 2022 – Dec 2026

Dean Rose
Vice President
Dec 2022 – Dec 2026



Nancy Allen
Dec 2022 – Dec 2026

Colt Black
Dec 2024 – Dec 2028

Jaime Brennan
Dec 2024 – Dec 2028

Janie Inglis Monier
Dec 2024 – Dec 2028

Karen Yoho
Dec 2022 – Dec 2026

Alex Thomas
Student Member
Jul 2025 – Jun 2026

Dr. Cheryl L. Dyson
Secretary and
Treasurer

Frederick County Public Schools

Superintendent's Cabinet

The Superintendent's Cabinet serves as the senior leadership team of FCPS, guiding strategic direction and coordinating key areas such as academics, operations, cultural proficiency, student services, systemic communications, and community engagement. The Cabinet works collaboratively to ensure operational excellence and execution to enhance student achievement in an inclusive environment, while fostering a professional and respectful workplace for all staff.

The Chief of Academics and Organizational Development, Associate Superintendent of Special Education and Student Services, Chief of Schools and Accountability, Chief of Staff, Chief Legal Counsel, and Chief Operating Officer report directly to the Superintendent. They and their teams are responsible for implementing, managing, and monitoring programs; day-to-day operations; and administrative support services on both the education and business sides of the organization.



Dr. Cheryl L. Dyson
Superintendent



Dr. Jamie Aliveto
Chief of Schools and
Accountability



Steven Blivess, Esq.
Chief Legal Counsel



Dr. Keith Harris
Chief of Academics and
Organizational
Development



Dr. Paul Lebo
Chief Operating
Officer



Dr. Sarah Sirgo
Chief of Staff



Dr. Jennifer Bingman
Associate Superintendent of
Special Education
& Student Services



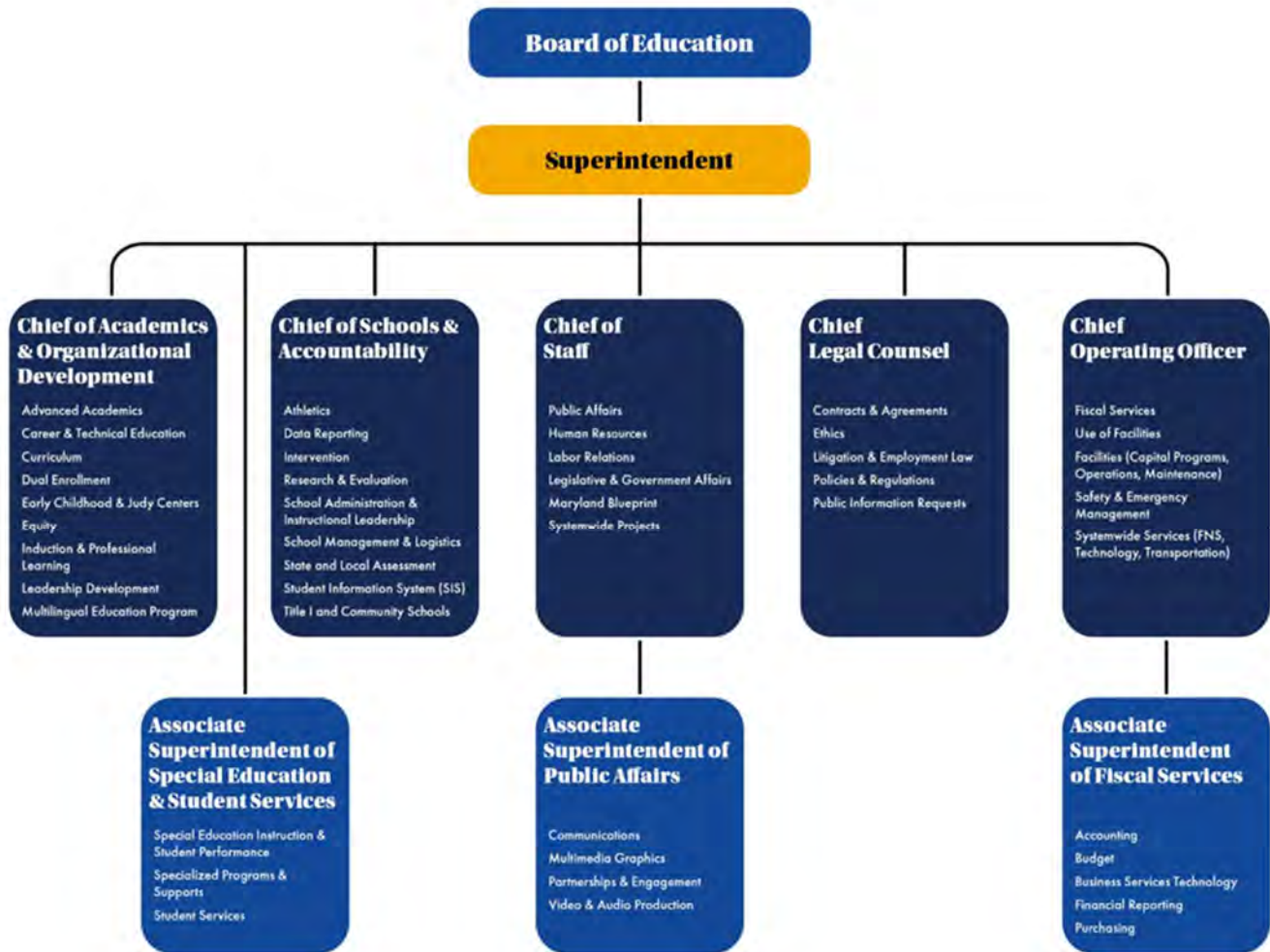
Heather Jo Clabaugh
Associate Superintendent
of Fiscal Services



Dr. Eric Louérs-Phillips
Associate Superintendent
of Public Affairs

Frederick County Public Schools

Organizational Structure and Scope of Responsibility



FINANCIAL SECTION

**Board of Education
of Frederick County
June 30, 2025**

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Members of the Board of Education
of Frederick County, Maryland
Frederick County, Maryland

Opinion

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Frederick County, Maryland (the Board), a component unit of Frederick County, Maryland, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, and respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

The Board's 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS 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 controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls-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, and Schedule of Investment Returns for the Post-Employment Retiree Health Benefit Plan, and Schedule of Changes in the Board's Net OPEB Liability and Related Ratios, Schedule of Contributions Related to Pension and Schedule of Proportionate Share of Net Pension Liability, 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's basic financial statements. The accompanying supplementary information for the school construction fund and food nutrition services fund, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information for the school construction fund and food nutrition services fund 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical selections but does not include the financial statements and our independent public accountant's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2025, on our consideration of the Board's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal controls over financial reporting and compliance.

Owings Mills, Maryland
September 25, 2025

SBC + Company, LLC

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

This section of Frederick County Public Schools' (FCPS) Annual Comprehensive Financial Report presents the discussion and analysis of its financial performance during the fiscal year ended June 30, 2025, with selected comparative data for the year ended June 30, 2024. We encourage readers to consider the discussion and analysis in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

In this section we have provided an overview of the basic financial statements, selected condensed data and highlights, and analysis of FCPS' financial position and changes in financial position. Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (hereinafter GASB).

The goal of MD&A is for the FCPS financial managers to present an objective and easily readable analysis of its financial activities based on currently known facts, decisions or conditions.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of FCPS exceeded its liabilities and deferred inflows as of June 30, 2025 by \$267.9 million which represents its net position.
- FCPS' net position increased during the year by \$142.3 million. Of the overall increase in net position, \$142.1 million is the result of a change in total assets and total deferred outflows with a net decrease in total liabilities and total deferred inflows of \$0.2 million.
- Total school construction costs for the fiscal year totaled \$114.8 million, of which \$112.6 million were incurred by FCPS on seven major construction projects and four limited renovation projects with the remaining \$2.2 million spent on systemic projects. The construction phase of Green Valley Elementary Replacement and Valley Elementary Replacement schools (both opening August 2025) incurred \$34.9 and \$40.2 million, respectively. Construction began at the Linganore Creek Elementary (formerly New Elementary School #41) and Yellow Springs Elementary Replacement projects which incurred \$1.3 million and \$2.7 million, respectively. The Spring Ridge Elementary and Ballenger Creek Elementary Limited Renovation projects incurred \$11.7 million and \$11.5 million in costs, respectively. The design of the Middletown Co-located Elementary/Middle Replacement incurred \$2.0 million in costs. The following projects commenced in prior years but were still under construction during fiscal year 2025, incurring costs of: \$0.2 million on Brunswick Elementary Replacement, \$0.5 million on the Crestwood Middle Addition, \$7.5 million on the Monocacy Elementary Limited Renovation project and \$0.1 million on the Thurmont Elementary Limited Renovation project.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to FCPS' financial statements. There are three parts to the basic financial statements: government-wide financial statements, fund financial statements, and notes to the financial statements. The report also contains other supplementary information. The management's discussion and analysis, although presented before the basic financial statements, is required supplementary information. The government-wide and the fund financial statements present two different views of FCPS.

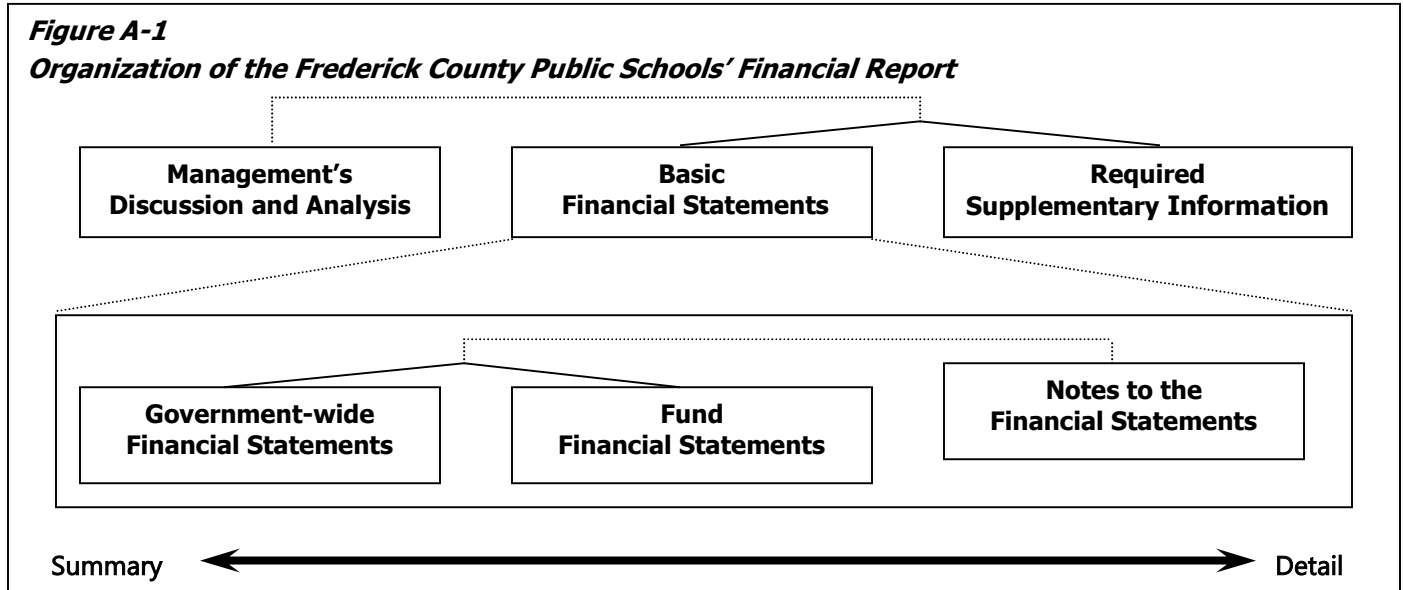
- The first two statements are *government-wide financial statements* that provide both *short-term and long-term* information about FCPS' *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of FCPS, reporting FCPS' operations in *more detail* than the government-wide financial statements. Fund Financial Statements include governmental, proprietary, and fiduciary funds. These statements provide a greater level of detail of revenues and expenditures, and indicate how well FCPS has performed in the short term in the most significant funds.
 - The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities FCPS operates *like a business*, such as the Self-Insurance Fund.
 - *Fiduciary fund* statements provide information about the financial relationships in which FCPS acts solely as a *trustee* for the benefit of others, such as the Post-Employment Retiree Health Benefit Plan.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

- The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of FCPS' finances. These statements include all assets, liabilities, and deferred outflows/inflows of the school system using the accrual basis of accounting. This method of accounting is similar to how private sector companies report the results of their operations. These statements take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The first of the government-wide statements is the *Statement of Net Position*. The *Statement of Net Position* presents balance sheet information for the entire FCPS operations at a given point in time (June 30, 2025). The assets include all cash and investments, receivables, materials inventory, prepaid items, and capital assets reduced by accumulated depreciation. Liabilities include accounts payable, accrued payroll earnings, and noncurrent liabilities. The difference between the assets, liabilities, and deferred inflows/outflows of resources is reported as net position. The statement encompasses the entire operations of FCPS. The ending net position is segregated into two components: net investment in capital assets and unrestricted net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of FCPS is improving or deteriorating.

The second of the government-wide financial statements is the *Statement of Activities*. This statement shows the results of operations that caused net position to change from the prior year to the amount reported on the *Statement of Net Position* as of June 30, 2025. This statement answers the question, "How did we do financially during fiscal year 2025?" This change in net position is important because it tells the reader whether, for FCPS as a whole, the financial position has improved or diminished in the most recent fiscal year. The causes of this change may be the result of many factors. To assess FCPS' overall health, consideration should be given to additional non-financial factors such as building improvements, number of students served, and staffing levels.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

In the government-wide financial statements, governmental activities include most of FCPS' basic services such as regular and special education, transportation, and administration. State formula aid and local revenues finance most of these activities.

The *Statement of Activities* classifies expenses by functional area. The report also shows corresponding charges for services and restricted grants for each function that help support the expenses. The resulting *Net (Expenses) Revenue and Changes in Net Position* shows the remaining expenses not supported by charges for services and restricted grants. General revenues are then applied to the remaining expenses resulting in the total change in net position for the year.

The government-wide perspective is unrelated to budget and accordingly, budget comparisons are not provided. The government-wide financial statements can be found on pages 28-29 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about FCPS' funds, not FCPS as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. FCPS, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of FCPS can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental funds:* Most of FCPS' basic services are included in governmental funds comprised of the General Fund, School Construction Fund, Food and Nutrition Services Fund, and Artificial Turf Fund. Governmental funds statements generally focus on (1) cash and other financial assets that can readily be converted to cash, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance FCPS' programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic governmental funds financial statements can be found on pages 30-34 of this report.

- *Proprietary funds:* Services for which FCPS charges a fee are generally reported in proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. FCPS uses an *internal service fund* to report activities that provide dental, health, and pharmacy insurance services to its other funds. FCPS' internal service fund is the Self-Insurance Fund.

The basic proprietary fund financial statements can be found on pages 35-37 of this report.

- *Fiduciary funds:* FCPS is the trustee, or *fiduciary*, for assets that belong to others, such as the Post-Employment Retiree Health Benefits Plan. FCPS is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. FCPS excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The basic fiduciary fund financial statements can be found on pages 38-39 of this report.

- *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 40-70 of this report.

FREDERICK COUNTY PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

FINANCIAL ANALYSIS OF FCPS AS A WHOLE

FCPS' net position (the difference between assets, liabilities and deferred inflows/outflows of resources) increased as of June 30, 2025 in comparison to the year prior. The net position increased \$142.3 million resulting in a net position of \$267.9 million. The following are major components of FCPS' net position:

Condensed Statements of Net Position (in millions of dollars)

	Governmental	
	Activities	
	2025	2024
Current and Other Assets	\$ 125.1	\$ 109.0
Capital Assets	1,041.7	954.2
Total Assets	1,166.8	1,063.2
Deferred Outflows of Resources		
Related to Pensions	29.5	20.7
Related to OPEB	122.1	92.4
Total Deferred Outflows	151.6	113.1
Other Liabilities	71.4	57.9
Long-term Liabilities	457.5	605.6
Total Liabilities	528.9	663.5
Deferred Inflows of Resources		
Related to Pensions	1.5	2.5
Related to OPEB	520.1	384.7
Total Deferred Inflows	521.6	387.2
Net Position		
Net Investment in Capital Assets	989.6	903.0
Unrestricted Deficit	(721.7)	(777.4)
Total Net Position	\$ 267.9	\$ 125.6

The \$142.3 million increase in the net position of FCPS' governmental activities is the combination of a \$103.6 million increase in assets and a \$38.5 million increase in deferred outflow of resources resulting in an overall net increase of \$142.1 million. A decrease in liabilities of \$134.6 million was offset by an increase in deferred inflows of resources of \$134.4 million, reflecting a minimal overall net change in total liabilities and deferred inflows of \$(0.2) million. The most significant changes noted were a \$87.5 million increase in capital assets primarily due to construction in progress and a \$29.7 million increase in the deferred outflow of resources, specifically related to OPEB. Additionally, long-term liabilities decreased by \$148.1 million because of the expiration of several subscription-based information technology agreements and a change in estimate for compensated absences that nets against an increase in the deferred inflow of resources related to OPEB of \$135.4 million. Changes in assumptions, specifically increases in both the discount rate and bond rate resulted in increased deferred inflows for OPEB.

FREDERICK COUNTY PUBLIC SCHOOLS

Management’s Discussion and Analysis For the Fiscal Year Ended June 30, 2025

FCPS’ net position of \$267.9 million consists of a \$989.6 million net investment in capital assets, less an unrestricted deficit of \$721.7 million. Last year, FCPS had a combined net position of \$125.6 million consisting of a \$903.0 million net investment in capital assets, less an unrestricted deficit of \$777.4 million. FCPS uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

Frederick County and the State of Maryland fund FCPS’ school construction projects through the issuance of general obligation bonds. These bonds are not reflected in the Board’s net investment in capital assets, as the resources needed to repay these bonds must be provided by Frederick County and the State of Maryland.

The unrestricted deficit of \$721.7 million as of June 30, 2025 includes leases payable, subscription-based information technology agreements payable, vacation leave payable, terminal benefits payable, the net OPEB liability and the net pension liability.

Funding for the lump sum total of leases payable, subscription-based information technology agreements payable, vacation leave payable, termination benefits payable, the net OPEB liability and the net pension liability has not occurred since they would become due and payable only in the event that FCPS no longer existed as a legal entity. The annual expected payout for leases payable, vacation leave, termination benefits, “pay-as-you-go” retiree medical costs and pension costs are reflected in the current operating budget of the General Fund.

The total governmental activities cost of all programs and services was \$958.9 million. The following table shows the breakdown as a percentage of total costs by functional areas as follows:

Governmental Activities Expense:	2025 Percentage of Total	2024 Percentage of Total
	<hr/>	<hr/>
Instruction:		
Regular Instruction	52.24%	54.28%
Special Education Instruction	15.12%	14.78%
Total Instruction	<hr/> 67.36%	<hr/> 69.06%
Support Services:		
Administration	2.34%	2.53%
Mid-level Administration	7.34%	7.46%
Pupil Personnel Services	0.60%	0.62%
Health	1.35%	1.24%
Pupil Transportation	4.46%	4.49%
Operations	7.20%	7.28%
Maintenance	2.13%	2.39%
Food and Nutrition Services	2.59%	2.82%
Community Services	0.26%	0.27%
Student Activities	0.57%	0.65%
Interest on Long-term Liabilities	0.22%	0.14%
Intergovernmental Payment	3.58%	1.05%
Total Support Services	<hr/> 32.64%	<hr/> 30.94%

FREDERICK COUNTY PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Total revenues surpassed expenses, increasing net position by \$142.3 million during fiscal year 2025. The key elements of FCPS' increase in net position were as follows:

Changes in Net Position from Operating Results (in millions of dollars)

	Governmental Activities 2025	Governmental Activities 2024
Revenues		
Program Revenues		
Charges for Services	\$ 12.5	\$ 10.9
Operating Grants and Contributions	262.5	254.6
Capital Grants and Contributions	171.2	77.0
General Revenues		
Federal Aid	0.1	0.1
State Aid	231.4	227.7
Local Aid	418.0	400.4
Investment Earnings	4.1	3.5
Other	1.4	0.8
Total Revenues	1,101.2	975.0
Expenses		
Instruction:		
Regular Instruction	500.9	502.6
Special Education Instruction	145.0	136.8
Total Instruction	645.9	639.4
Support Services:		
Administration	22.4	23.5
Mid-level Administration	70.4	69.1
Pupil Personnel Services	5.6	5.8
Health	13.0	11.5
Pupil Transportation	42.7	41.5
Operations	69.0	67.4
Maintenance	20.4	22.1
Food and Nutrition Services	24.9	26.1
Community Services	2.5	2.5
Student Activities	5.5	6.0
Interest on Payables	2.2	1.3
Intergovernmental Payment	34.4	9.6
Total Support Services	313.0	286.4
Total Expenses	958.9	925.8
Change in Net Position	142.3	49.2
Net Position - Beginning	125.6	76.4
Net Position - Ending	\$ 267.9	\$ 125.6

The table shown above details FCPS' changes in net position. FCPS' total revenues for 2025 shows \$1,101.2 million compared to total revenues of \$975.0 million for the previous year. In 2025, local aid increased \$17.6 million over the prior year due to appropriation increases. For the tenth year in a row, local aid included an amount over Maintenance of Effort. Federal, state, and local aid and other revenue not restricted to programs (general revenues) accounted for 59.5% of FCPS' total revenue in 2025, a decrease compared to 64.9% of total revenue in 2024. Program revenues increased \$103.7 million in 2025 compared to 2024 program revenues. Capital grants and contributions with an increase of \$94.2 million was the component contributing the most to the increase in program revenues. Similarly, just not to the extent of revenues, FCPS' total expenditures increased from \$925.8 million in 2024 to \$958.9 million in 2025. Total instruction accounts for \$6.5 million of the \$33.1 million increase with support services increasing \$26.6 million compared to fiscal year 2024. This increase was primarily due to a \$24.8 million increase in intergovernmental payment. In addition, there was a \$1.3 million increase in mid-level administration, \$1.5 million increase in health, \$1.2 million increase in pupil transportation, and \$1.6 million increase in operations. Partially offsetting these expense increases was a \$1.1 million decrease in administration, \$1.7 million decrease in maintenance and \$1.2 million decrease in food and nutrition services expenses.

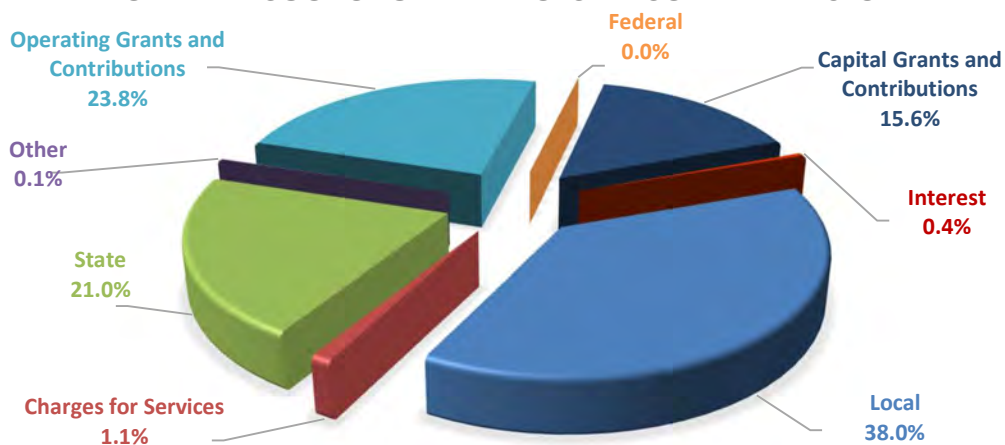
FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

Governmental Activities

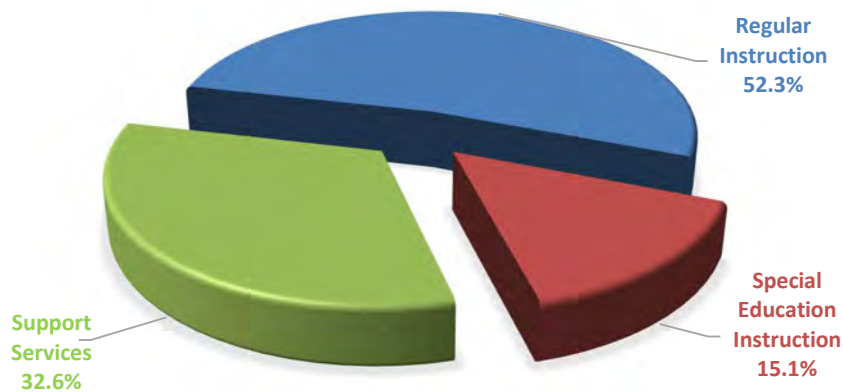
Charts 1 and 2 display government-wide revenues and expenses, respectively, for the current year. Total revenues for the FCPS combined activities (which include program revenues and general revenues) were \$1,101.2 million, which was an increase of \$126.2 million or 12.9% over the prior year. County appropriations and state formula aid accounted for approximately 59.0% of the FCPS revenue, while the remaining 41.0% came from operating and capital grants for specific programs, fees charged for services and other miscellaneous revenues. Costs of \$12.5 million were financed by users of FCPS' programs, while operating and capital grants and contributions subsidized certain programs totaling \$433.7 million. FCPS' programs were financed by \$655.0 million consisting of unrestricted federal aid \$0.1 million, state aid of \$231.4 million, local aid of \$418.0 million, investment earnings of \$4.1 million, and other revenues of \$1.4 million.

CHART 1: SOURCE OF REVENUES – FISCAL YEAR 2025



The total cost of all programs and services rose to \$958.9 million. The majority of FCPS expenses are related to instruction, both regular and special education. Total instructional costs were \$645.9 million or 67.4% of all school system expenditures, while support services costs were \$313.0 million or 32.6% of total expenditures.

CHART 2: EXPENSES BY FUNCTION – FISCAL YEAR 2025



FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

The table below represents the cost of FCPS' activities for the year. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on taxpayers by each of these functions. The total net cost of services for 2025 is \$512.8 million, a \$70.6 million decrease from the 2024 total of \$583.4 million.

Net Cost of Governmental Activities (in millions of dollars)

Expense Functions	Total Cost of Services 2025	Net Cost of Services 2025	Total Cost of Services 2024	Net Cost of Services 2024	Total Change in Net Cost of Services 2025-2024
Instruction:					
Regular Instruction	\$ 500.9	\$ 196.6	\$ 502.6	\$ 298.6	\$ (102.0)
Special Education Instruction	145.0	81.1	136.8	79.0	2.1
Total Instruction	645.9	277.7	639.4	377.6	(99.9)
Support Services:					
Administration	22.4	21.3	23.5	21.6	(0.3)
Mid-level Administration	70.4	64.0	69.1	63.6	0.4
Pupil Personnel Services	5.6	4.8	5.8	5.1	(0.3)
Health	13.0	1.6	11.5	0.6	1.0
Pupil Transportation	42.7	21.7	41.5	19.6	2.1
Operations	69.0	63.0	67.4	62.3	0.7
Maintenance	20.4	19.6	22.1	18.1	1.5
Food and Nutrition Services	24.9	3.6	26.1	4.5	(0.9)
Community Services	2.5	(0.8)	2.5	(0.3)	(0.5)
Student Activities	5.5	(0.3)	6.0	(0.2)	(0.1)
Interest on Leases Payable	2.2	2.2	1.3	1.3	0.9
Intergovernmental Payment	34.4	34.4	9.6	9.6	24.8
Total Support Services	313.0	235.1	286.4	205.8	29.3
Total	\$ 958.9	\$ 512.8	\$ 925.8	\$ 583.4	\$ (70.6)

The \$70.6 million decrease in net costs from 2024 to 2025 was the result of a \$99.9 million decrease in total education instruction, offset by a \$29.3 million increase in support services. The primary factor in this decrease was a \$106.4 million increase in instructional program revenues, of which \$94.2 million was in capital grants and contributions. The largest change under support services was a \$24.8 million increase in intergovernmental payment. Intergovernmental payment is a function of the "pay-back" amount to Frederick County Government for forward funding major project construction costs.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

FINANCIAL ANALYSIS OF FCPS' FUNDS

As FCPS completed the year, its governmental funds (General Fund, School Construction Fund, Food and Nutrition Services Fund, and Artificial Turf Fund) reported combined fund balances of \$50.4 million; a decrease of \$3.9 million from last year's ending fund balances of \$54.3 million. The net decrease of \$3.9 million consists of \$6.3 million fund balance decrease in the General Fund, primarily due to increases in current expenditures, \$4.2 million increase in the School Construction fund balance due to funds recognized in fiscal year 2025 but unspent as of June 30, 2025; \$2.5 million decrease in the Food and Nutrition Services fund balance as the result of additional equipment purchases, increases in commodity processing and health insurance, and \$0.7 million increase in the Artificial Turf Fund due to no expenditures incurred in fiscal year 2025.

Likewise, as in 2024, state and local aid were the primary sources of operating funds for FCPS' governmental funds for fiscal year 2025. In 2025, both funding sources combined accounted for 93.5% of total revenues, a slight increase from that of 92.4% in 2024. In 2025, state aid contributed 45.9% and local aid contributed 47.6% of the combined revenues. In 2024, state aid contributed 43.6% and local aid contributed 48.8% of the combined revenues. The federal government contributed 3.9% and 5.3% of governmental revenues for 2025 and 2024, respectively. Most of these federal government revenues supported food and nutrition service activities and restricted grants or projects. Restricted Fund activities and programs are accounted for in the General Fund. This year, FCPS' General Fund spent \$919.1 million with the largest share spent on instructional programs, both regular and special education, in the amount of \$458.5 million. In comparison, last year, \$448.7 million was spent on instructional programs out of \$874.5 million total expenditures. In 2025, School Construction Fund revenues exceeded expenditures by \$4.2 million, a result of one-time funding from the City of Frederick. The revenues were received and recognized in fiscal year 2025 prior to incurring expenditures for portable projects within the City of Frederick. Expenditures of \$0.2 million were incurred during fiscal year 2025 on these projects as well as \$0.1 million of the prior year fund balance on the Catoctin High School turf field project which was completed during fiscal year 2025. School Construction Fund revenues from state, local, and city sources were \$69.0 million, \$79.9 million, and \$4.5 million, respectively. The Artificial Turf Fund, a nonmajor governmental fund, reported no expenditures during fiscal year 2025. The fund received \$0.4 million in other funding for cell tower land rental agreements and the rental of artificial turf fields to outside community user groups. The fund also recognized a budgeted transfer from the General Fund of \$0.3 million and reflected a fund balance of \$1.5 million as of June 30, 2025.

General Fund Budgetary Summary

Over the course of fiscal year 2025, the Board and the County Government approved various budget transfers which moved budget funding between the various major revenue and expenditure categories. The overall General Fund budget increased \$3.2 million in fiscal year 2025 as the result of recognizing additional restricted funds received from state sources.

Final budgeted revenues for the General Fund for 2025 totaled \$944.0 million while actual revenues equaled \$924.5 million, a difference of \$19.5 million. This \$19.5 million budgeted but not received during 2025 represents grant allocations budgeted whereby program revenues were not yet recognizable. Grant balance activities remaining at fiscal year-end will be carried forward to 2026. This activity was approved for grant periods that extend beyond 2025 and overlap fiscal years.

Comprised of unrestricted and restricted funds, the General Fund final budgeted expenditures allocated for 2025 totaled \$944.0 million while actual expenditures equaled \$908.5 million, a difference of \$35.5 million. Of the \$35.5 million budgeted expenditures, approximately \$18.2 million relate to grant awards that budgeted for the total allocation but allow for spending over a multiple year period. The \$18.2 million is restricted for program activities as approved by the grantors. Collectively, the \$35.5 million variance is mainly attributable to salary and fringe savings from staff vacancies and turnover in the instructional education classifications in both the unrestricted and restricted funds. In addition to the savings mentioned, the unrestricted and restricted funds also had savings within the health, pupil transportation and operations classifications. Restricted fund grant balance activities remaining at fiscal year-end will be carried forward to 2026. There were no expenditure classes with a negative budget variance in 2025.

For the General Fund, the ending fund balance on a budgetary basis as of June 30, 2025 is a surplus of \$28.3 million of which \$13.3 million is budgeted for use in fiscal year 2026, \$2.7 million assigned for restricted projects where revenue earned exceeded expenditures, and \$4.5 million assigned for student activities, leaving \$7.8 million as unassigned.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of the end of fiscal year 2025, FCPS had invested \$1,041.7 million (net of accumulated depreciation and amortization) in a broad range of capital assets including school buildings, athletic facilities, technology upgrades, equipment, mechanical systems, administrative offices as well as the right-to-use assets which include lease building and improvements and subscription-based information technology agreements. FCPS increased its net capital assets by \$87.5 million during 2025. (More detailed information about capital assets can be found in Note 3.B to the financial statements.) Total depreciation and amortization expense for the year was \$49.6 million. Depreciation and amortization expense is allocated to the fund and category in which the capital asset has been recorded.

Capital Assets (net of depreciation/amortization, in millions of dollars)

	Governmental Activities		Total Percentage Change
	2025	2024	2025-2024
Land	\$ 53.5	\$ 53.5	0.0%
Construction in Progress	129.4	57.2	126.2%
Buildings and Improvements	778.2	769.7	1.1%
Furniture and Equipment	47.8	40.3	18.6%
Right-to-Use Buildings and Improvements	25.4	28.7	(11.5%)
Right-to-Use Subscription-Based Agreements	7.4	4.8	54.2%
Total	\$ 1,041.7	\$ 954.2	9.2%

The most significant changes in capital assets for the period ended June 30, 2025 were within construction in progress and right-to-use subscription-based agreements. The construction in progress increased during fiscal year 2025 largely due to the construction of the Valley Elementary and the Green Valley Elementary Replacement School facilities (both scheduled to open in August 2025), and the limited renovations at Spring Ridge Elementary and Ballenger Creek Elementary, all of which are included in the construction in progress as of June 30, 2025. Though construction in progress increased, the cumulative costs of the Brunswick Elementary Replacement School facility (opened August 2023), the Thurmont Elementary and Monocacy Elementary Limited Renovation projects as well as several smaller systemic projects were reclassified out of construction in progress and into building and improvements. The enrollment figure, as reported to the Maryland State Department of Education for fiscal year 2025, was 48,054 students, resulting in a utilization of 95% of school capacity.

During the fiscal year, FCPS entered into two new subscription-based information technology agreements, contributing to the 54.2% increase in the right-to-use assets. Both agreements have an initial contract term of five years. One of the subscription agreements did not include a renewal period. The other subscription agreement included a potential contract extension of six years. Management evaluated this agreement and determined that it is reasonably certain the Board will exercise the renewal option, extending the subscription term to a total of eleven years. This determination was based on the essential nature of the software to the school system's operations and the high cost of replacement.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

The 2026 Capital Budget has projected spending of \$172.9 million for capital projects.

- \$141.1 million in major projects which includes \$5.4 million for the design of the Brunswick High Replacement, \$58.0 million for the construction of the Middletown Co-located ES/MS Replacement, \$66.9 million for the construction of the Linganore Creek Elementary (formerly New Elementary School #41), \$9.2 million for the Yellow Springs Elementary Replacement (formerly Northern Frederick City area ES), and \$1.5 million for the FCPS Bus Facility project.
- \$31.8 million in systemic repairs and renovations to existing facilities, of which some of the projects include: \$20.8 million for the limited renovations at Twin Ridge Elementary, \$5.0 million for the limited renovations of the Hillcrest Elementary, \$0.4 million for replacement of playground equipment at Oakdale Elementary, and \$2.5 million for systemic portable relocations.

Noncurrent Liabilities

School boards in Maryland have no authority to incur bonded debt. However, FCPS does have long-term liabilities consisting of leases payable, multiple subscription-based information technology agreements, unused vacation leave, termination benefits, net OPEB liability and net pension liability. (More detailed information about FCPS' long-term liabilities is presented in Note 3.D to the financial statements.)

Noncurrent Liabilities (in millions of dollars)

	Governmental		Total
	Activities		Percentage
	2025	2024	Change
	<u>2025</u>	<u>2024</u>	<u>2025-2024</u>
Leases Payable	\$ 28.6	\$ 30.5	(6.2)%
Subscriptions Payable	7.7	4.9	57.1%
Vacation Leave Payable	11.8	12.3	(4.1)%
Termination Benefits Payable	21.8	31.4	(30.6)%
Net OPEB Liability	320.0	472.1	(32.2)%
Net Pension Liability	67.6	54.4	24.3%
Total	<u>\$ 457.5</u>	<u>\$ 605.6</u>	(24.5)%

FCPS holds several long-term lease agreements for its operational needs. As of June 30, 2025, the total outstanding lease liability was \$28.6 million, representing a decrease of \$1.9 million or (6.2)% from the prior year. This net decrease is primarily attributable to scheduled principal payments of \$2.1 million, partially offset by a new lease amendment. In May 2025, FCPS executed an amendment to an existing lease agreement for an additional 1,758 square feet of storage space. In accordance with GASB Statement No. 87, "Leases," a right-to-use asset of \$0.2 million and a corresponding lease liability of \$0.2 million were recognized at the net present value of the future payments. The amendment references the terms of the original lease, matures on July 1, 2029, and includes one five-year renewal option. The Board determined it was reasonably certain to exercise this renewal option, consistent with the original lease agreement. An incremental borrowing rate of 4.5% was used to discount the lease payments, consistent with the rate used for the original lease. The total lease liability of \$28.6 million as of June 30, 2025, is composed of the following: Central Office: \$6.2 million, Energy Performance Master Equipment: \$10.3 million, Geoffrey Way Warehouse Suites: \$8.1 million, and Thomas Johnson Drive Office/Storage Suites: \$4.0 million.

In addition to the increase in right-to-use subscription-based agreement assets previously mentioned, a corresponding increase of 57.1% in the subscriptions payable liability was recognized in fiscal year 2025. As of June 30, 2025, the total outstanding subscriptions payable liability was \$7.7 million. This increase is a direct result of two new agreements entered into during the year. The increase in subscriptions payable includes the liability for a new software agreement with an initial term of five years and a potential six-year contract extension. Management determined it was reasonably certain the Board will exercise this renewal option, extending the subscription term and pricing to a total of eleven years. This determination was based on the essential nature of the software to the school system's operations. The second agreement has a five-year term with no renewal options.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2025

FCPS recognizes its contractual obligations to employees for vacation and termination benefits payable. As of June 30, 2025, FCPS had accumulated obligations totaling \$11.8 million for unpaid vacation leave and \$21.8 million for termination benefits payable resulting in liability decreases of 4.1% and 30.6%, respectively, in comparison to prior year. Effective for the fiscal year ended June 30, 2025, the Board adopted new measurement criteria for its compensated absences liability as required by Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The new standard changes the threshold for recognizing a liability from "probable" to "more likely than not" (a likelihood of more than 50%). Based on a revised analysis using historical data and current employment trends, management has changed its accounting estimate related to the termination benefits to recognize a liability for the portion of sick leave balances that are expected to be used for time off, paid in cash, or settled through noncash means. This change in estimate was applied prospectively and adjusted the compensated absences liability in the current year. The effect of this change is included in the current year's financial statements and is not a restatement of prior periods. Funding for these liabilities has not occurred since they are not currently payable.

FCPS provides post-employment benefits other than pensions such as health, dental, pharmacy and life insurance to their retirees. The current year change in the net OPEB liability decreased by \$152.1 million or (32.2%) as of June 30, 2025, for a net OPEB liability of \$320.0 million. The decrease of \$152.1 million was a combination of changes in service cost, interest, contributions, net investment income, assumptions, benefit payments and updated demographic and claims data. The discount rate applied increased from 4.44% in fiscal year 2024 to 6.50% and the bond rate increased from 3.97% to 4.81% in fiscal year 2025. FCPS contributed \$18.5 million for the year which was FCPS' share of the retiree premiums (pay-as-you-go).

FCPS recognizes a net pension liability of \$67.6 million as of June 30, 2025. This is an increase of \$13.2 million or 24.3% from the fiscal year 2024 net pension liability of \$54.4 million. The increase of \$13.2 million is due to changes in assumptions and other variances, such as market fluctuations.

Future Challenges

FCPS must consider several factors as it prepares future budgets and faces a multitude of challenges. School systems across the nation, including FCPS, continue to see increased costs for social, emotional, and instructional support services for students. School systems across Maryland continue to partner with Maryland State Department of Education (MSDE) and the Accountability Implementation Board (AIB) on the requirements of the Blueprint for Maryland's Future legislation, which has and will continue to greatly impact FCPS' operating budget both from a revenue and an expenditure perspective.

When looking forward and planning financially for the future, FCPS has to take into consideration the following challenges:

- economic uncertainties at the federal, state and local levels,
- inflation,
- growing capital needs,
- continued higher than average student enrollment,
- staffing challenges,
- cost shifts from the State of Maryland to local governments and/or school systems, and
- increased mandated reporting requirements.

The next several years will be very challenging budgetarily as the Board strives to meet the varying needs of the school system while balancing continued revenue resource constraints.

CONTACTING FCPS' FINANCIAL MANAGEMENT

This financial report is designed to provide Frederick County's citizens, taxpayers, customers, investors, creditors, parents, and students with a general overview of FCPS' finances and to demonstrate FCPS' accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the Frederick County Public Schools Financial Reporting Department, 191 South East Street, Frederick, Maryland 21701.



Basic Financial Statements

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Net Position June 30, 2025

	Governmental Activities
ASSETS	
Cash and Investments	\$ 79,842,044
Due From Other Units of Government	30,767,128
Accounts Receivable	11,405,067
Inventories, at Cost	1,433,723
Prepaid Items	1,634,807
Capital Assets not being Depreciated:	
Land	53,477,858
Construction in Progress	129,381,889
Capital Assets, Net of Accumulated Depreciation and Amortization:	
Buildings and Improvements	778,187,083
Furniture and Equipment	47,775,497
Right-to-Use Lease Assets, Building and Improvements	25,423,750
Right-to-Use Subscription-Based Assets, IT Agreements	7,448,651
Total Assets	1,166,777,497
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pension	29,491,204
Related to OPEB	122,084,598
Total Deferred Outflows of Resources	151,575,802
LIABILITIES	
Accounts Payable	38,287,995
Accrued Interest Payable	1,720,311
Salaries and Wages Payable	28,795,840
Payroll Taxes and Deductions Payable	2,600,021
Noncurrent Liabilities:	
Due Within One Year	8,984,869
Due in More than One Year	448,520,926
Total Liabilities	528,909,962
DEFERRED INFLOWS OF RESOURCES	
Related to Pension	1,465,319
Related to OPEB	520,074,824
Total Deferred Inflows of Resources	521,540,143
NET POSITION	
Net Investment in Capital Assets	989,633,402
Unrestricted Deficit	(721,730,208)
Total Net Position	\$ 267,903,194

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

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Activities For the Year Ended June 30, 2025

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular Instruction	\$ 500,937,574	\$ 1,816,952	\$ 131,888,708	\$ 170,676,691	\$ (196,555,223)
Special Education Instruction	144,959,396	-	63,385,742	474,708	(81,098,946)
Total Instruction	645,896,970	1,816,952	195,274,450	171,151,399	(277,654,169)
Support Services:					
Administration	22,455,703	-	1,137,099	-	(21,318,604)
Mid-level Administration	70,426,047	-	6,394,793	-	(64,031,254)
Pupil Personnel Services	5,637,894	-	799,307	-	(4,838,587)
Health	12,965,642	-	11,351,766	-	(1,613,876)
Pupil Transportation	42,739,257	-	20,998,957	-	(21,740,300)
Operations	68,994,554	1,864,024	4,083,867	-	(63,046,663)
Maintenance	20,452,638	-	867,019	-	(19,585,619)
Food and Nutrition Services	24,871,819	7,452,928	13,839,578	-	(3,579,313)
Community Services	2,462,570	-	3,312,854	-	850,284
Student Activities	5,473,325	1,328,683	4,461,851	-	317,209
Interest on Noncurrent Liabilities	2,154,072	-	-	-	(2,154,072)
Intergovernmental Payment	34,371,927	-	-	-	(34,371,927)
Total Support Services	313,005,448	10,645,635	67,247,091	-	(235,112,722)
Total Governmental Activities	\$ 958,902,418	\$ 12,462,587	\$ 262,521,541	\$ 171,151,399	(512,766,891)
General Revenues:					
Federal Aid Not Restricted to Specific Purposes					79,810
State Aid Not Restricted to Specific Purposes					231,425,836
Local Aid Not Restricted to Specific Purposes					417,981,028
Interest and Investment Earnings					4,143,882
Other Revenue					1,398,138
Total General Revenues					655,028,694
Change in Net Position					142,261,803
Net Position - Beginning					125,641,391
Net Position - Ending					\$ 267,903,194

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

FREDERICK COUNTY PUBLIC SCHOOLS

Balance Sheet Governmental Funds June 30, 2025

	Major			Nonmajor	Total Governmental Funds
	General	School Construction	Food and Nutrition Services	Artificial Turf	
ASSETS					
Cash and Investments	\$ 58,595,779	\$ 5,802,007	\$ 5,474,452	\$ -	\$ 69,872,238
Due From:					
Federal Government	2,639,619	-	535,022	-	3,174,641
State of Maryland	13,469,225	4,271,090	441,680	-	18,181,995
Frederick County	79,934	10,393,084	-	-	10,473,018
Other Funds	620,789	-	-	1,499,993	2,120,782
Accounts Receivable	1,700,891	-	91,888	25,254	1,818,033
Inventories, at Cost	799,883	-	633,840	-	1,433,723
Prepaid Items	1,622,307	-	12,500	-	1,634,807
Total Assets	\$ 79,528,427	\$ 20,466,181	\$ 7,189,382	\$ 1,525,247	\$ 108,709,237
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 7,301,167	\$ 15,736,314	\$ 460,072	\$ -	\$ 23,497,553
Accrued Liabilities:					
Salaries and Wages	28,693,151	23,399	61,751	-	28,778,301
Payroll Taxes and Deductions	2,600,021	-	-	-	2,600,021
Due To:					
Federal Government	23	-	-	-	23
State of Maryland	307,568	-	-	-	307,568
Frederick County	434,063	320,872	-	-	754,935
Other Funds	1,766,107	44,876	575,913	-	2,386,896
Total Liabilities	41,102,100	16,125,461	1,097,736	-	58,325,297
Fund Balances:					
Nonspendable:					
Inventories	799,883	-	633,840	-	1,433,723
Prepaid Items	1,622,307	-	12,500	-	1,634,807
Committed:					
School Construction	-	4,340,720	-	-	4,340,720
Food and Nutrition Services	-	-	5,445,306	-	5,445,306
Artificial Turf	-	-	-	1,525,247	1,525,247
Assigned:					
Administration	617,697	-	-	-	617,697
Instructional	5,891,502	-	-	-	5,891,502
Maintenance and Operations	4,407,311	-	-	-	4,407,311
Transportation	10,103,908	-	-	-	10,103,908
Grants	2,652,420	-	-	-	2,652,420
Student Activities	4,489,676	-	-	-	4,489,676
Unassigned:	7,841,623	-	-	-	7,841,623
Total Fund Balances	38,426,327	4,340,720	6,091,646	1,525,247	50,383,940
Total Liabilities and Fund Balances	\$ 79,528,427	\$ 20,466,181	\$ 7,189,382	\$ 1,525,247	\$ 108,709,237

The notes to the financial statements are an integral part of this balance sheet.

FREDERICK COUNTY PUBLIC SCHOOLS

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2025

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds		\$ 50,383,940
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The cost of capital assets (land, buildings, construction in progress, and equipment) purchased, constructed or the right-to-use, is reported as an expenditure in the governmental funds. The Statement of Net Position includes those capital assets among the assets of FCPS as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation or amortization expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation and amortization expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$ 1,670,925,789		
Accumulated depreciation and amortization	<u>(629,231,061)</u>		1,041,694,728

Long-term liabilities applicable to FCPS' governmental activities are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. Interest payable on debt and other long-term obligations are also not recorded in the governmental funds but are reported in the Statement of Net Position. All liabilities, both current and long-term, are reported in the Statement of Net Position.

Long-term liabilities (including internal service fund) at year-end consist of:

Leases payable	(28,579,891)		
Subscription-based payable	(7,745,121)		
Accrued interest payable on leases	(1,720,311)		
Vacation leave payable	(11,820,884)		
Termination benefits payable	(21,737,993)		
Net OPEB liability	(320,023,490)		
Net pension liability	<u>(67,598,416)</u>		(459,226,106)

Deferred outflows of resources:

Related to pension	29,491,204		
Related to OPEB	<u>122,084,598</u>		151,575,802

Deferred inflows of resources:

Related to pension	(1,465,319)		
Related to OPEB	<u>(520,074,824)</u>		(521,540,143)

An internal service fund is used by FCPS to charge the costs of the health and dental insurance program to the individual funds. The assets and liabilities of the internal service fund, net of vacation leave liability, terminal leave liability, and net pension liability are included in governmental activities in the Statement of Net Position.

	<u>5,014,973</u>
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Net Position of Governmental Activities

	<u>\$ 267,903,194</u>
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The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2025

	Major			Nonmajor	Total Governmental Funds
	General	School Construction	Food and Nutrition Services	Artificial Turf	
Revenues:					
Federal	\$ 29,429,166	\$ -	\$ 12,456,507	\$ -	\$ 41,885,673
State	427,086,633	69,013,630	1,172,658	-	497,272,921
Local	435,916,542	79,886,832	-	-	515,803,374
Charges for Services	1,328,683	-	7,030,560	-	8,359,243
Other	14,754,654	4,500,000	422,368	410,604	20,087,626
Total Revenues	908,515,678	153,400,462	21,082,093	410,604	1,083,408,837
Expenditures:					
Current:					
Administration	15,841,435	-	-	-	15,841,435
Mid-level Administration	51,603,725	-	-	-	51,603,725
Instructional Salaries	317,848,040	-	-	-	317,848,040
Instructional Supplies	21,187,055	-	-	-	21,187,055
Instruction - Other	6,526,362	-	-	-	6,526,362
Special Education	112,969,406	-	-	-	112,969,406
Pupil Personnel	4,166,695	-	-	-	4,166,695
Health	12,858,074	-	-	-	12,858,074
Pupil Transportation	32,316,249	-	-	-	32,316,249
Operations	58,139,728	-	-	-	58,139,728
Maintenance	16,900,920	-	-	-	16,900,920
Fixed Charges	251,642,899	-	-	-	251,642,899
Food and Nutrition Services	151,886	-	23,579,837	-	23,731,723
Community Services	1,975,268	-	-	-	1,975,268
Student Activities	5,473,325	-	-	-	5,473,325
Capital Outlay:					
Land and Improvements	-	847,279	-	-	847,279
Buildings and Improvements	180,347	112,626,973	-	-	112,807,320
Equipment	4,339,603	1,337,789	-	-	5,677,392
Debt Service:					
Lease Principal	2,135,604	-	-	-	2,135,604
Subscription-Based Principal	1,499,106	-	-	-	1,499,106
Lease Interest	896,398	-	-	-	896,398
Subscription-Based Interest	437,598	-	-	-	437,598
Intergovernmental Payment	-	34,371,927	-	-	34,371,927
Total Expenditures	919,089,723	149,183,968	23,579,837	-	1,091,853,528
Excess (Deficiency) of Revenues over Expenditures	(10,574,045)	4,216,494	(2,497,744)	410,604	(8,444,691)
Other Financing Sources (Uses)					
Issuance of Lease	180,347	-	-	-	180,347
Issuance of Subscription-Based Payable	4,339,603	-	-	-	4,339,603
Transfers In From: General Fund	-	-	-	300,000	300,000
Transfers Out To: Artificial Turf Fund	(300,000)	-	-	-	(300,000)
Total Other Financing Sources (Uses)	4,219,950	-	-	300,000	4,519,950
Net Change in Fund Balances	(6,354,095)	4,216,494	(2,497,744)	710,604	(3,924,741)
Fund Balances - Beginning	44,780,422	124,226	8,589,390	814,643	54,308,681
Fund Balances - Ending	\$ 38,426,327	\$ 4,340,720	\$ 6,091,646	\$ 1,525,247	\$ 50,383,940

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

FREDERICK COUNTY PUBLIC SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities For the Year Ended June 30, 2025

Amounts reported for governmental activities in the Statement of Activities are different because:

Total net change in fund balances - governmental funds	\$	(3,924,741)
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Governmental funds report capital outlays as expenditures. However in the Statement of Activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation or amortization expense. This is the amount by which capitalized capital outlay of \$137,456,263 exceeds depreciation / amortization expense of \$(49,575,371) and retirements/reclassifications of \$(373,335).

87,507,557

Right-to-use assets under lease and subscription-based arrangements are shown as an expenditure in the governmental funds. Principal payments are applied to the payables; interest expense is recognized as it accrues.

Other financing sources - lease proceeds	\$	(180,347)	
Other financing sources - subscription-based payables		(4,339,603)	
Principal payments on lease payables		2,135,604	
Principal payments on subscription-based payables		1,499,106	
Interest expense on payables		<u>(820,076)</u>	(1,705,316)

An internal service fund is used by FCPS to charge the costs of the health and dental insurance program to the individual funds. The change in net position of the internal service fund, net of compensated absences expenses, is reported with governmental activities. The change in net position was \$7,141,025 of which \$(15,094) was included in the calculation below.

7,156,119

In the Statement of Activities, certain operating expenses are measured by the amounts accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources expended. (Internal service fund activity is included).

Vacation leave accrued		449,754	
Termination benefits accrued		9,707,561	
Changes in OPEB liabilities and related deferred outflows and inflows of resources		46,416,369	
Changes in pension liabilities and related deferred outflows and inflows of resources		<u>(3,345,500)</u>	<u>53,228,184</u>

Change in Net Position of Governmental Activities	\$	<u><u>142,261,803</u></u>
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The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

General Fund

For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	Budgetary Basis	
Revenues:				
Federal	\$ 38,354,482	\$ 38,354,482	\$ 29,429,166	\$ (8,925,316)
State	434,150,854	437,365,496	427,086,633	(10,278,863)
Frederick County	437,128,448	437,128,448	435,916,542	(1,211,906)
Other Revenue	9,252,929	9,271,507	10,292,803	1,021,296
Fund Balance	21,886,666	21,886,666	21,731,633	(155,033)
Total Revenues	940,773,379	944,006,599	924,456,777	(19,549,822)
Expenditures:				
Administration	17,707,999	17,207,758	15,835,071	1,372,687
Mid-level Administration	54,191,436	53,420,977	51,321,295	2,099,682
Instructional Salaries	327,066,661	324,953,053	317,848,040	7,105,013
Instructional Supplies	22,065,550	23,578,575	20,877,125	2,701,450
Instructional - Other	9,696,810	9,418,776	6,526,362	2,892,414
Special Education	111,351,069	113,901,069	112,977,133	923,936
Pupil Personnel Services	4,430,031	4,430,031	4,166,695	263,336
Health	13,536,507	14,723,667	12,858,074	1,865,593
Pupil Transportation	34,446,766	37,317,917	32,143,549	5,174,368
Operations	62,937,339	62,664,217	59,905,454	2,758,763
Maintenance	18,091,764	17,297,946	16,649,207	648,739
Fixed Charges	257,677,119	259,249,241	253,276,895	5,972,346
Food and Nutrition Services	239,000	239,000	151,886	87,114
Community Services	2,649,524	2,752,741	1,991,123	761,618
Capital Outlay	4,685,804	2,851,631	1,930,315	921,316
Total Expenditures	940,773,379	944,006,599	908,458,224	35,548,375
Excess of Revenues over Expenditures	\$ -	\$ -	15,998,553	\$ 15,998,553
Fund Balance - Beginning			34,130,132	
Net Increase in Nonspendable Fund Balance				
Inventories and Prepaids			(364,097)	
Net Change in Student Activities			317,209	
Prior Year Surplus Funded			(21,731,633)	
Fund Balance - Ending			\$ 28,350,164	

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

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Net Position Proprietary Fund June 30, 2025

	Governmental Activity: Internal Service Fund Self-Insurance
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 9,969,806
Due from Other Funds	266,114
Other Receivables	9,587,034
Total Current Assets	19,822,954
 LIABILITIES	
Current Liabilities:	
Accounts Payable	186,413
Salaries and Wages Payable	17,539
Accrued Claim Liabilities	14,604,029
Current Portion of Compensated Absences	40,774
Total Current Liabilities	14,848,755
Noncurrent Liabilities:	
Noncurrent Portion of Compensated Absences	56,392
Total Liabilities	14,905,147
 NET POSITION	
Unrestricted	4,917,807
Total Net Position	\$ 4,917,807

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

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund For the Year Ended June 30, 2025

	Governmental Activity: Internal Service Fund Self-Insurance
Operating Revenues:	
Contributions from Employer	\$ 107,732,058
Contributions from Employees	27,360,132
Federal Government - Medicare Part D	1,449,613
Total Operating Revenues	136,541,803
Operating Expenses:	
Salaries and Wages	431,765
Professional and Contracted Services	5,380,993
Insurance Claims and Related Expenses	123,337,968
Payment to Federal Government	51,095
Other Charges	203,404
Total Operating Expenses	129,405,225
Operating Income	7,136,578
Nonoperating Revenues:	
Investment Earnings	4,447
Total Nonoperating Revenues	4,447
Change in Net Position	7,141,025
Total Net Position - Beginning	(2,223,218)
Total Net Position - Ending	\$ 4,917,807

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

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Cash Flows Proprietary Fund For the Year Ended June 30, 2025

	Governmental Activity: Internal Service Fund Self-Insurance
Cash Flows From Operating Activities	
Receipts from User Charges	\$ 27,360,132
Receipts from Interfund Services	112,383,791
Payments to Employees	(602,536)
Payments for Insurance Claims	(125,191,486)
Payments for Contracted Services	(5,611,252)
Net Cash From Operating Activities	8,338,649
Cash Flows From Investing Activities	
Interest Received on Investments	4,447
Net Cash from Investing Activities	4,447
Net Increase in Cash and Cash Equivalents	8,343,096
Cash and Cash Equivalents - Beginning	1,626,710
Cash and Cash Equivalents - Ending	\$ 9,969,806
Reconciliation of Operating Income to Net Cash From Operating Activities:	
Operating Income	\$ 7,136,578
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Effect of Changes in Non-cash Operating Assets and Liabilities:	
Other Receivables	3,202,120
Prepays Items	13,588
Accounts Payable	(4,134,328)
Accrued Claim Liabilities and Compensated Absences	2,120,691
Net Cash From Operating Activities	\$ 8,338,649

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

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Net Position Fiduciary Fund June 30, 2025

	Post-Employment Retiree Health Benefit Plan
ASSETS	
Cash and Cash Equivalents	\$ 71,747
Investments at Fair Value	
Fixed Income Securities	79,711,764
Equity Securities	132,422,530
Private Equities	1,024,501
Accounts Receivable	855
Total Assets	<u>213,231,397</u>
LIABILITIES	
Accounts Payable	<u>986</u>
Total Liabilities	<u>986</u>
NET POSITION	
Net Position Restricted for OPEB	<u><u>\$ 213,230,411</u></u>

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

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Changes in Net Position Fiduciary Fund For the Year Ended June 30, 2025

	Post-Employment Retiree Health Benefit Plan
ADDITIONS	
Contributions	
Employer	\$ 18,477,865
Plan Members	9,470,320
Federal Government - Retiree Subsidy	7,858,865
Total Contributions	35,807,050
Investment Income	
Interest and Other Investment Income	5,574,347
Net Increase in Fair Value of Investments	15,986,216
Total Investment Income	21,560,563
Less: Investment Management Expenses	(47,500)
Total Net Investment Income	21,513,063
Total Additions	57,320,113
DEDUCTIONS	
Claims Incurred	33,884,084
Administrative Expenses	1,890,695
Total Deductions	35,774,779
Change in Net Position	21,545,334
Net Position - Beginning	191,685,077
Net Position - Ending	\$ 213,230,411

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

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Frederick County Public Schools (FCPS) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of FCPS are described below.

A. Reporting Entity

In Maryland, public schools are part of a statewide system of county school boards. The school boards' political boundaries conform to the county boundaries. The purpose of the Board of Education of Frederick County, Maryland (hereinafter the "Board") is to operate the local public school system in accordance with state and community standards.

The Board consists of seven members who set broad policy guidelines. Within these policy guidelines, the Superintendent is responsible for management of the school system.

The function of the Board is to offer a full curriculum which includes advanced courses, along with music, art, and sports in local schools. The Board has an extensive career and technology program with training in 26 occupational fields. The Board, subject to the provisions of Maryland public school laws, prescribes on the written recommendation of the Frederick County Superintendent of Schools curriculum guides and courses of study.

The Board does not have the authority to levy taxes or incur bonded debt. Schools are funded with local, state, and federal revenues.

Under governmental accounting and financial reporting standards, the Board is considered to be a financial reporting entity consisting of a primary government and any other organizations for which the Board is (1) financially accountable, or (2) not financially accountable but for which the nature and significance of the other organization's relationship to the Board are such that exclusion would cause the Board's financial statements to be misleading or incomplete. There were no other such organizations. Frederick County (hereinafter the "County") approves and partially funds the Board's operating budget. The Board is included as a component unit in the County's financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements, which include the Statement of Net Position and the Statement of Activities, report information on all of the nonfiduciary activities of FCPS as a whole. The activities of the General Fund (Current Expense Fund), Special Revenue Funds (Food Service Fund and Artificial Turf Fund), and Capital Projects Fund (School Construction Fund) have been presented as governmental activities in the government-wide financial statements. For the most part, the effect of interfund activity has been removed from these statements. An exception to this general rule is that interfund services provided or used between functions have not been eliminated in the statement of activities because to do so would distort the net cost data for functional activities as reported in the total column of that statement.

The Statement of Net Position – The Statement of Net Position displays the financial position of FCPS as of fiscal year-end. Governmental activities are reported on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets, including infrastructure, as well as long-term debt and obligations. FCPS' net position is reported in the following categories: 1) net investment in capital assets; and 2) unrestricted.

The Statement of Activities - The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. 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 and grants and contributions that are restricted to meeting the operational requirements of a particular program. Items which are not classified as program revenues are presented as general revenues of FCPS.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

General revenues represent the revenues available to FCPS to finance the net cost of services not funded by program revenues, such as federal, state, and local aid not restricted to specific purposes.

Fund Financial Statements - Separate financial statements are provided for governmental funds, the proprietary fund, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds are often aggregated and reported as nonmajor funds. FCPS has only one nonmajor fund that is reported as a separate column clearly indicating nonmajor status in accordance with authoritative accounting standards.

Budgetary Comparison Statements - Demonstrating compliance with the adopted budgets is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the financial progress of their governments over the course of the year. For this reason and because Maryland statutes require that the operating budget be legally adopted, FCPS has chosen to make its General Fund budget-to-actual comparison statement part of the basic financial statements. Budgetary comparison statements illustrate the Board's original budget to the final budget and the actual results. FCPS revises its original budgets over the course of the year for a variety of reasons; such revisions are reflected in a separate column in these statements.

The Food and Nutrition Services budget is not required to be legally adopted and therefore, a budget to actual presentation is not included in the basic statements. The Food and Nutrition Services budget is developed internally by the school system for management purposes. The comparison of the Food and Nutrition Services Fund budget to actual revenues and expenditures is presented as other supplementary information.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Local appropriations and state and federal aid are recognized as revenues in the year for which they were approved by the provider. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, FCPS considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; except for principal and interest on leases, and expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Right-to-use lease assets are reported as expenditures in governmental funds. When applicable, proceeds from leases are reported as other financing sources.

Local appropriations and state and federal aid associated with the current fiscal period are considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal year. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Commitments such as purchase orders and contracts are not recorded as expenditures until a liability is incurred for goods received or services rendered. However, these outstanding commitments, if any, are assigned in the fund balance of the General Fund. The Food and Nutrition Services Fund, the Artificial Turf Fund, and the School Construction Fund do not assign their fund balances for their outstanding purchase orders and contracts. In the Food and Nutrition Services Fund, commodity revenues are recorded as commodities are received.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Governmental Funds

FCPS reports the following major governmental funds, in the fund financial statements:

The General Fund also referred to as the Current Expense Fund, is the general operating fund of the school system. It accounts for all financial resources applicable to the general operation of the Board, except those required to be accounted for in another fund. Special state and federal programs are included in the restricted portion of this fund.

The School Construction Fund (Capital Projects Fund) is used to account for all financial resources related to the construction of school sites and buildings and other major capital facilities.

The Food and Nutrition Services Fund (Special Revenue Fund) is used to account for the activities of the school food and nutrition services program. The Food and Nutrition Services Fund is treated as a major fund by election.

FCPS reports the following nonmajor governmental fund, in the fund financial statements:

The Artificial Turf Fund (Special Revenue Fund) is used to account for the rentals of the Board's artificial turf fields. Upkeep and major repairs to the fields are also recorded in this fund.

Proprietary Fund

Proprietary fund financial statements are reported using the accrual basis of accounting and employ the economic resources measurement focus, used in the government-wide financial statements. Under the accrual basis, all revenues and costs of providing services are reported, not just those received or paid in the current year or soon thereafter.

FCPS reports the following proprietary fund:

The Self-Insurance Fund (Internal Service Fund) is used to account for the costs of maintaining FCPS' self-insured health and dental programs for its employees.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of FCPS' internal service fund are the premium contributions to the health and dental self-insurance fund. Operating expenses for the internal service fund include the costs of providing these services, including administrative and claim expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in assets and liabilities and is accounted for on the accrual basis. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are used to account for assets held by FCPS under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support FCPS' own programs.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

FCPS has one fiduciary fund reported in the accompanying financial statements:

The Other Post-Employment Retiree Health Benefit Plan (Pension and Other Employee Benefit Trust Fund) is used to account for the Frederick County Public Schools Retiree Health Benefit Plan. This plan provides health and welfare benefits to eligible retirees and in certain instances, their dependents. It consists of contributions of the Board to establish a reserve to pay health and welfare benefits of future retirees. Contributions to the Trust qualify as contributions and are reported as additions using the economic resource measurement focus and the actual basis of accounting, under which expenses (deductions) are recorded when the liability is incurred or the benefits are paid. This plan is also commonly referred to as the Other Post-employment Benefits (OPEB) Plan.

By definition, Fiduciary Fund assets are being held for the benefit of a third party and cannot be used to satisfy obligations of the Board, and therefore are not included in the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is FCPS' policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Cash Equivalents

Amounts in demand deposits and short-term investments with a maturity date of three months or less when purchased are considered cash and cash equivalents.

E. Due from Other Units of Government and Other Receivables

Due from other units of government consists primarily of amounts due for local and state appropriations under the operating budget and capital projects, and expenditures in excess of amounts received under grant agreements. Other receivables include amounts due from other local education agencies for out-of-county tuition.

Accounts receivable are primarily with other governmental units and related agencies which are generally collected within ninety days of the end of the fiscal year. These entities rarely default on their obligations and management of the Board considers all amounts collectible as of June 30, 2025. Therefore, no valuation allowance is provided against the amounts due.

F. Inventories and Prepaid Items

Inventory of the General Fund consists of expendable supplies held for consumption and is recorded at cost. Inventory in the General Fund consists of parts, fuel, and supplies maintained at the transportation and the warehouse facilities. As inventory is consumed, the cost is charged to expenditures. The fund balance of the General Fund is restored for the value of the inventory on hand at year-end and is reflected as nonspendable in the fund balance which indicates that it is unavailable for spending.

The inventory of the Food and Nutrition Services Fund is recorded on the basis of cost for purchased items and fair market value for commodities donated by the federal government which approximates a first-in, first-out cost basis. Inventory in the Food and Nutrition Services Fund is maintained in the warehouse and at school locations, and consists of expendable food and supplies held for consumption. The commodities that are donated by the federal government are reflected as revenues when they are received and expenditures when they are consumed.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Inventories and Prepaid Items (continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepayments are expended in future periods and are accounted for in accordance with the consumption method. Prepaid items are reflected as nonspendable in the fund balance and are unavailable for spending.

G. Capital Assets

Capital assets, which include property, plant, equipment, and right-to-use assets are reported in the government-wide financial statements. Capital assets are defined by FCPS as assets with an initial, individual cost of more than \$5,000 and an expected useful life of greater than one year. FCPS' capital assets are recorded at historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value on the date donated. Lease and subscription-based capital assets are recorded as the right-to-use assets at the net present value of the future payments. The costs of normal maintenance and repairs that do not add to the value of the asset or do not materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<i>Assets</i>	<i>Years</i>
Buildings and Improvements	7-40
Furniture and Equipment	4-15
Right-to-Use Lease Assets, Building and Improvements	7-40 (shorter of term or useful life)
Right-to-Use Subscription-Based Assets, Information Technology	2-11 (shorter of term or useful life)

Assets which 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.

H. Leases and Subscription-Based Information Technology Agreements

FCPS as Lessee/Subscriber. FCPS has entered into lease agreements for noncancelable leases of equipment, office space, and land. FCPS has also entered into intangible subscription-based information technology agreements (SBITAs) for the right-to-use vendor-provided software. FCPS is a lessee for buildings and improvements and is a subscriber to various SBITAs and recognizes the corresponding liabilities and right-to-use assets (lease and subscription-based assets) in the government-wide financial statements.

At the commencement of a lease and/or a SBITA, FCPS initially measures the lease and subscription-based liability at the present value of payments expected to be made during the term. Subsequently, the lease and subscription-based liability is reduced by the principal portion of lease payments made. The right-to-use asset (lease and SBITA) is initially measured as the initial amount of the liability, adjusted for lease and SBITA payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease and SBITA asset is amortized on a straight-line basis over the shorter of the lease or SBITA term or the useful life of the underlying asset.

Key estimates and judgments related to leases and SBITAs include how FCPS determines (1) the discount rate it uses to discount the expected lease and SBITA payments to present value, (2) lease and SBITA term, and (3) lease and SBITA payments.

- FCPS uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, FCPS generally uses its estimated incremental borrowing rate as the discount rate.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Leases and Subscription-Based Information Technology Agreements (continued)

- The lease and SBITA terms include the noncancelable period of the lease or subscription agreement. Lease and SBITA payments included in the measurement of the lease and subscription-based liability are composed of fixed payments and purchase option price that FCPS is reasonably certain to exercise. In determining the lease and SBITA terms, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease and SBITA terms if the lease and SBITA is reasonably certain to be extended (or not terminated).

FCPS monitors changes in circumstances that would require a remeasurement of its leases and SBITAs and will remeasure recorded assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease and subscription-based liability.

Lease and subscription-based assets are reported with other capital assets and lease and subscription-based liabilities are reported with long-term debt on the statement of net position.

Payments due under recorded lease contracts and subscription-based agreements are at fixed payment amounts.

Assets and liabilities arising from a lease and/or a subscription-based agreement are initially measured on a present value basis. Lease and subscription-based liabilities include the net present value of the following payments:

- fixed payments (including in-substance fixed payments), less any lease and subscription-based agreement incentives receivable;
- amounts expected to be payable by FCPS under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease or subscription-based agreement, if the term reflects FCPS exercising that option.

The lease and subscription-based payments are discounted using the interest rate implicit in the contract agreements. If that rate cannot be readily determined FCPS' incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Should FCPS enter into lease or subscription-based agreements that have variable payment that depend on an index or a rate (such as the Consumer Price index of a market interest rate), they will be initially measured using the index or rate as of the commencement of the lease term.

FCPS as Lessor. At the commencement of a lease, FCPS initially measures the lease receivable at the present value of payments expected to be received during the lease at the commencement date. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how FCPS determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- FCPS uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments for the lessee.

FCPS monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the recorded lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The Board has two items that meet the criterion described above. These are the deferrals of pension and OPEB expenses that result from the timing of when the deferred expenses are recognized.

J. Compensated Absences

Under the terms of various employee collective bargaining agreements, FCPS employees are granted vacation and sick leave in varying amounts. In the event of termination, all 12-month employees are paid for accumulated vacation days (annual leave) up to the maximum of 40 or 60 days. Full-time classified and certified personnel accumulate sick leave at a maximum rate of 10 to 12 days per year. While sick leave generally vests only upon retirement with at least 10 years of service, FCPS recognizes a liability for the portion of sick leave it expects to pay out as a result of terminations or death or estimated leave that employees will use in the future in accordance with *Governmental Accounting Standards Board (GASB) Statement No. 101*. At the time of official retirement (or at time of death, said beneficiary), employees or their beneficiaries shall receive forty percent (40%) or sixty percent (60%) of the accumulated sick leave at the final rate of pay. Upon death, employees' beneficiaries are paid this benefit regardless of years of service. All annual and sick leave is accrued when earned in the government-wide and proprietary fund financial statements. The portion of the liability that is "due and payable" is reported as a liability of the governmental funds.

K. Pension

Certain employees of the Board are members of the Maryland State Retirement and Pension System (hereinafter the "MSRPS"). Employees are members of either the Teachers' Pension System of the State of Maryland (hereinafter the "TPS") or the Employees' Retirement System of the State of Maryland (hereinafter the "ERS"). TPS and ERS are part of the MSRPS which is considered a single, multiple-employer cost sharing plan.

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of TPS and ERS and additions to and deductions from TPS' and ERS' fiduciary net position have been determined on the same basis as they are reported by TPS and ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Frederick County Public Schools Post-Employment Retiree Health Benefit Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Position / Fund Balance

The government-wide financial statements utilize a net position presentation. Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. In the government-wide statement, net position includes net investment in capital assets and if applicable, amounts restricted for debt service. Net investment in capital assets consists of lease and subscription-based assets, net of accumulated depreciation/amortization and related payables. Under state law, the School System is prohibited from incurring debt to finance the acquisition of capital assets, except for those capital assets with a right-to-use under lease arrangements and subscription-based information technology agreements. Major capital projects are financed through local and state aid with applicable debt recorded by Frederick County and the State of Maryland.

Governmental funds, in the fund financial statements, report fund balances according to classifications that provide an understanding of the nature of resources available for specific purposes and the extent of constraints that determine how funds can be spent. FCPS' governmental fund balances are classified as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact. Not in spendable form includes items that are not expected to be converted to cash. In the governmental funds, FCPS reports inventories and prepaid items in the nonspendable fund balance classification.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes as determined by a formal action of the Board, the highest level of decision-making authority for the School System. Formal action of the Board would be those items which are voted on at public Board meetings that are in compliance with Maryland law. Commitments may be established, modified, or rescinded only through formal actions consisting of resolutions approved by the Board. In the governmental funds, FCPS reports the fund balance for School Construction, Food Nutrition Services and Artificial Turf, as committed fund balance.

In prior years, FCPS reported the fund balance for charter schools as committed fund balance, however Monocacy Valley Montessori Public Charter School, Carroll Creek Montessori Public Charter School, Frederick Classical Charter School and Sabillasville Environmental Public Charter School's fund balances are not shown within Frederick County Public School's financial statements; rather reflected within the charter school's governing body's financial statements.

Assigned – Amounts that do not meet the criteria to be classified as restricted nor committed but that are intended to be used for specific purposes. This intent can be expressed by the Board or through their delegating this responsibility to the Superintendent's budgetary process. In the governmental funds, FCPS reports subsequent years' expenditures and encumbrances are shown in the assigned fund balance. These portions of the fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. FCPS also reports an assigned fund balance for grants and student activities, for instances where revenue has been earned but not yet expended.

As stated in Section 20, 205.1, Operating and Capital Budgets, in the Board's Policy for Fiscal Procedures, "allocations to schools and administration of the budget are responsibilities of the Superintendent and her staff." For assigned fund balances, FCPS' Superintendent and her staff are authorized to assign amounts to a specific purpose and are the highest level of decision-making for the assigned fund balances.

Unassigned – All other spendable amounts. This is the residual classification for the General Fund and other governmental funds. In the General Fund, the unassigned fund balance indicates the portion of fund balance that is available for appropriation in future periods. The General Fund is the only fund that reports a positive unassigned fund balance amount.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Position / Fund Balance (continued)

In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

If FCPS has more revenues than expenditures in a prior year, the excess revenue will accumulate in the fund balance. In subsequent years, it will be available for re-appropriation.

When expenditures are incurred for which committed, assigned, and unassigned fund balances are available, the order of spending will be committed, assigned, and then unassigned.

The restricted and unrestricted amounts are to be considered spent when expenditures are incurred for purposes for which both a restricted and unrestricted fund balance is available. The committed, assigned, or unassigned amounts are considered to have been spent when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The General Fund shows a total of \$28,162,514 in its assigned fund balance, which is comprised of the following: \$2,652,420 of grant revenue in excess of expenditures; \$4,489,676 of student activity revenues in excess of expenditures; \$13,366,445 for subsequent year's expenditures in fiscal year 2026, and \$7,653,973 of encumbrances as of June 30, 2025. Some of the more significant General Fund encumbrances as of June 30, 2025 are \$4,570,190 for buses, \$673,056 for software/technology, \$290,609 for capital outlay for the Tuscarora High School and Linganore High School dugouts, \$105,218 for lead testing in schools, and \$88,586 for a chiller replacement at Sugarloaf Elementary School.

N. Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

O. New Governmental Accounting Standards Board (GASB) Pronouncements

The Board has adopted the following GASB Statements and determined whether they have a material effect on the financial statements.

Statement No. 101, Compensated Absences

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023 (FY2025), and all reporting periods thereafter. Management adopted the statement noting the impact was not material to the financial statements. The required changes are reflected in the financial statements and notes to those statements.

Statement No. 102, Certain Risk Disclosures

The primary objective of this Statement is to provide users of financial statements with essential information about risks related to an organization's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024 (FY2025). Management evaluated the statement noting the adoption was not material to the financial statements and had no impact on the financial statements for fiscal year 2025.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Maryland statutes require that an operating budget be legally adopted for the General Fund and a capital budget be legally adopted for the School Construction Fund.

The Superintendent and staff members meet during November and December to establish priorities for the operating budget. In January the Superintendent's Recommended Operating Budget is presented to the Board and the community. This budget is subject to revisions and changes by the Board. The Board holds a public hearing in January to receive comments from the community. After meeting in February, the Board approves a budget for submission to the County Executive and County Council. Additional public hearings on the operating budget are held by the County Executive and later by the County Council. In April, the County Executive submits the budget to the County Council for approval. By statute, the County Council must approve the appropriation for the Board of Education by May 31st. In June, the Board adopts the Operating and Capital budgets along with the Food and Nutrition Services Fund, Self-Insurance Fund, and Artificial Turf Fund budgets. The Board approved budgets must be submitted to MSDE seven days after Board approval or June 30, whichever is first.

Transfers between categories in the General Fund cannot legally be executed without County Council approval; transfers within a category do not require County Council approval.

Legally adopted governmental budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when they become measurable and available. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by FCPS for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations lapse at year-end except for capital project funds, which are carried forward until such time as the project is completed or terminated, and certain federal and state grants that do not have a June 30 year-end date. Encumbrances are reported as expenditures in the current year's budgetary presentation and are included by function in the assigned fund balances in the governmental fund financial statements prepared in conformity with accounting principles generally accepted in the United States of America. Accordingly, the actual expenditure data presented in the budgetary comparison statements is different than the data presented in the governmental fund financial statements prepared in conformity with accounting principles generally accepted in the United States of America.

School Construction is budgeted on a project basis with funds primarily provided by Frederick County and the State of Maryland. State funds are approved by the State's Interagency Commission on School Construction. Thus, annual budgetary comparisons to actual expenditures are not presented in the financial statements for the School Construction Fund.

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund has been prepared on a legally prescribed budgetary basis of accounting which differs from generally accepted accounting principles (GAAP) as shown on the governmental fund financial statements. The budgetary basis of accounting is used to demonstrate compliance with the legal requirements of the County, the state of Maryland, and special federal and state grant programs. The reconciliation between the two methods is set forth below.

	Revenues	Expenditures and Other Financing Uses	Net Change in Fund Balance
Reported on the Basis of GAAP	\$ 908,515,678	\$ 914,869,773	\$ (6,354,095)
Effect of Encumbrances	-	(938,224)	938,224
Effect of Prior Year Surplus	21,731,633	-	21,731,633
Effect of Student Activities	(5,790,534)	(5,473,325)	(317,209)
Reported on the Budgetary Basis of Accounting	<u>\$ 924,456,777</u>	<u>\$ 908,458,224</u>	<u>\$ 15,998,553</u>

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

A legal operating budget is not required for the Food and Nutrition Services Fund, School Activity Fund, Self-Insurance Fund, Artificial Turf Fund, or the Post-Employment Retiree Health Benefit Plan. Spending in funds which are not subject to the legal operating or capital budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by FCPS.

During the fiscal year ended June 30, 2025, the Board and the County Council approved the following supplemental appropriations/transfers for the General Fund:

Supplemental Appropriations/Transfers

	<u>To</u>	<u>From</u>	<u>Net Change</u>
Revenues:			
Federal	\$ -	\$ -	\$ -
State	3,214,642	-	3,214,642
Frederick County	-	-	-
Other	18,578	-	18,578
Fund Balance	-	-	-
<hr/>			
Total Increase (Decrease) to Revenues	\$ 3,233,220	\$ -	\$ 3,233,220
	<u>To</u>	<u>From</u>	<u>Net Change</u>
Expenditures:			
Administration	\$ -	\$ (500,241)	\$ (500,241)
Mid-level Administration	-	(770,459)	(770,459)
Instructional Salaries	-	(2,113,608)	(2,113,608)
Instructional Supplies	1,513,025	-	1,513,025
Instructional – Other	-	(278,034)	(278,034)
Special Education	2,550,000	-	2,550,000
Pupil Personnel Services	-	-	-
Health	1,187,160	-	1,187,160
Pupil Transportation	2,871,151	-	2,871,151
Operations	-	(273,122)	(273,122)
Maintenance	-	(793,818)	(793,818)
Fixed Charges	1,572,122	-	1,572,122
Food Service	-	-	-
Community Services	103,217	-	103,217
Capital Outlay	-	(1,834,173)	(1,834,173)
<hr/>			
Total Increase (Decrease) to Expenditures	\$ 9,796,675	\$ (6,563,455)	\$ 3,233,220
Total	\$ (6,563,455)	\$ 6,563,455	\$ -

The Operating Budget, in total, increased by \$3,233,220 in fiscal year 2025. The budget increase was due to recognition of additional restricted funds received from the State of Maryland and other miscellaneous restricted funds from local sources. Changes within the budgetary categories of the General Fund during fiscal year 2025 were approved by action of the Board and the County Council. For the year ended June 30, 2025, there were no expenditure categories that exceeded their budgets. Overall expenditures were under budget by \$35.5 million. Of the \$35.5 million budgeted expenditures, approximately \$18.2 million relate to grant awards that budgeted for the total allocation but allow for spending over a

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

multiple year period. The \$18.2 million is restricted for program activities as approved by the grantors. Collectively, the \$35.5 million variance is mainly attributable to salary and fringe savings from staff vacancies and turnover in the instructional education classifications, in both the unrestricted and restricted funds. In addition to the savings mentioned, the restricted fund had savings within pupil transportation and health services. These activities were budgeted for but unspent as of June 30, 2025. Restricted fund grant balance activities remaining at fiscal year-end will be carried forward to 2026.

Note 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash on Hand

As of year-end, cash on hand for petty cash was \$100.

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Board may not be able to recover the deposits. The Annotated Code of Maryland requires that funds on deposit with a financial institution be fully secured by deposit insurance, surety bonds, obligations of the United States or its agencies, obligations of the State of Maryland or any of its agencies, or obligations of a county, other governmental authority, or municipal corporation in the State of Maryland. As of June 30, 2025, all of the Board's deposits were either covered by Federal Deposit Insurance Corporation (FDIC) insurance or collateral held by the financial institution in the Board's name. As of year-end, the carrying amount of FCPS' deposits were \$29,153,526 and the bank balance was \$34,845,978.

Investments

As of June 30, 2025, FCPS' investment balances by type and maturity were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	6-10
Maryland Local Gov. Investment Pool	\$50,683,769	\$50,683,769	\$ -	\$ -
Money Market	71,747	71,747	-	-
Certificates of Deposit	4,649	4,649	-	-
Fixed Income Securities	79,711,764	79,711,764	-	-
Equity Securities	133,447,031	133,447,031	-	-
	<u>\$263,918,960</u>	<u>\$263,918,960</u>	<u>\$ -</u>	<u>\$ -</u>

FCPS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets.

FCPS has recurring fair value investments as of June 30, 2025 of \$213,158,795 that include Fixed Income Securities, Equity Securities and Private Equity Securities. These investments were valued using quoted market prices (Level 1 inputs).

Maryland Local Government Investment Pool (MLGIP) of \$50,683,769, Money Market of \$71,747 and Certificates of Deposit of \$4,649 are valued using the amortized cost method, which estimates fair value.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

Reconciliation of cash and investments as shown on the Statement of Net Position:

Cash on Hand	\$ 100
Carrying Amounts of Deposits	29,153,526
Carrying Amounts of Investments	<u>263,918,960</u>
Total Cash and Investments	293,072,586
Less: Amounts in Fiduciary Fund	<u>213,230,542</u>
Total Cash and Investments per Statement of Net Position	<u>\$ 79,842,044</u>
Cash and Cash Equivalents	\$ 29,153,626
Investments	<u>50,688,418</u>
Total Cash and Investments per Statement of Net Position	<u>\$ 79,842,044</u>

Interest Rate Risk. Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. State statute governs FCPS' investment policies. The Maryland Annotated Code Section 6-222 outlines the permissible investments and investment standards which FCPS follows.

Credit Risk. FCPS invests in the MLGIP, which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAAM by Standard and Poors, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net position of the pool, mark to market, is calculated and maintained on a daily basis to ensure a \$1.00 per unit constant value.

Assets in the Post-Employment Retiree Health Benefit Plan are invested in accordance with Article 95, Section 22 of the Annotated Code of Maryland as well as the Investment Plan Statement. As of June 30, 2025, the deposits of the Post-Employment Retiree Health Benefit Plan were held in a securities-grade money market account, a domestic equity index fund, an international equity fund, and a fixed income bond fund.

The Post-Employment Retiree Health Plan had fixed-income investments with the following credit risk characteristics as of June 30, 2025:

<u>Allocations by Credit Rating</u>	<u>Percent of Fixed Income Securities</u>	<u>Fair Value</u>
AAA/US Govt	26.7%	\$ 21,283,041
AA	42.2%	33,638,364
A	9.6%	7,652,329
BBB	16.3%	12,993,018
BB	2.4%	1,913,082
B	1.9%	1,514,524
CCC	0.1%	79,712
<CCC/NR	0.4%	318,847
Cash	0.4%	318,847
	<u>100.0%</u>	<u>\$ 79,711,764</u>

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

State statute governs FCPS' investment policies. The Maryland Annotated Code Section 6-222 outlines the permissible investments and investment standards which FCPS follows.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, FCPS will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2025, all of FCPS' investments were insured or registered, or the securities were held by FCPS or its agent in FCPS' name or were invested in the MLGIP.

As noted above, state statute governs FCPS' investment policies. The Maryland Annotated Code Section 6-222 outlines the permissible investments and investment standards which FCPS follows.

Foreign Currency Risk. The Post-Employment Retiree Health Benefit Plan's (the Plan) exposure to foreign currency risk derives from its investment in foreign currency or instruments denominated in foreign currency. The Plan recognizes the value of global diversification and retains one investment manager for global and international equity investments. To minimize risk, the Plan's investment policy establishes a maximum asset allocation of 17.5% investment in international equity. The Plan also includes managers for three fixed income investment funds which may invest in non-U.S. dollar denominated securities. One of the funds may invest up to 30% and one of the funds up to 20% of the fund's assets in non-U.S. dollar denominated securities. The third fund is an index fund that has no stated limit on non-U.S. dollar holdings but will always align with the composition of the benchmark (Bloomberg U.S. Aggregate Bond Index). The fund is currently 100% U.S. dollar denominated.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

B. Capital Assets

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

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Retirements Reclassifications</u>	<u>Balance June 30, 2025</u>
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	\$ 53,469,196	\$ 8,662	\$ -	\$ 53,477,858
Construction in Progress	57,153,955	114,812,041	42,584,107	129,381,889
Total Nondepreciable Capital Assets	<u>110,623,151</u>	<u>114,820,703</u>	<u>42,584,107</u>	<u>182,859,747</u>
Depreciable Capital Assets:				
Buildings and Improvements	1,299,015,972	44,818,279	4,899,129	1,338,935,122
Furniture and Equipment	81,977,322	15,881,438	3,263,630	94,595,130
Total Depreciable Capital Assets	<u>1,380,993,294</u>	<u>60,699,717</u>	<u>8,162,759</u>	<u>1,433,530,252</u>
Right-to-Use Amortizable Assets:				
Lease Assets, Buildings and Improvements	44,591,612	180,347	-	44,771,959
Subscription-Based Assets, IT Agreements	6,949,384	4,339,603	1,525,156	9,763,831
Total Amortizable Capital Assets	<u>51,540,996</u>	<u>4,519,950</u>	<u>1,525,156</u>	<u>54,535,790</u>
Less Accumulated Depreciation and Amortization for:				
Buildings and Improvements	529,285,589	36,272,462	4,810,012	560,748,039
Furniture and Equipment	41,697,151	8,101,894	2,979,412	46,819,633
Lease Assets, Buildings and Improvements	15,863,956	3,484,253	-	19,348,209
Subscription-Based Assets, IT Agreements	2,123,574	1,716,762	1,525,156	2,315,180
Total Accumulated Depreciation and Amortization	<u>588,970,270</u>	<u>49,575,371</u>	<u>9,314,580</u>	<u>629,231,061</u>
Total Depreciable and Amortizable Capital Assets, Net	<u>843,564,020</u>	<u>15,644,296</u>	<u>373,335</u>	<u>858,834,981</u>
Governmental Activities Capital Assets, Net	<u>\$ 954,187,171</u>	<u>\$ 130,464,999</u>	<u>\$ 42,957,442</u>	<u>\$ 1,041,694,728</u>

Depreciation/Amortization expense was charged to governmental activities as follows:

Governmental Activities:	
Administration	\$ 1,121,066
Mid-level Administration	1,030,382
Instruction - Other	40,717,224
Special Education	241,517
Pupil Transportation	2,735,797
Operations	1,958,549
Maintenance	431,570
Community Services	35,053
Food and Nutrition Services	1,304,213
Total Depreciation Expense - Governmental Activities	<u>\$ 49,575,371</u>

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

C. Construction Commitments

FCPS has active construction projects as of June 30, 2025. The projects include major and systemic school construction. As of year-end, FCPS' major commitments with contractors were as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Ballenger Creek Elementary - Limited Renovations	\$ 16,240,336	\$ 1,359,078
City Mitigation Fees - Portables	159,280	1,309,537
Crestwood Middle - Addition	9,323,382	170,600
Glade Elementary - Playground Replacement	-	197,552
Green Valley Elementary - Replacement	39,946,821	10,180,367
Linganore Creek Elementary - New	1,342,234	1,855,671
Middletown Co-located Elementary/Middle - Replacement Design	3,232,684	1,049,146
Spring Ridge Elementary - Limited Renovations	16,312,463	1,325,016
Urbana High - Cooling Tower Replacement	66,620	253,380
Valley Elementary - Replacement	47,988,575	8,009,486
Yellow Springs Elementary - Replacement	3,488,234	39,133,500
Other Projects	80,465	1,935,636
Total	<u>\$ 138,181,094</u>	<u>\$ 66,778,969</u>

D. Noncurrent Liabilities

Noncurrent liability balances and activities for the year ended June 30, 2025 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Leases Payable	\$ 30,535,148	\$ 180,347	\$ 2,135,604	\$ 28,579,891	\$ 2,272,931
Subscription-Based Payable	4,904,624	4,339,603	1,499,106	7,745,121	1,250,487
Vacation Leave Payable	12,270,638	-	449,754	11,820,884	5,461,451
Termination Benefits Payable	31,445,554	-	9,707,561	21,737,993	-
Net OPEB Liability	472,067,373	-	152,043,883	320,023,490	-
Net Pension Liability	54,432,653	13,165,763	-	67,598,416	-
	<u>\$ 605,655,990</u>	<u>\$ 17,685,713</u>	<u>\$ 165,835,908</u>	<u>\$ 457,505,795</u>	<u>\$ 8,984,869</u>

FCPS does not have the authority to incur bonded debt. Liabilities for leases, subscription-based agreements, vacation leave, termination benefits, and other post-employment benefits have typically been liquidated in the General Fund in prior years. Net pension liabilities are liquidated by each fund which has applicable salaries reported.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

E. Lease and Subscription-Based Obligations

Lease Obligations:

FCPS has entered into lease arrangements as a lessee to finance the right-to-use asset of the central office building and energy performance enhancements for facility improvements throughout the county that expire in fiscal years 2033 and 2034, respectively. In fiscal year 2023, FCPS entered into a new warehouse space lease arrangement as a lessee to finance the right-to-use asset that will expire in fiscal years 2034 and 2043. In fiscal year 2024, FCPS entered into an office building space lease arrangement as a lessee to finance the right-to-use asset that will expire in fiscal year 2035. New in fiscal year 2025, FCPS entered into a lease amendment to the office building to finance the expansion of the right-to-use leased asset by 1,758 square feet. The additional space leased will expire in 2035.

The lease arrangement entered into for the central office building (December 2007), for approximately \$16.0 million has a refinanced interest rate of 1.98% and maturity date of September 1, 2032. In fiscal year 2025, payments including interest for the lease were \$869,337. Current year amortization expense for the central office right-to-use lease asset was \$409,029.

FCPS entered into a lease agreement for an energy performance contract to finance facility improvements in the approximate amount of \$15.0 million in June 2018. The lease arrangement has a refinanced interest rate of 2.08% and maturity date of September 1, 2033. Payments, including interest, during fiscal year 2025 were \$1,109,817. Current year amortization expense for the energy performance contract lease assets was \$2,143,150.

The warehouse lease agreement was signed in May 2023 and financed for approximately \$10.0 million. The lease is for an initial term of ten years with a maturity date of July 1, 2033 and contains two (2) five (5) year option renewal periods. The Board determined it was reasonably certain the option period, only on a portion of the leased space, will be exercised which is accounted for. As the interest rate implicit in the lease agreement was not readily determinable, FCPS utilized its incremental borrowing rate of 4.5% to discount the lease payments. Payments and amortization expense began in fiscal year 2024. Additional payments for common area maintenance, real estate taxes, and insurance are expensed as incurred.

The office space lease agreement was signed in December 2023 with an amendment signed in February 2024, collectively financed for approximately \$4.1 million. The lease is for an initial term of five years once payments commence, with a maturity date of July 1, 2029, and contains one (1) five (5) year option renewal period. The Board has included these renewal periods in the lease term as it is reasonably certain that the Board will exercise the renewal option. As the interest rate implicit in the lease agreement was not readily determinable, FCPS utilized its incremental borrowing rate of 4.5% to discount the lease payments. Payments and amortization expense began in fiscal year 2024. The second amendment was signed in May 2025, and financed for \$0.2 million, with terms consistent from the original lease agreement applied. Additional payments for common area maintenance, real estate taxes, and insurance are expensed as incurred.

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

	Governmental Activities
Right-to-Use Lease Assets:	
Buildings and Improvements	\$ 44,771,959
Less: Amortization	19,348,209
Total	\$ 25,423,750

As of June 30, 2025, the minimum obligations under the leases were as follows:

Years Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 2,272,931	\$ 846,144	\$ 3,119,075
2027	2,402,645	783,490	3,186,135
2028	2,539,033	716,572	3,255,605
2029	2,682,127	645,159	3,327,286
2030	2,831,938	569,010	3,400,948
2031-2035	11,680,475	1,629,722	13,310,197
2036-2040	2,287,657	691,721	2,979,378
2041-2043	1,883,085	127,736	2,010,821
Total	\$ 28,579,891	\$ 6,009,554	\$ 34,589,445

Subscription-Based Obligations:

FCPS has entered into various subscription-based information technology arrangements (SBITAs) as a subscriber to finance the right-to-use asset software subscriptions. The SBITAs have initial terms that range from 2 to 6 years, and may contain one or more option year renewal. Specifically, one SBITA capitalized in the current year had three (3), two (2) year option periods for a total of six (6) additional years. FCPS generally includes these renewal periods in the SBITA term when it is reasonably certain that FCPS will exercise the renewal option. As the interest rate implicit in the lease agreement is not readily determinable, FCPS utilizes its incremental borrowing rate. FCPS used incremental borrowing rates to discount the lease payments. A rate of 4.5% was used for agreements from prior years, and a 6.0% rate was applied to those entered into during the current year.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

E. Lease and Subscription-Based Obligations (continued)

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

Right-to-Use Subscription-Based Assets:	Governmental Activities
Information Technology (IT)	\$ 9,763,831
Less: Amortization	2,315,180
Total	\$ 7,448,651

As of June 30, 2025, the minimum obligations under the subscription-based arrangements were as follows:

Years Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 1,250,487	\$ 372,996	\$ 1,623,483
2027	1,347,875	308,334	1,656,209
2028	1,451,516	238,566	1,690,082
2029	1,561,756	163,358	1,725,114
2030	571,067	109,074	680,141
2031-2035	1,562,420	251,476	1,813,896
Total	\$ 7,745,121	\$ 1,443,804	\$ 9,188,925

F. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2025 was as follows:

Receivable Fund	Payable Fund	Purpose	Amount
General Fund	School Construction Fund	Advances of cash for operating needs	\$ 44,876
General Fund	Food and Nutrition Services Fund	Food and nutrition expenses	575,913
Artificial Turf Fund	General Fund	Future upkeep and major repair needs	1,499,993
Self-Insurance Fund	General Fund	Insurance expenses	266,114
		Total	\$ 2,386,896

These interfund balances are presented in the accompanying financial statements as follows:

	Due from	Due to
Balance Sheet - Governmental Funds	\$ 2,386,896	\$ 2,120,782
Statement of Net Position - Proprietary Fund	-	266,114
Totals	\$ 2,386,896	\$ 2,386,896

Activity between funds represents expenditures paid by the General Fund on behalf of another fund or amounts received by the General Fund on behalf of another fund.

Interfund transfers for the year ended June 30, 2025 consisted of the following:

Transfers Out Fund	Transfers In Fund	Purpose	Amount
General Fund	Artificial Turf Fund	Budgeted transfer for future upkeep and major repair needs	\$ 300,000

Transfer activity from major governmental fund (General Fund) to nonmajor governmental fund (Artificial Turf Fund) represents a budgeted transfer that will be used for future upkeep and major repair needs. Because the transfer activity occurred within the governmental funds, the net effect presented on the Statement of Revenues, Expenditures, and Changes in Fund Balances is zero.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 4. OTHER INFORMATION

A. Retirement and Pension Systems of the State of Maryland

Plan Description

The employees of FCPS are covered by the Teachers' Retirement System (hereinafter the "TRS"), the TPS, the ERS, or the Employees' Pension System (hereinafter the EPS). These systems are part of the MSRPS, and are cost-sharing multiple-employer public employee retirement systems. The MSRPS provides pension, death, and disability benefits to plan members and beneficiaries. The plan is administered by the State Retirement Agency (hereinafter the "Agency"). Responsibility for the administration and operation of the MSRPS is vested in a 12-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland, (hereinafter the "Article"). The Article grants the authority to establish and amend the benefit terms and funding policy of TRS, TPS, ERS and EPS to the MSRPS Board of Trustees. MSRPS issues a publicly available financial report that can be obtained at www.sra.maryland.gov/annual-financial-reports.

The Article requires active members to contribute to the MSRPS, a percentage of their covered salary depending upon the retirement option selected. FCPS is required to contribute at an actuarially determined rate. The state's contributions on behalf of FCPS for the years ended June 30, 2025, 2024, and 2023, were \$42,821,213, \$33,949,219 and \$31,971,017, respectively, which were equal to the required contributions for each year. These on-behalf payments were recognized as revenues and expenditures during the period. FCPS' contributions for the years ended June 30, 2025, 2024, and 2023, were \$26,988,434, \$24,157,549 and \$22,309,428, respectively, which were equal to the required contributions for each year.

Entities that participate in a multi-employer cost-sharing defined benefit retirement plan are required to record their proportionate share of the net unfunded pension liability of the entire Plan. The entity's share of the Plan's total unfunded pension liability is calculated by multiplying its share of the total pension plan contributions to the Plan for the year by the total unfunded liability of the Plan as of year-end. Because the State of Maryland contributes the prior service cost and any cost related to actuarial adjustments for the teachers and certain other employees, the Board does not need to record a liability related to those employees. The Board records an unfunded pension liability related to those employees for whom the Board must contribute the entire employer's contribution. The Board's total contribution for which it must pay the total employer's contribution was \$7,719,422 for the year ended June 30, 2025.

Benefits Provided. A member of either the TRS or the ERS is generally eligible to receive full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's average final compensation (hereinafter the "AFC") multiplied by the number of years of accumulated creditable service.

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

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

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 4. OTHER INFORMATION (continued)

A. Retirement and Pension Systems of the State of Maryland (continued)

Plan Description (continued)

Exceptions to these benefit formulas apply to members of the EPS, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level (hereinafter the "SSIL"), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

Early Service Retirement

A member of either the TRS or the ERS may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a TRS or ERS member is 30%.

An individual who is a member of either the TPS or the EPS on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the TPS or the EPS is 42%. An individual who becomes a member of either the TPS or the EPS on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the TPS or the EPS is 30%.

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Contributions. (ERS) The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The Board's contractually required contribution rate for ERS for the year ended June 30, 2025, was approximately \$7.7 million, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to ERS from the Board were approximately \$7.7 million for the year ended June 30, 2025.

Contributions. (TPS) The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The state is responsible for the net pension liability of TPS. The Board's required contribution is for the normal cost and does not include any contribution for past service cost. As such, the state is responsible for 100% of the net pension liability related to TPS and qualifies as a special funding situation. The state's contribution on behalf of the Board for the year ended June 30, 2025, was approximately \$42.8 million. The Board's contractually required contribution rate for TPS for the year ended June 30, 2025 was approximately \$19.3 million, actuarially determined as an amount that, when combined with the state and employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (state only).

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 4. OTHER INFORMATION (continued)

A. Retirement and Pension Systems of the State of Maryland (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

As of June 30, 2025, the Board reported a liability of approximately \$67.6 million for its proportionate share of the ERS net pension liability. The ERS 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 ERS 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. The Board's proportion for the ERS was 0.257% as of June 30, 2025, as compared to 0.236% as of June 30, 2024, a change of 0.021%.

For the year ended June 30, 2025, the Board recognized pension expense for ERS of approximately \$7.7 million. As of June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 4,274,775	\$ -
Projected/actual investments	4,520,764	-
Actual/expected experience	6,852,570	1,465,319
Change in proportionate share	6,123,673	-
2025 Contributions	7,719,422	-
Total	\$ 29,491,204	\$ 1,465,319

Deferred outflows of resources in the amount of \$7,719,422 related to ERS resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the ERS net pension liability in the year ending June 30, 2026. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Pension Expense Amount
2026	\$ 4,227,867
2027	7,975,166
2028	4,137,739
2029	2,811,768
2030	1,153,923
	\$ 20,306,463

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 4. OTHER INFORMATION (continued)

A. Retirement and Pension Systems of the State of Maryland (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

As of June 30, 2025, the State of Maryland's proportionate share of the TPS net pension liability associated with the Board was \$516,160,609. The TPS 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 state's proportionate share of the TPS net pension liability associated with the Board was based on a projection of the state's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined.

Detailed information regarding the actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are included in the MSRPS financial statements and are available at www.sra.maryland.gov/annual-financial-reports.

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

Inflation	2.5% general, 3.0% wage
Salary increases	3.0% to 22.5% including wage inflation
Discount rate	6.80%
Investment rate of return	6.80%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 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.

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 weighting the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board 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 as of June 30, 2024, 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	34.0%	6.0%
Private Equity	16.0%	8.5%
Rate Sensitive	20.0%	2.4%
Credit Opportunity	9.0%	5.4%
Real Assets	15.0%	5.5%
Absolute Return	6.0%	3.9%
Total	<u>100.0%</u>	

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

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 4. OTHER INFORMATION (continued)

A. Retirement and Pension Systems of the State of Maryland (continued)

Actuarial Assumptions. (continued)

For the years ended June 30, 2024 and 2023, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense, was 6.89% and 3.11%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 Board's proportionate share of the net pension liability to changes in the discount rate. Regarding the sensitivity of the Board's proportionate share of the ERS net pension liability to changes in the single discount rate, the following presents the Board's net pension liability, calculated using a discount rate of 6.80%, as well as what the Board's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher as of June 30, 2024:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Board's proportionate share of the net pension liability	\$98,243,820	\$67,598,416	\$42,053,322

B. Risk Management

FCPS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and employee health benefits. FCPS believes it is more economical to manage its employee health risks internally and set aside assets for health and dental claim settlements in an internal service fund. The Self-Insurance Fund accounts for all school system employees' health and dental expenses and related administrative costs by charging a premium to employees, retirees, and other funds. Costs are offset by interest income earned from investing receipts until they are paid out in the form of claims or expenses.

In the fund statements, interfund charges are accounted for as expenditures of the insured fund and as revenues of the Self-Insurance Fund in accordance with Governmental Accounting Standards Board Statement No. 10. In the government-wide Statement of Activities, eliminations are made to remove the "doubling-up" effect of the Self-Insurance Fund activity. Contributions from employees are treated as revenues of the Self-Insurance Fund since the employees' exposure is limited to the amount of their contributions in any one fiscal year. Processing of claims and other administrative matters are performed by an independent third-party administrator for a fee. In addition, an insurance policy for coverage in excess of an agreed upon specific self-insured amount is purchased from an insurance company. The salary and benefits of FCPS personnel, who are partially engaged in providing internal claims coordination and handling of employee inquiries, are charged to the Self-Insurance Fund along with the above-mentioned costs. In addition, any other administrative costs directly relating to the benefits program such as legal, printing, etc. are charged to the Self-Insurance Fund.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 4. OTHER INFORMATION (continued)

B. Risk Management (continued)

The accrued liabilities reported in the Self-Insurance Fund include an estimate of claims that have been reported but not settled and an estimate in accordance with standard insurance industry reserve practices of claims that have been incurred but not reported prior to June 30, 2025. This aggregate unpaid claim liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Calculations provided by third party administrators and the Self-Insurance Fund's historical performance were used to estimate the claims liability.

Changes in the claims liability for self-insurance claims during 2025 and 2024, were as follows:

June 30, 2023 Liability Balance	\$ 12,050,921
Claims and Changes in Estimates	107,446,838
Claims Paid	(106,981,788)
June 30, 2024 Liability Balance	12,515,971
Claims and Changes in Estimates	123,337,968
Claims Paid	(121,249,910)
June 30, 2025 Liability Balance	\$ 14,604,029

In accordance with FCPS' policy, FCPS contributes toward the costs of health benefits for those retirees who elect to participate in FCPS' health benefits programs following retirement. Currently 2,745 retirees meet the health eligibility requirements. FCPS funds a percentage of the premium rate for retirees who participate in FCPS' health indemnity plan. The rates are 65% for retirees with 10 to 24 years of service and 80% for retirees with 25 or more years of service. FCPS pays approximately 18% for retiree dependents under age 65 and 21% for retiree dependents over age 65.

Retirees may participate in FCPS' dental benefit program, but the retiree contributes the entire premium. There is no Board contribution.

FCPS participates with sixteen other school districts in the State of Maryland in the Maryland Association of Boards of Education Workers' Compensation Group Self-Insurance Fund (hereinafter the "Fund"). This Fund was established to provide workers' compensation coverage for participating school boards. The Fund is operated under regulations promulgated by the State's Workers' Compensation Commission (COMAR 14.09.02). Each Fund member pays an annual premium calculated on its payroll according to the standard classifications, with an experience modification applied. The Trustees annually review the results of the most recently completed fund year based upon the audited financial statement as of June 30 of each fund year and determine whether to declare a surplus in accordance with their policy. The Fund carries an excess insurance policy providing specific excess and employer liability protection coverages, thus reducing the potential of assessment against Fund members.

FCPS purchases commercial insurance for various coverages including but not limited to property, automobile, general liability, life and other miscellaneous type coverages such as builders' risk, contractors' equipment and cybersecurity. The cost of the above coverages is included in the fixed charges and operations categories of the General Fund. There has been no significant reduction in insurance coverage or any settlement claims that have exceeded the amount of coverage in any past three years.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 4. OTHER INFORMATION (continued)

C. Frederick County Public Schools Defined Contribution Plan

FCPS administers the Frederick County Public Schools Defined Contribution Plan (the "Defined Contribution Plan"). The Defined Contribution Plan is designed to afford eligible employees an opportunity to increase their security at retirement through employer contributions during their periods of active employment while this Defined Contribution Plan remains in effect. The Board has the right to amend the plan at any time per the FCPS Defined Contribution Plan Document. In fiscal year 2025, the FCPS Superintendent of Schools was the only participant in the Defined Contribution Plan. Contribution requirements are a negotiated part of the Superintendent's contract. The Defined Contribution Plan has received a favorable determination letter from the Internal Revenue Service indicating that it qualifies as a tax-qualified "profit-sharing" plan. It is intended to be a "governmental plan" within the meaning of Internal Revenue Code Section 414. During fiscal year 2025, the Board contributed \$23,372 to the Defined Contribution Plan. The Defined Contribution Plan is similar to other deferred compensation plans such as 403(b), 401(k), and 457 plans, and therefore is not reported in FCPS' financial statements.

D. Post-Employment Healthcare Plan

Plan Description

Plan administration. The Frederick County Public Schools Post-Employment Retiree Health Benefit Plan (the "Plan") is a single-employer defined benefit health plan administered by the Board. The defined benefit plan is used to provide post-employment benefits other than pensions (OPEB) for retirees of the Board and their dependents. The Board has the authority to establish and amend post-employment benefits.

Benefits provided. The Plan provides medical, dental, vision, pharmacy and life insurance benefits to eligible participants (covered retirees, covered survivors and, with respect to certain benefits, their eligible dependents).

Plan membership. As of June 30, 2025, the Plan membership consisted of the following:

Retirees (of which 725 had dependent coverage) receiving benefits	2,745
Active Plan members	<u>6,101</u>
Total	<u>8,846</u>

The Plan is included in this financial report as a fiduciary fund. A separate, audited GAAP-basis post-employment benefit plan report is not available.

Contributions

The Board negotiates the contribution percentage between FCPS and the employees through union contracts and personnel policy. The required contribution for participants is based on projected "pay-as-you-go" financing requirements. For fiscal year 2025, FCPS contributed \$18,477,865 to the Plan. Of this amount, \$18,423,365 was for FCPS' share of retiree premiums, and \$54,500 was contributed toward trust investment fees. In fiscal year 2025, the Board did not make a contribution into the 115 Trust account (the "Trust") which was established on May 29, 2008 for the purpose of pre-funding a portion of retiree health benefits in the future. Retiree plan members receiving benefits contributed \$9,470,320 or approximately 34% of combined contributions from the employer and plan members.

The rates for fiscal year 2025 were based on the length of service of the retiree (two tiers), the age of the retiree (non-Medicare eligible or Medicare eligible), and the type of insurance (medical Choice Advantage, which includes out-of-network medical PPO and prescription, and/or Dental). Rates paid by retirees varied for medical coverage from \$141.84 per month to \$1,383.32 per month, and dental coverage varied from \$33.84 per month to \$97.12 per month.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 4. OTHER INFORMATION (continued)

D. Post-Employment Healthcare Plan (continued)

Contributions (continued)

Prior to the implementation of GASB Statement No. 75, in fiscal year 2018, the Board began to discuss funding policy options as it relates to the actuarially determined contribution. Previously the funding of the OPEB Trust was a budgetary consideration through the normal operating budget cycle. In November 2021, the Board approved an OPEB funding plan through Board Resolution. The funding plan outlines a strategy to incrementally increase the general fund annual contribution until the annual contribution amount equals the recommended annual contribution, above normal pay-go contributions, as derived from a bi-annual funding contribution study conducted by an independent professional actuarial company. In fiscal years 2024 and 2025, the Board deviated from its approved funding plan. Due to budget constraints, the budgeted annual general fund contributions to the Trust were removed.

Investments

Investment policy. The Frederick County Public Schools Post-Employment Retiree Health Benefit Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. It is the responsibility of the Committee to ensure investments shall be made with the care, skill, prudence and diligence under circumstances then prevailing that a prudent investor would use in the administration of a trust of like character and with like aims. Construction of the Public Schools OPEB Trust's asset allocation policy is based upon current capital market expectations and the Public Schools OPEB Trust's investment horizon, liquidity needs, risk tolerance and investment objectives. The Public Schools OPEB Trust will be diversified among various asset classes in an effort to reduce the risk of loss. The assets of Frederick County Public Schools OPEB Trust will be invested in accordance with Section 17-102 of the Annotated Code of Maryland. The trust is intended to be exempt from federal income tax in accordance with Section 115 of the Internal Revenue Code or any other applicable federal statute.

The Plan's investment policy includes an asset allocation plan for investments. The broad asset target allocation percentage for the Plan's OPEB Trust by asset class are as follows; U.S. Equity 40.0%, International Equity 10.0%, U.S. Fixed Income 32.5%, Multi-Asset Class Solutions (MACS) 10.0%, Private Credit 7.5%.

Rate of return. For the year ended June 30, 2025, the annual money-weighted rate of return on OPEB plan investments, net of the OPEB plan expense was 11.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The components of the net OPEB liability as of June 30, 2025 were as follows:

Total OPEB liability	\$ 533,253,901
Less plan fiduciary net position	<u>213,230,411</u>
Net OPEB liability	<u>\$ 320,023,490</u>
Plan fiduciary net position as a percentage of the total OPEB liability	39.99%

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 4. OTHER INFORMATION (continued)

D. Post-Employment Healthcare Plan (continued)

Actuarial Assumptions. The total OPEB liability as of June 30, 2025 is based on an actuarial valuation dated September 9, 2025, utilizing valuation data as of January 1, 2025. The valuation used the Entry Age Normal Funding Method calculated on an individual basis with level percentage of payroll. This is the required funding method under GASB 74 and 75. The Plan's liability was rolled forward to the measurement date June 30, 2025. The methods, assumptions, participant data, and plan provisions used were detailed in the fiscal year 2025 actuarial valuation dated September 9, 2025, unless otherwise specified.

Actuarial assumptions used in the latest actuarial valuation were:

Inflation rate	2.60%
Salary increases	3.00% to 10.50%, including inflation; depends on years of service
Investment rate of return	6.50%
Discount rate	6.50% as of 6/30/25
Bond rate	4.81% as of 6/30/25
Healthcare cost trend rate	Medical and pre-Medicare Rx: 7.00% for 2025, grading down to 4.04% by 2075. Medicare Rx: 5.39% for 2025, grading down to 3.83% by 2075.

The healthcare cost trend assumption was updated based on the 2024 Getzen model released by the Society of Actuaries (SOA) and adjusted to reflect the expected impact of the Inflation Reduction Act. The baseline healthcare cost trend assumptions are from the 2024 version of the SOA Long-Run Medical Cost Trend Model.

The decrement and salary scale assumptions were updated based on those developed in the 2024 experience study for the State of Maryland Retirement and Pension System.

Mortality Decrements	Description
Active Employees	<u>Maintenance:</u> SOA Pub-2010 General Employees Headcount-Weighted Mortality Table, projected on a fully generational basis using Mortality Improvement Scale MP2021 <u>Teachers:</u> SOA Pub-2010 Teachers Employees Headcount-Weighted Mortality Table, projected on a fully generational basis using Mortality Improvement Scale MP2021
Healthy Retirees and Spouses	<u>Maintenance:</u> SOA Pub-2010 General Retirees Headcount-Weighted Mortality Table, projected on a fully generational basis using Mortality Improvement Scale MP2021 <u>Teachers:</u> SOA Pub-2010 Teachers Retirees Headcount-Weighted Mortality Table, projected on a fully generational basis using Mortality Improvement Scale MP2021
Surviving Spouses	<u>Maintenance:</u> SOA Pub-2010 General Contingent Survivors Headcount-Weighted Mortality Table, projected on a fully generational basis using Mortality Improvement Scale MP2021 <u>Teachers:</u> SOA Pub-2010 Teachers Contingent Survivors Headcount-Weighted Mortality Table, projected on a fully generational basis using Mortality Improvement Scale MP2021
Disabled Retirees	<u>Maintenance:</u> SOA Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Table, projected on a fully generational basis using Mortality Improvement Scale MP2021 <u>Teachers:</u> SOA Pub-2010 Teachers Disabled Retirees Headcount-Weighted Mortality Table, projected on a fully generational basis using Mortality Improvement Scale MP2021

The demographic assumptions are generally consistent with those developed for General employees and Teachers in the 2024 experience study for the State of Maryland Retirement and Pension System. Assumptions developed for the General employees were used for participants that were identified as Maintenance based on the Group provided in the Board's data population, and the assumptions developed for Teachers were used for all other participants within the Board's data population.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 4. OTHER INFORMATION (continued)

D. Post-Employment Healthcare Plan (continued)

Long Term Expected Rate of Return. The long term expected rate of return on OPEB plan investments was determined using a building block approach. The target allocation and best estimates of the geometric rates of return for each asset class is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>20-Year Arithmetic Nominal Rate of Return</u>	<u>20-Year Arithmetic Real Rate of Return</u>	<u>Weighted Average Rate 20-Year Arithmetic Real Rate of Return</u>
U.S. Large Cap Equity	45.00%	8.29%	5.74%	2.58%
U.S. Small/Mid Cap Equity	10.00%	9.35%	6.78%	0.68%
International Equity	10.00%	8.96%	6.40%	0.64%
U.S. Fixed Income	35.00%	3.61%	1.17%	0.41%
Total	<u>100.00%</u>			<u>4.31%</u>
Inflation				2.60%
Portfolio Arithmetic Return				7.02%

The 20-year arithmetic nominal rates of return for the asset classes were taken from the 2025 Horizon capital market survey. The real rates of return were determined by excluding the 2.41% inflation assumption in the Horizon survey from the nominal rates of return. The weighted average arithmetic real rate of return is determined using the real rates of return and the target allocations. To determine the portfolio nominal rate of return, the inflation assumption used by the long-term medical trend is applied to the weighted average real rate of return, resulting in a portfolio arithmetic nominal rate of return of 7.02%. The portfolio geometric return is determined by reducing the portfolio arithmetic nominal rate of return by half of the portfolio variance of 1.18%. The resulting rate is 6.43%, which is in line with the expected rate of return assumption of 6.50%. This assumption is reviewed annually and will be updated if it is deemed to no longer be reasonable or if there is a change in asset allocation.

Discount rate. The discount rate used to measure the total OPEB liability as of June 30, 2025 depends upon the contribution policy. The Board has an irrevocable Trust and has an established formal contribution policy. However, the Board has not been able to contribute the full Actuarial Determined Contribution (ADC) in recent years. Therefore, for Governmental Accounting Standard Board (GASB) purposes, the discount rate is a blend of the funded and unfunded rates based on a projection of the plan's fiduciary net position. The funded rate uses the long-term rate of return of plan assets of 6.50%. The unfunded rate must be based on an index for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Historically Frederick County Public Schools used the Fidelity 20-Year Municipal General Obligation AA bond (Municipal GO AA) index, which was 3.97% as of June 30, 2024. However, this index has been discontinued, so beginning with the June 30, 2025 disclosure, Frederick County Public Schools is using the S&P Municipal Bond 20-Year High Grade Rate Index, which was 4.81% as of June 30, 2025. The full ADC will not be contributed in fiscal year 2026 and there was no contribution budgeted to be made to the Trust (in excess of pay-go) for fiscal year 2026. Therefore, the actuarial assumption used assumes future Trust contributions would equal expected benefit payments. The GASB requires that we first allocate these contributions to the normal cost for future hires. The Plan's fiduciary net position was projected for each year based on the expected total contributions, benefit payments, and investment earnings from the Trust, and is projected to remain solvent. Therefore, the expected rate of return of 6.50% was used as the discount rate.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 4. OTHER INFORMATION (continued)

D. Post-Employment Healthcare Plan (continued)

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance as of June 30, 2024	\$ 663,752,450	\$ 191,685,077	\$ 472,067,373
Changes for the year:			
Service Cost	22,571,663	-	22,571,663
Interest Cost	30,130,384	-	30,130,384
Experience (Gain)/Loss	59,885,011	-	59,885,011
Changes in Assumptions	(224,640,013)	-	(224,640,013)
Contribution – Employer	-	18,477,865	(18,477,865)
Contributions – Plan Members	9,470,320	9,470,320	-
Contribution - Retiree Subsidy	7,858,865	7,858,865	-
Net Investment Income/(Loss)	-	21,513,063	(21,513,063)
Claims Incurred	(33,884,084)	(33,884,084)	-
Administrative Expenses	(1,890,695)	(1,890,695)	-
Net Changes	(130,498,549)	21,545,334	(152,043,883)
Balance as of June 30, 2025	\$ 533,253,901	\$ 213,230,411	\$ 320,023,490

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current discount rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability	\$ 403,314,353	\$ 320,023,490	\$ 252,364,690

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.04%) or 1-percentage-point higher (5.04%) than the current healthcare cost trend rates:

	1% Decrease (3.04%)	Healthcare Cost Trend Rates (4.04%)	1% Increase (5.04%)
Net OPEB Liability	\$ 247,747,414	\$ 320,023,490	\$ 411,933,870

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available on pages 38 and 39 of the basic financial statements.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 4. OTHER INFORMATION (continued)

D. Post-Employment Healthcare Plan (continued)

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2025, the Board recognized OPEB expense of \$(27,938,504). At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 56,526,045	\$ 150,581,227
Changes in assumptions	65,558,553	356,769,667
Net difference between projected and actual earnings on OPEB plan investments	-	12,723,930
Total	<u>\$ 122,084,598</u>	<u>\$ 520,074,824</u>

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

<u>Years Ending June 30,</u>	<u>OPEB Expense Amount</u>
2026	\$ (62,536,909)
2027	(67,037,929)
2028	(68,954,301)
2029	(70,696,694)
2030	(58,882,277)
Thereafter	<u>(69,882,116)</u>
Total	<u>\$ (397,990,226)</u>

Note 5. DEFICIT

In fiscal year 2023, the Self-Insurance Fund reported a net position deficit of \$3.5 million, reflecting a \$11.5 million deficit driven by higher claims costs from membership growth, inflation, rising provider and prescription costs, specialty drug utilization, regulatory changes, and the rebound of deferred care post-COVID.

In fiscal year 2024, the Board transferred a one-time premium subsidy from the General Fund of \$5.0 million which was included in the fiscal year 2024 appropriation from Frederick County Government and implemented a 9.5% medical premium increase. These measures produced a \$1.3 million surplus, reducing the net position deficit to \$2.2 million.

For the fiscal year ending June 30, 2025, further actions, including co-pay increases and a 16.0% premium increase, generated a \$7.1 million surplus, resulting in a \$4.9 million positive net position.

In fiscal year 2026, medical and dental premiums increased 4.5% and 1.5%, respectively. FCPS will continue to evaluate plan design changes and premium adjustments in fiscal year 2027 to maintain financial stability if claims costs continue to trend upward.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2025

Note 6. CONTINGENCIES AND COMMITMENTS

FCPS, in the course of its operations, is a party to legal proceedings. The legal opinion of FCPS is that the ultimate disposition of these claims and legal proceedings will not have a material effect on the financial condition of FCPS.

FCPS, as grantee or sub-grantee, participates in numerous federal and state grant programs, which are subject to financial and compliance audits. FCPS believes it has complied, in all material respects, with applicable grant requirements and the amount of expenditures that may be disallowed by the granting agencies, if any, would be immaterial.

Note 7. PENDING PRONOUNCEMENTS

GASB routinely issues standards that will become effective in future years. The following is a list of standards that have been issued whereas the Board has determined may have an impact on future financial statements.

Statement No. 103, Financial Reporting Model Improvements

The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues of the reporting model such as: Management's Discussion and Analysis; Unusual or Infrequent Items; Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, Major Component Unit Information, and Budgetary Comparison Information. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025 (FY2026).

Statement No. 104, Disclosure of Certain Capital Assets

The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Types of capital assets within the scope of the new requirements include lease assets, intangible right-to-use assets, subscription assets, and other intangible assets. Additional disclosures about capital assets held for sale are also required. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025 (FY2026).

The Board is currently evaluating the effects of implementation of these Statements.

AS

$$\frac{4}{9} \times \frac{7}{7} = \frac{28}{63}$$

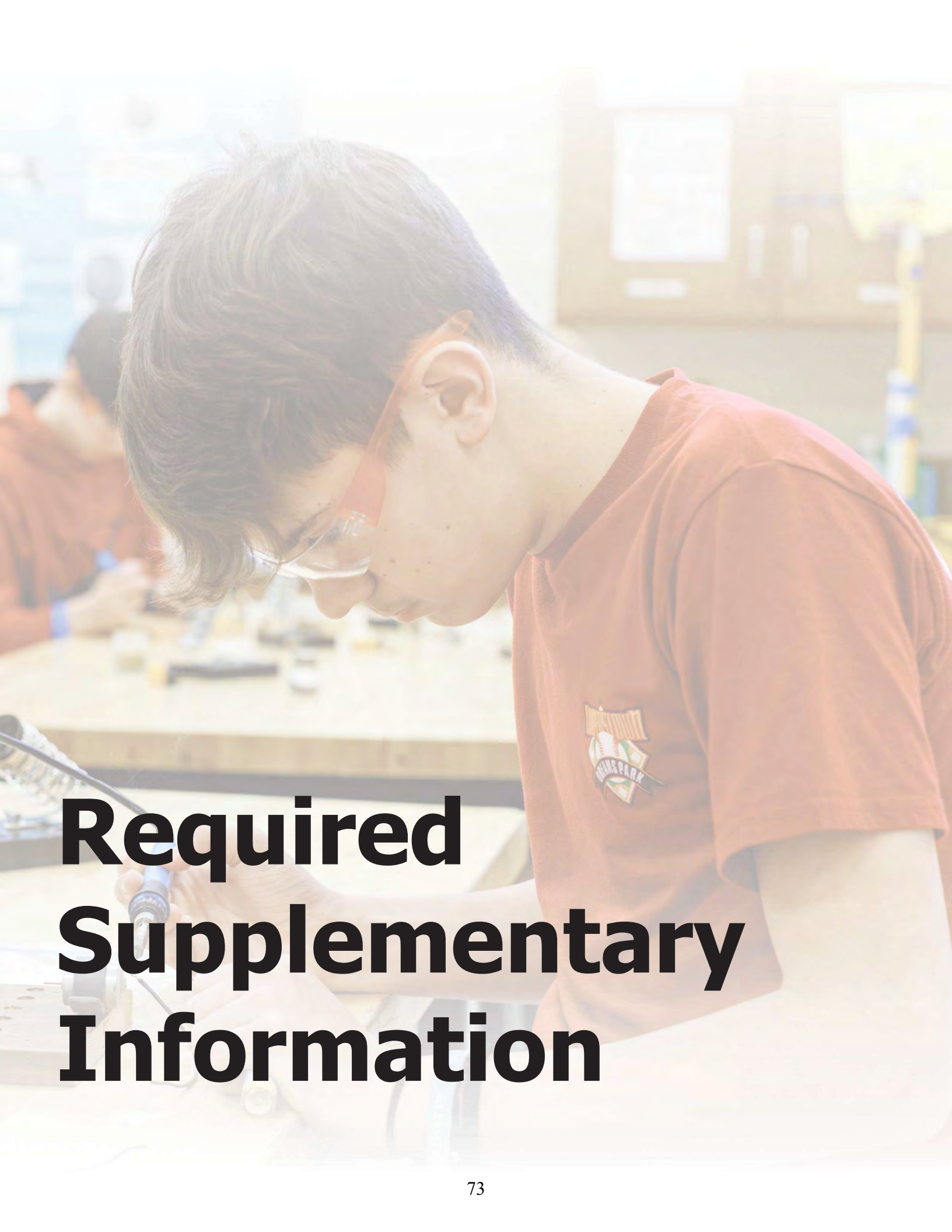
$$\frac{2}{7} \times \frac{9}{9} =$$





Student: Kai Bragg

Grade 12



Required Supplementary Information

FREDERICK COUNTY PUBLIC SCHOOLS
 Required Supplementary Information
 Schedule of Investment Returns for the Post-Employment Retiree Health Benefit Plan
 Last Ten Fiscal Years

	Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual money-weighted rate of return net of investment expense	2.70%	12.06%	8.60%	8.02%	5.60%	28.94%	-13.48%	13.10%	15.20%	11.60%

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

FREDERICK COUNTY PUBLIC SCHOOLS

Schedule of Changes in the Board's Net OPEB Liability and Related Ratios Last Ten Fiscal Years (Dollar amounts in thousands)

	Fiscal Years									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Total OPEB liability										
Service Cost	\$ 39,249	\$ 33,298	\$ 33,157	\$ 42,409	\$ 48,407	\$ 45,165	\$ 29,211	\$ 23,543	\$ 22,571	
Interest Cost	26,304	29,769	32,060	27,712	25,614	21,057	27,989	27,343	30,130	
Differences Between Expected and Actual Experience	-	25	(63,933)	(233)	(157,483)	2,365	(101,372)	2,543	59,885	
Changes in Assumptions	(102,897)	(20,309)	97,462	41,770	67,448	(244,878)	(11,214)	(14,546)	(224,640)	
Benefit Payments	(13,097)	(14,088)	(15,151)	(15,240)	(16,620)	(17,699)	(12,921)	(16,555)	(18,445)	
Net Change in Total OPEB Liability	(50,441)	28,695	83,595	96,418	(32,634)	(193,990)	(68,307)	22,328	(130,499)	
Total OPEB liability - Beginning of Year	778,088	727,647	756,342	839,937	936,355	903,721	709,731	641,424	663,752	
Total OPEB liability - End of Year	<u>\$ 727,647</u>	<u>\$ 756,342</u>	<u>\$ 839,937</u>	<u>\$ 936,355</u>	<u>\$ 903,721</u>	<u>\$ 709,731</u>	<u>\$ 641,424</u>	<u>\$ 663,752</u>	<u>\$ 533,253</u>	
Plan Fiduciary Net Position										
Contributions										
Employer	\$ 10,730	\$ 12,772	\$ 13,399	\$ 15,431	\$ 19,518	\$ 14,850	\$ 16,353	\$ 16,519	\$ 18,478	
Plan Members	5,761	7,768	8,633	7,305	8,242	9,425	11,204	12,260	9,470	
Federal Government - Retiree Subsidy	3,409	3,362	3,790	3,706	4,211	4,356	4,981	6,291	7,859	
Net Investment Income/(Loss)	9,966	8,494	7,768	7,059	36,513	(22,823)	18,611	25,188	21,513	
Claims Incurred	(17,429)	(20,450)	(22,385)	(21,126)	(23,369)	(25,383)	(29,106)	(32,975)	(33,884)	
Administrative Expenses	(1,429)	(1,406)	(1,398)	(1,419)	(1,493)	(1,741)	(1,917)	(2,132)	(1,891)	
Net Change in Fiduciary Net Position	11,008	10,540	9,807	10,956	43,622	(21,316)	20,126	25,151	21,545	
Fiduciary Net Position - Beginning of Year	81,791	92,799	103,339	113,146	124,102	167,724	146,408	166,534	191,685	
Fiduciary Net Position - End of Year	<u>\$ 92,799</u>	<u>\$ 103,339</u>	<u>\$ 113,146</u>	<u>\$ 124,102</u>	<u>\$ 167,724</u>	<u>\$ 146,408</u>	<u>\$ 166,534</u>	<u>\$ 191,685</u>	<u>\$ 213,230</u>	
Net OPEB Liability	\$ 634,849	\$ 653,003	\$ 726,791	\$ 812,253	\$ 735,997	\$ 563,323	\$ 474,890	\$ 472,067	\$ 320,023	
Fiduciary Net Position as a % of Total OPEB Liability	12.75%	13.66%	13.47%	13.25%	18.56%	20.63%	25.96%	28.88%	39.99%	
Covered Payroll	\$ 300,358	\$ 317,315	\$ 332,251	\$ 351,559	\$ 358,709	\$ 382,608	\$ 430,849	\$ 481,366	\$ 500,537	
Net OPEB Liability as a % of Payroll	211%	206%	219%	231%	205%	147%	110%	98%	64%	

Notes to Schedule:

Benefit Changes: None

Changes in the fiscal year assumptions included:

Change in Assumption	Fiscal Years									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Inflation rate	unknown	2.30%	2.30%	2.30%	2.50%	2.50%	2.50%	2.50%	2.60%	
Investment rate of return	7.50%	7.50%	7.50%	7.50%	6.50%	6.50%	6.50%	6.50%	6.50%	
Discount rate	4.13%	4.28%	3.33%	2.76%	2.35%	3.99%	4.31%	4.44%	6.50%	
Bond rate	3.58%	3.62%	3.13%	2.45%	1.92%	3.69%	3.86%	3.97%	4.81%	
Healthcare cost trend rate	unknown	5.90%	5.70%	4.70%	4.90%	5.10%	7.50%	7.50%	7.00%	

Medical Trend:

The healthcare cost trend assumption was updated based on the 2024 Getzen model released by the Society of Actuaries (SOA) and adjusted to reflect the expected impact of the Inflation Reduction Act.

The baseline healthcare cost trend assumptions are from the 2024 version of the SOA Long-Run Medical Cost Trend Model.

The SOA Long-Term Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-term baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group.

This schedule is presented to illustrate the requirement to show information for 10 years. The Board implemented GASB 74 during fiscal year 2017. As such, information prior to June 30, 2017 is not available.

FREDERICK COUNTY PUBLIC SCHOOLS

Schedule of Contributions Related to Pension Last Ten Fiscal Years

	Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually Required Contributions (ERS)	\$ 3,982,050	\$ 3,495,459	\$ 3,725,167	\$ 4,102,821	\$ 4,429,238	\$ 5,002,218	\$ 5,258,841	\$ 5,764,436	\$ 6,728,677	\$ 7,719,422
Contributions in Relation to the Contractually Required Contribution	(3,982,050)	(3,495,459)	(3,725,167)	(4,102,821)	(4,429,238)	(5,002,218)	(5,258,841)	(5,764,436)	(6,728,677)	(7,719,422)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's Covered Payroll	\$ 295,080,729	\$ 300,358,356	\$ 317,315,367	\$ 332,250,721	\$ 351,558,647	\$ 358,708,872	\$ 382,607,523	\$ 430,849,044	\$ 481,366,096	\$ 500,537,042
Contributions as a Percentage of Covered Payroll	1.35%	1.16%	1.17%	1.23%	1.26%	1.39%	1.37%	1.34%	1.40%	1.54%

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

FREDERICK COUNTY PUBLIC SCHOOLS

Schedule of Proportionate Share of Net Pension Liability Last Ten Fiscal Years

	Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Board's Proportionate Share of the ERS Net Pension Liability	0.189%	0.179%	0.170%	0.187%	0.200%	0.207%	0.227%	0.230%	0.236%	0.257%
Board's Proportionate Share of the ERS Net Pension Liability	\$ 39,262,057	\$ 42,334,929	\$ 36,818,619	\$ 39,196,080	\$ 41,209,266	\$ 46,690,240	\$ 34,056,720	\$ 46,103,302	\$ 54,432,653	\$ 67,598,416
State's Proportionate Share of the TPS Net Pension Liability Associated with the Board	<u>417,982,864</u>	<u>527,606,070</u>	<u>471,695,636</u>	<u>454,750,072</u>	<u>427,524,226</u>	<u>477,787,576</u>	<u>311,717,419</u>	<u>416,706,031</u>	<u>458,129,023</u>	<u>516,160,609</u>
TOTAL	<u>\$ 457,244,921</u>	<u>\$ 569,940,999</u>	<u>\$ 508,514,255</u>	<u>\$ 493,946,152</u>	<u>\$ 468,733,492</u>	<u>\$ 524,477,816</u>	<u>\$ 345,774,139</u>	<u>\$ 462,809,333</u>	<u>\$ 512,561,676</u>	<u>\$ 583,759,025</u>
Board's Covered Payroll	\$ 285,482,518	\$ 295,080,729	\$ 300,358,356	\$ 317,315,367	\$ 332,250,721	\$ 351,558,647	\$ 358,708,872	\$ 382,607,523	\$ 430,849,044	\$ 481,366,096
Board's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	13.75%	14.35%	12.26%	12.35%	12.40%	13.28%	9.49%	12.05%	12.63%	14.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.78%	65.79%	69.38%	71.18%	72.34%	70.72%	81.84%	76.27%	73.81%	72.08%

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



Student: Kourtney Sigouin

Grade 8

DIFERENCIAS

The screen displays a lesson plan for 'IDENTIFYING PROPERTIES OF MATTER'. The text on the screen reads: 'Observe 10 SOLID items and their properties.' Below this, there is a table titled 'DESCRIBING PROPERTIES OF OBJECTS' with columns for 'objects/Objetos', 'color', 'flexibility/Flexibilidad', 'shape/Forma', and 'texture/Textura'. The 'color' column contains a rainbow icon, and the 'flexibility' column contains a paper airplane icon. The 'objects' column lists 'Water Container', 'Laminated Paper', and 'Marble Slab'. The 'shape' column lists 'Cylinder', 'Cone', 'Sphere', 'Cube', 'Rectangular Prism', and 'Triangular Prism'. The 'texture' column lists 'Smooth', 'Rough', 'Soft', and 'Hard'.

Other Supplementary Information

FREDERICK COUNTY PUBLIC SCHOOLS

School Construction Fund

Schedule of Expenditures by Type of School

For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

	2025	2024
HIGH SCHOOLS		
Land	\$ 305,895	\$ 5,786,558
Buildings and Improvements	203,845	112,275
Furniture and Equipment	-	-
TOTAL	\$ 509,740	\$ 5,898,833
 MIDDLE SCHOOLS		
Land	\$ 12,549	\$ 33,346
Buildings and Improvements	2,292,417	9,588,648
Furniture and Equipment	219,516	85,324
TOTAL	\$ 2,524,482	\$ 9,707,318
 ELEMENTARY SCHOOLS		
Land	\$ 528,835	\$ 1,037,238
Buildings and Improvements	109,912,267	36,912,005
Furniture and Equipment	1,118,273	1,731,805
TOTAL	\$ 111,559,375	\$ 39,681,048
 OTHER		
Land	\$ -	\$ -
Buildings and Improvements	218,444	1,570,270
Furniture and Equipment	-	-
TOTAL	\$ 218,444	\$ 1,570,270
 TOTAL		
Land	\$ 847,279	\$ 6,857,142
Buildings and Improvements	112,626,973	48,183,198
Furniture and Equipment	1,337,789	1,817,129
TOTAL (Excludes Intergovernmental Payment)	\$ 114,812,041	\$ 56,857,469

FREDERICK COUNTY PUBLIC SCHOOLS

School Construction Fund Schedule of Cumulative Expenditures, Encumbrances, and Appropriations Through June 30, 2025

<u>PROJECT</u>	<u>Cumulative Expenditures June 30, 2024</u>	<u>Expenditures Net of Closed Projects Current Fiscal Year</u>	<u>Cumulative Expenditures June 30, 2025</u>	<u>Encumbrances</u>	<u>Cumulative Appropriations June 30, 2025</u>	<u>Unencumbered Balance of Appropriations</u>
7446 Hayward Rd	\$ 72,474	\$ 18,099	\$ 90,573	\$ 298,122	\$ 3,163,695	\$ 2,775,000
Ballenger Creek Elementary	4,719,458	11,520,878	16,240,336	1,359,078	18,045,097	445,683
Blue Heron Elementary	-	-	-	-	191,976	191,976
Board of Education - Unallocated	-	-	-	-	94,812	94,812
Brunswick Elementary	6,114,588	(6,114,588)	-	-	1,224,892	1,224,892
Buses	-	-	-	288,076	498,962	210,886
Catoctin High	1,879,105	(1,879,105)	-	-	-	-
Crestwood Middle	-	524,178	524,178	170,600	3,048,986	2,354,208
Design Fees - Future Projects	-	-	-	-	169,493	169,493
East Frederick Area Elementary	-	-	-	-	3,000,000	3,000,000
Glade Elementary	-	-	-	197,552	250,000	52,448
Governor Thomas Johnson High	-	-	-	158,723	158,723	-
Green Valley Elementary	5,092,797	34,854,023	39,946,820	10,180,367	51,788,963	1,661,776
Linganore Creek Elementary	-	1,342,234	1,342,234	1,855,671	8,000,000	4,802,095
Middletown Elementary	620,160	996,182	1,616,342	524,573	15,690,825	13,549,910
Middletown Middle	620,160	996,182	1,616,342	524,573	15,690,825	13,549,910
Monocacy Elementary	10,213,362	(10,213,362)	-	-	-	-
New Market Elementary	34,733	(34,733)	-	-	-	-
Oakdale High	112,275	(112,275)	-	-	-	-
Oakdale Middle	-	-	-	-	4,484,415	4,484,415
Portable Classrooms	-	108,110	108,110	1,373,132	7,461,878	5,980,636
Spring Ridge Elementary	4,583,307	11,729,157	16,312,464	1,325,016	18,206,259	568,779
Sugarloaf Elementary	-	-	-	-	370,001	370,001
Systemic Contingency	-	-	-	1,090,870	1,141,458	50,588
Systemic Generic	-	-	-	-	1,150,050	1,150,050
Thurmont Elementary	12,117,671	(12,117,671)	-	-	-	-
Tuscarora High	2,427,174	(2,427,174)	-	-	-	-
Urbana High	-	66,620	66,620	253,380	320,000	-
Valley Elementary	7,799,405	40,189,169	47,988,574	8,009,486	56,291,006	292,946
Walkersville Elementary	-	-	-	29,054	29,054	-
Waverley Elementary	-	-	-	-	865,424	865,424
West Frederick Middle	-	-	-	-	5,099	5,099
Whittier Elementary	-	41,062	41,062	7,196	48,258	-
Yellow Springs Elementary	800,763	2,687,471	3,488,234	39,133,500	52,182,142	9,560,408
TOTAL	\$ 57,207,432	\$ 72,174,457	\$ 129,381,889	\$ 66,778,969	\$ 263,572,293	\$ 67,411,435

FREDERICK COUNTY PUBLIC SCHOOLS

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) Food and Nutrition Services Fund For the Year Ended June 30, 2025

	Budgeted Amounts Original & Final	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:			
Federal	\$ 12,806,416	\$ 12,456,507	\$ (349,909)
State	634,307	1,172,658	538,351
Charges for Services	7,052,352	7,030,560	(21,792)
Other	567,262	422,368	(144,894)
Fund Balance	300,000	-	(300,000)
Total Revenues	21,360,337	21,082,093	(278,244)
Expenditures:			
Food and Nutrition Services	21,360,337	23,046,390	(1,686,053)
Total Expenditures	21,360,337	23,046,390	(1,686,053)
Excess (Deficiency) of Revenues over Expenditures	-	(1,964,297)	(1,964,297)
Net Change	\$ -	(1,964,297)	\$ (1,964,297)
Fund Balance - Beginning		7,445,131	
Fund Balance - Ending		\$ 5,480,834	

STATISTICAL SECTION

**Board of Education
of Frederick County
June 30, 2025**

FREDERICK COUNTY PUBLIC SCHOOLS

Statistical Section

This part of FCPS' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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Financial Trends	85-91
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
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<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	96-104
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Board's financial report relates to the services it provides and activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant fiscal years dated June 30, 2016 through June 30, 2025.



FREDERICK COUNTY PUBLIC SCHOOLS

Net Position by Component Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental Activities:										
Net Investment in Capital Assets	\$ 650,686,334	\$ 698,147,490	\$ 755,606,761	\$ 745,864,060	\$ 781,632,550	\$ 843,331,592	\$ 851,822,760	\$ 888,167,323	\$ 903,076,143	\$ 989,633,402
Restricted	9,280	9,297	10,667,947	2,378,625	-	-	-	-	-	-
Unrestricted	(295,963,443)	(334,457,807)	(713,155,732)	(748,991,048)	(786,846,423)	(820,287,431)	(820,774,778)	(811,696,761)	(777,434,752)	(721,730,208)
Total Governmental Activities Net Position	<u>354,732,171</u>	<u>363,698,980</u>	<u>53,118,976</u>	<u>(748,363)</u>	<u>(5,213,873)</u>	<u>23,044,161</u>	<u>31,047,982</u>	<u>76,470,562</u>	<u>125,641,391</u>	<u>267,903,194</u>
Primary Government:										
Net Investment in Capital Assets	650,686,334	698,147,490	755,606,761	745,864,060	781,632,550	843,331,592	851,822,760	888,167,323	903,076,143	989,633,402
Restricted	9,280	9,297	10,667,947	2,378,625	-	-	-	-	-	-
Unrestricted	(295,963,443)	(334,457,807)	(713,155,732)	(748,991,048)	(786,846,423)	(820,287,431)	(820,774,778)	(811,696,761)	(777,434,752)	(721,730,208)
Total Primary Government Net Position	<u>\$ 354,732,171</u>	<u>\$ 363,698,980</u>	<u>\$ 53,118,976</u>	<u>\$ (748,363)</u>	<u>\$ (5,213,873)</u>	<u>\$ 23,044,161</u>	<u>\$ 31,047,982</u>	<u>\$ 76,470,562</u>	<u>\$ 125,641,391</u>	<u>\$ 267,903,194</u>

FREDERICK COUNTY PUBLIC SCHOOLS

Changes in Net Position Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental Activities										
Instruction										
Regular Instruction	\$ 352,196,897	\$ 354,039,987	\$ 363,567,238	\$ 386,007,871	\$ 406,660,933	\$ 432,271,717	\$ 450,714,463	\$ 467,915,141	\$ 502,605,721	\$ 500,937,574
Special Education Instruction	82,479,537	84,102,569	87,791,944	99,099,495	99,422,202	101,711,158	107,630,337	119,302,719	136,822,773	144,959,396
Total Instruction	<u>434,676,434</u>	<u>438,142,556</u>	<u>451,359,182</u>	<u>485,107,366</u>	<u>506,083,135</u>	<u>533,982,875</u>	<u>558,344,800</u>	<u>587,217,860</u>	<u>639,428,494</u>	<u>645,896,970</u>
Support Services										
Administration	16,417,367	15,915,175	16,866,200	17,282,282	18,779,454	19,564,018	18,928,857	22,277,372	23,452,707	22,455,703
Mid-level Administration	50,483,603	50,848,718	52,276,685	54,709,958	57,816,089	61,608,229	60,244,715	66,009,331	69,089,144	70,426,047
Pupil Personnel Services	4,633,733	4,821,976	4,997,831	2,866,085	3,419,562	4,361,979	4,850,780	4,964,857	5,781,089	5,637,894
Health	6,484,085	6,335,474	6,252,164	6,873,851	6,752,882	6,493,717	9,226,784	9,609,688	11,477,426	12,965,642
Pupil Transportation	28,938,501	30,298,627	32,767,258	34,028,232	34,397,092	27,373,321	35,940,099	39,544,639	41,558,747	42,739,257
Operations	43,044,135	44,009,997	44,282,947	46,518,844	48,582,801	53,505,366	54,125,163	59,862,735	67,363,824	68,994,554
Maintenance	16,423,681	16,990,431	16,507,013	17,796,436	18,094,357	19,337,223	19,552,667	20,064,205	22,127,753	20,452,638
Food and Nutrition Services	12,281,900	12,505,100	12,747,402	13,045,590	11,940,356	10,292,829	17,596,631	20,739,196	26,149,354	24,871,819
Community Services	1,526,228	1,229,372	1,138,316	1,240,872	1,022,336	656,910	1,308,240	2,026,146	2,455,191	2,462,570
Student Activities	-	-	-	-	6,796,800	1,873,015	4,182,779	6,524,623	6,014,125	5,473,325
Interest on Long-term Liabilities	405,741	377,665	327,288	842,056	978,497	568,992	357,977	952,073	1,319,820	2,154,072
Intergovernmental Payment	20,457,247	13,871,000	20,342,000	12,737,000	18,629,976	20,038,937	15,499,635	43,902,626	9,651,054	34,371,927
Total Support Services	<u>201,096,221</u>	<u>197,203,535</u>	<u>208,505,104</u>	<u>207,941,206</u>	<u>227,210,202</u>	<u>225,674,536</u>	<u>241,814,327</u>	<u>296,477,491</u>	<u>286,440,234</u>	<u>313,005,448</u>
Total Governmental Activities	<u>\$ 635,772,655</u>	<u>\$ 635,346,091</u>	<u>\$ 659,864,286</u>	<u>\$ 693,048,572</u>	<u>\$ 733,293,337</u>	<u>\$ 759,657,411</u>	<u>\$ 800,159,127</u>	<u>\$ 883,695,351</u>	<u>\$ 925,868,728</u>	<u>\$ 958,902,418</u>
Program Revenues										
Governmental Activities										
Charges for services:										
Regular Instruction	\$ 817,186	\$ 927,982	\$ 908,442	\$ 856,365	\$ 731,969	\$ 362,807	\$ 915,937	\$ 982,295	\$ 1,139,206	\$ 1,816,952
Food and Nutrition Services	4,584,610	4,699,487	4,976,681	5,660,046	4,013,873	74,356	1,702,459	7,137,488	7,451,506	7,452,928
Support Services	1,046,012	990,508	1,024,951	1,034,228	828,630	217,488	730,924	1,033,760	1,048,572	1,864,024
Student Activities	-	-	-	-	1,129,158	176,068	1,168,742	1,311,267	1,315,282	1,328,683
Operating Grants and Contributions	150,919,490	144,891,134	146,096,821	154,273,874	173,793,918	194,780,584	246,901,387	230,729,924	254,575,902	262,521,541
Capital Grants and Contributions	64,425,239	88,265,911	101,509,193	37,799,310	86,498,795	116,903,051	61,592,349	125,386,471	76,951,110	171,151,399
Total Gov. Activities Program Revenues	<u>\$ 221,792,537</u>	<u>\$ 239,775,022</u>	<u>\$ 254,516,088</u>	<u>\$ 199,623,823</u>	<u>\$ 266,996,343</u>	<u>\$ 312,514,354</u>	<u>\$ 313,011,798</u>	<u>\$ 366,581,205</u>	<u>\$ 342,481,578</u>	<u>\$ 446,135,527</u>
Net (Expense) Revenue										
Governmental Activities	<u>\$ (413,980,118)</u>	<u>\$ (395,571,069)</u>	<u>\$ (405,348,198)</u>	<u>\$ (493,424,749)</u>	<u>\$ (466,296,994)</u>	<u>\$ (447,143,057)</u>	<u>\$ (487,147,329)</u>	<u>\$ (517,114,146)</u>	<u>\$ (583,387,150)</u>	<u>\$ (512,766,891)</u>

(continued)

FREDERICK COUNTY PUBLIC SCHOOLS

Changes in Net Position Last Ten Fiscal Years (Accrual Basis of Accounting) (continued)

	Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Federal Aid Not Restricted to Specific Purposes	\$ 27,603	\$ 264,918	\$ 40,582	\$ 223,630	\$ 345,444	\$ 413,158	\$ 102,877	\$ 159,037	\$ 129,002	\$ 79,810
State Aid Not Restricted to Specific Purposes	157,774,835	156,381,556	160,628,485	165,329,475	171,208,564	176,559,518	177,345,744	209,240,441	227,721,285	231,425,836
Local Aid Not Restricted to Specific Purposes	228,942,030	247,066,477	260,822,220	272,386,838	283,465,005	296,598,012	316,598,012	349,748,012	400,444,461	417,981,028
Interest and Investment Earnings	32,799	237,626	544,643	1,169,840	787,652	299,632	377,434	2,466,715	3,501,806	4,143,882
Other Revenue	432,865	587,301	392,108	447,627	2,766,431	1,530,771	727,083	922,521	761,425	1,398,138
Total General Revenues	<u>387,210,132</u>	<u>404,537,878</u>	<u>422,428,038</u>	<u>439,557,410</u>	<u>458,573,096</u>	<u>475,401,091</u>	<u>495,151,150</u>	<u>562,536,726</u>	<u>632,557,979</u>	<u>655,028,694</u>
Changes in Net Position										
Governmental Activities	<u>\$ (26,769,986)</u>	<u>\$ 8,966,809</u>	<u>\$ 17,079,840</u>	<u>\$ (53,867,339)</u>	<u>\$ (7,723,898)</u>	<u>\$ 28,258,034</u>	<u>\$ 8,003,821</u>	<u>\$ 45,422,580</u>	<u>\$ 49,170,829</u>	<u>\$ 142,261,803</u>
Net Position - Beginning of Year	\$ 381,502,157	\$ 354,732,171	\$ 363,698,980	\$ 53,118,976	\$ (748,363)	\$ (8,630,124)	\$ 23,044,161	\$ 31,047,982	\$ 76,470,562	\$ 125,641,391
Adjustment to Restate Beginning Net Position	-	-	(327,659,844)	-	3,258,388	3,416,251	-	-	-	-
Net Position - Beginning of Year, Restated	<u>381,502,157</u>	<u>354,732,171</u>	<u>36,039,136</u>	<u>53,118,976</u>	<u>2,510,025</u>	<u>(5,213,873)</u>	<u>23,044,161</u>	<u>31,047,982</u>	<u>76,470,562</u>	<u>125,641,391</u>
Net Position - End of Year	<u>\$ 354,732,171</u>	<u>\$ 363,698,980</u>	<u>\$ 53,118,976</u>	<u>\$ (748,363)</u>	<u>\$ (5,213,873)</u>	<u>\$ 23,044,161</u>	<u>\$ 31,047,982</u>	<u>\$ 76,470,562</u>	<u>\$ 125,641,391</u>	<u>\$ 267,903,194</u>

FREDERICK COUNTY PUBLIC SCHOOLS

Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Nonspendable:										
Inventory	\$ 563,454	\$ 585,347	\$ 602,889	\$ 581,681	\$ 719,103	\$ 1,084,454	\$ 758,503	\$ 678,903	\$ 714,543	\$ 799,883
Prepaid Items	65,628	161,133	844,290	188,265	610,472	1,172,650	776,332	752,832	1,343,550	1,622,307
Restricted:										
Lease Reserve	9,280	9,297	9,316	-	9,272,085	-	-	-	-	-
Committed:										
Charter Schools Reserve	347,357	579,752	1,068,728	1,020,144	1,114,017	1,481,773	2,271,069	2,319,948	1,583,871	-
Assigned:										
Administration	441,725	2,743,395	1,775,221	1,739,814	2,171,017	2,451,935	3,082,171	616,943	935,450	617,697
Instructional	2,562,952	2,037,856	3,457,824	2,442,274	4,224,196	6,656,745	5,859,418	7,883,287	9,305,175	5,891,502
Maintenance and Operations	2,016,688	2,687,389	4,987,762	3,872,277	6,145,886	7,414,892	4,364,803	5,110,950	5,401,832	4,407,311
Transportation	5,505,180	5,952,649	6,274,281	6,068,002	7,204,972	9,106,920	8,362,936	9,472,755	13,097,502	10,103,908
Grants	-	-	-	-	-	1,096,624	2,668,208	2,602,966	2,859,586	2,652,420
Student Activities	-	-	-	-	3,416,251	3,178,951	3,766,285	3,949,068	4,172,468	4,489,676
Unassigned:	2,065,030	2,787,824	1,177,022	3,046,447	3,190,368	4,544,792	3,336,973	5,355,593	5,366,445	7,841,623
Total General Fund	<u>\$ 13,577,294</u>	<u>\$ 17,544,642</u>	<u>\$ 20,197,333</u>	<u>\$ 18,958,904</u>	<u>\$ 38,068,367</u>	<u>\$ 38,189,736</u>	<u>\$ 35,246,698</u>	<u>\$ 38,743,245</u>	<u>\$ 44,780,422</u>	<u>\$ 38,426,327</u>
All other Governmental Funds										
Nonspendable:										
Inventory	\$ 266,577	\$ 383,270	\$ 448,805	\$ 547,682	\$ 1,077,913	\$ 687,325	\$ 824,121	\$ 762,455	\$ 728,999	\$ 633,840
Prepaid Items	-	-	-	-	-	-	-	-	-	12,500
Restricted:										
Unspent Lease Proceeds	-	-	10,658,631	2,378,625	-	-	-	-	-	-
School Construction	-	-	-	-	-	200,000	-	-	-	-
Committed:										
School Construction	-	-	-	-	-	400,000	-	6,327,215	124,226	4,340,720
Food and Nutrition Services	-	-	-	-	-	-	-	-	-	5,445,306
Artificial Turf	-	-	-	-	-	-	-	-	-	1,525,247
Assigned:										
Artificial Turf	433,850	516,693	582,791	665,968	723,296	-	289,901	241,983	814,643	-
Food and Nutrition Services	2,088,345	1,557,933	1,350,297	1,784,483	180,976	1,748,913	11,204,789	11,604,941	7,860,391	-
Unassigned:										
Artificial Turf	-	-	-	-	-	(149,888)	-	-	-	-
Total All Other Governmental Funds	<u>\$ 2,788,772</u>	<u>\$ 2,457,896</u>	<u>\$ 13,040,524</u>	<u>\$ 5,376,758</u>	<u>\$ 1,982,185</u>	<u>\$ 2,886,350</u>	<u>\$ 12,318,811</u>	<u>\$ 18,936,594</u>	<u>\$ 9,528,259</u>	<u>\$ 11,957,613</u>



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ENTRANCE
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FREDERICK COUNTY PUBLIC SCHOOLS

Change in Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Federal	\$ 22,847,024	\$ 23,449,438	\$ 23,552,420	\$ 26,066,112	\$ 24,786,371	\$ 44,331,117	\$ 88,328,846	\$ 53,432,703	\$ 50,835,229	\$ 41,885,673
State	287,394,804	281,857,099	294,490,550	295,831,883	323,558,892	334,349,294	332,164,820	433,823,789	418,123,724	497,272,921
Local	290,135,003	326,158,478	354,745,408	305,983,308	353,915,383	401,484,193	372,886,752	412,414,940	467,917,244	515,803,374
Charges for Services	4,421,391	4,485,877	4,744,567	5,407,402	4,953,730	208,768	2,786,137	7,777,337	8,124,637	8,359,243
Other	3,875,761	4,579,641	4,059,244	6,555,480	13,677,319	5,975,124	9,119,171	12,805,482	13,388,307	20,087,626
Total Revenues	608,673,983	640,530,533	681,592,189	639,844,185	720,891,695	786,348,496	805,285,726	920,254,251	958,389,141	1,083,408,837
Expenditures										
Current:										
Administration	9,936,218	10,035,223	10,533,695	11,135,941	11,721,221	12,699,145	12,791,043	15,045,871	16,015,073	15,841,435
Mid-level Administration	31,772,500	32,314,112	33,889,690	35,333,435	37,007,206	40,387,727	42,256,215	46,410,449	49,705,877	51,603,725
Instructional Salaries	193,304,177	196,148,568	206,573,539	216,533,524	228,068,154	237,816,410	268,894,279	283,536,244	312,268,523	317,848,040
Instructional Supplies	8,462,236	8,788,484	9,161,076	11,715,229	12,291,941	22,573,877	25,872,611	23,664,724	23,568,178	21,187,055
Instruction - Other	2,130,774	2,292,456	2,527,545	2,451,672	2,617,153	3,783,467	3,390,648	5,207,783	6,957,150	6,526,362
Special Education	55,391,267	57,943,402	61,220,228	68,687,338	69,263,293	70,801,307	81,100,100	90,170,695	105,948,945	112,969,406
Pupil Personnel	2,855,843	3,018,648	3,206,954	1,910,448	2,129,103	2,721,015	3,357,760	3,458,868	4,171,087	4,166,695
Health	6,411,420	6,264,875	6,184,651	6,796,889	6,666,586	6,384,327	9,087,521	9,451,844	11,334,303	12,858,074
Pupil Transportation	18,846,735	20,053,991	22,281,281	22,699,098	22,617,928	17,877,064	25,548,198	29,016,671	30,988,758	32,316,249
Operations	33,353,717	33,780,176	34,570,387	35,893,919	37,487,751	42,306,098	44,808,702	50,112,195	57,005,233	58,139,728
Maintenance	11,409,804	11,949,644	11,708,541	12,910,918	13,039,478	14,315,480	15,642,503	16,209,857	18,778,218	16,900,920
Fixed Charges	149,217,979	152,891,266	155,503,890	159,784,290	167,658,453	174,270,235	183,017,745	195,686,338	221,654,567	251,642,899
Food and Nutrition Services	12,095,153	12,336,594	12,489,845	12,830,735	11,770,377	10,166,754	17,318,205	20,301,730	25,191,917	23,731,723
Community Services	1,071,022	839,691	788,754	831,541	695,872	472,187	1,029,018	1,601,393	1,970,803	1,975,268
Student Activities	-	-	-	-	6,796,800	1,873,015	4,182,779	6,524,623	6,014,125	5,473,325
Capital Outlay:										
Land	894,712	1,064,877	844,159	2,153,743	2,548,369	1,701,285	2,014,397	3,301,134	6,857,142	847,279
Buildings and Improvements	43,055,820	67,254,234	84,833,821	28,111,489	61,867,898	92,041,189	37,443,054	69,758,495	52,159,300	112,807,320
Equipment	1,978,532	5,172,867	6,246,941	5,764,200	1,221,986	2,670,511	4,360,852	3,864,181	1,817,129	5,677,392
Debt Service:										
Lease Principal	1,646,212	523,809	539,677	766,159	2,706,864	841,460	740,311	1,497,912	1,640,031	2,135,604
Subscription-Based Principal	-	-	-	-	-	-	-	894,768	1,116,478	1,499,106
Lease Interest	400,088	349,548	333,064	316,062	1,337,251	309,387	440,727	418,032	841,668	896,398
Subscription-Based Interest	-	-	-	-	-	-	-	108,443	80,842	437,598
Lease Issuance Cost	-	-	-	-	104,751	-	-	-	-	-
Lease Refinancing Costs	-	-	-	-	128,726	141,524	-	-	-	-
Intergovernmental Payment	20,457,247	13,871,000	20,342,000	12,737,000	18,629,976	20,038,937	15,499,635	43,902,626	9,651,054	34,371,927
Total Expenditures	604,691,456	636,893,465	683,779,738	649,363,630	718,377,137	776,192,401	798,796,303	920,144,876	965,736,401	1,091,853,528
Excess (Deficiency) of Revenues Over Expenditures	3,982,527	3,637,068	(2,187,549)	(9,519,445)	2,514,558	10,156,095	6,489,423	109,375	(7,347,260)	(8,444,691)

(continued)

FREDERICK COUNTY PUBLIC SCHOOLS

Change in Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting) (continued)

	Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Other Financing Sources (Uses)										
Issuance of Lease	\$ -	\$ -	\$ 15,002,047	\$ -	\$ 9,341,835	\$ -	\$ -	\$ 10,004,955	\$ 3,976,102	\$ 180,347
Issuance of Subscription-Based Payable	-	-	-	-	-	-	-	-	-	4,339,603
Proceeds from Lease Refinancing	-	-	-	-	13,472,719	-	-	-	-	-
Payments to Retire Debt	-	-	-	-	(12,872,611)	(9,130,561)	-	-	-	-
Transfers In From:										
General Fund	35,546	36,989	-	35,000	-	617,434	150,000	200,000	200,000	300,000
Internal Service Fund	-	-	637,875	617,250	-	-	-	-	-	-
Transfers Out To:										
Internal Service Fund	(575)	(596)	(217,054)	-	-	-	-	-	-	-
Special Revenue Funds	(35,546)	(36,989)	-	(35,000)	-	(217,434)	(150,000)	(200,000)	(200,000)	(300,000)
Capital Projects Fund	-	-	-	-	-	(400,000)	-	-	-	-
Total Other Financing Sources (Uses)	(575)	(596)	15,422,868	617,250	9,941,943	(9,130,561)	-	10,004,955	3,976,102	4,519,950
Net Change in Fund Balances	3,981,952	3,636,472	13,235,319	(8,902,195)	12,456,501	1,025,534	6,489,423	10,114,330	(3,371,158)	(3,924,741)
Total Expenditures	604,691,456	636,893,465	683,779,738	649,363,630	718,377,137	776,192,401	798,796,303	920,144,876	965,736,401	1,091,853,528
Less Capital Outlay	(44,849,346)	(74,478,273)	(88,416,512)	(33,701,373)	(71,228,131)	(99,288,746)	(46,957,531)	(87,018,154)	(78,435,613)	(137,456,263)
Non-capital Expenditures	<u>\$ 559,842,110</u>	<u>\$ 562,415,192</u>	<u>\$ 595,363,226</u>	<u>\$ 615,662,257</u>	<u>\$ 647,149,006</u>	<u>\$ 676,903,655</u>	<u>\$ 751,838,772</u>	<u>\$ 833,126,722</u>	<u>\$ 887,300,788</u>	<u>\$ 954,397,265</u>
Debt Service	<u>\$ 2,046,300</u>	<u>\$ 873,357</u>	<u>\$ 872,741</u>	<u>\$ 1,082,221</u>	<u>\$ 4,148,866</u>	<u>\$ 1,150,847</u>	<u>\$ 1,181,038</u>	<u>\$ 2,919,155</u>	<u>\$ 3,679,019</u>	<u>\$ 4,968,706</u>
Debt Service as a Percentage of Non-capital Expenditures	0.37%	0.16%	0.15%	0.18%	0.64%	0.17%	0.16%	0.35%	0.41%	0.52%

FREDERICK COUNTY PUBLIC SCHOOLS

Ratios of Outstanding Debt Last Ten Fiscal Years

Years	Governmental Activities Leases Payable	Governmental Activities SBITAs Payable	Percentage of Personal Income¹	Per Capita¹
2016	\$ 11,537,634	\$ -	0.08%	47
2017	11,013,825	-	0.07%	44
2018	25,476,195	-	0.16%	100
2019	24,710,036	-	0.15%	95
2020	31,945,115	-	0.18%	120
2021	21,973,094	-	0.11%	81
2022	21,232,783	-	0.10%	76
2023	29,739,826	2,032,251	0.14%	111
2024	30,535,148	4,904,624	N/A	121
2025	28,579,891	7,745,121	N/A	121

¹ See the Schedule of Demographic and Economic Statistics for personal income and population data. Historical data for Percentage of Personal Income, was updated in conjunction with updated information obtained from the U.S. Census Bureau, retrieved from Federal Reserve Bank of St. Louis (2024).

N/A Information not yet available.

FREDERICK COUNTY PUBLIC SCHOOLS

Demographic and Economic Statistics Last Ten Fiscal Years

Years	Population¹	Personal Income (in thousands of dollars)²	Per Capita Personal Income²	Unemployment Rate³
2016	246,972	\$ 13,882,887	\$ 56,072	4.0%
2017	249,277	14,934,448	59,259	3.7%
2018	255,265	15,816,571	61,869	4.1%
2019	259,942	16,649,205	64,147	3.6%
2020	265,480	17,676,642	66,664	7.6%
2021	271,717	19,255,710	68,704	5.8%
2022	279,835	20,713,005	72,151	3.2%
2023	287,079	22,492,641	76,664	2.0%
2024	293,391	N/A	N/A	3.0%
2025	299,317	N/A	N/A	3.2%

Sources: ¹ U.S. Census Bureau, retrieved from Federal Reserve Bank of St. Louis (2024)

² State of Maryland Website (using latest 2023 data)

³ U.S. Census Bureau, retrieved from Federal Reserve Bank of St. Louis (May 2025)

N/A Information not yet available.

FREDERICK COUNTY PUBLIC SCHOOLS

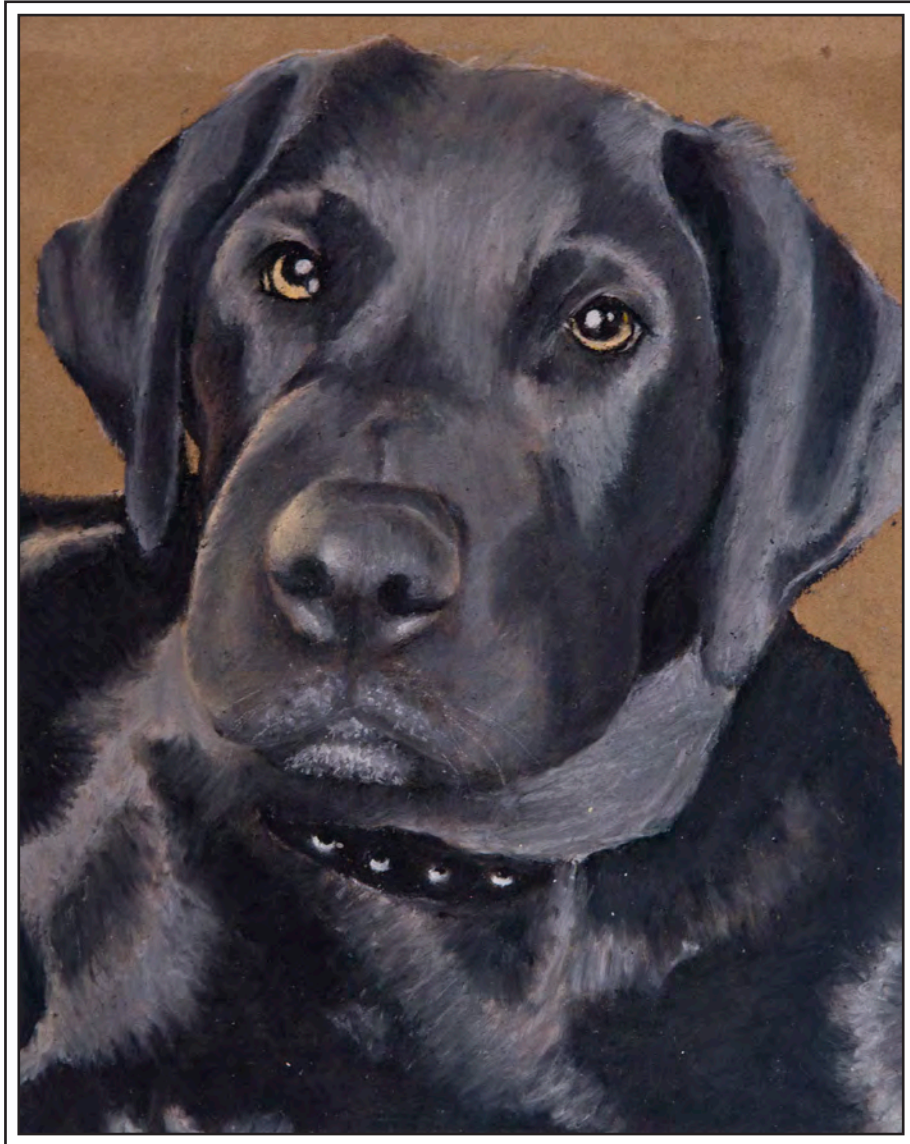
Principal Employers Current Year and Nine Years Ago

<u>Employer</u>	<u>2025</u>			<u>2016</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Fort Detrick ¹	10,827	1	9.97%	9,100	1	9.07%
Frederick County Public Schools	7,433	2	6.84%	5,650	2	5.63%
Frederick Health Hospital ²	3,360	3	3.09%	2,328	4	2.32%
Frederick County Government	3,341	4	3.08%	2,072	5	2.06%
Leidos Biomedical (formerly SAIC-Frederick)	2,370	5	2.18%	2,700	3	2.69%
Frederick Community College	1,369	6	1.26%	1,055	7	1.05%
Frederick City Government	977	7	0.90%	841	8	0.84%
Thermo Fisher Scientific (formerly Life Technologies)	782	8	0.72%	-	-	-
AstraZeneca	750	9	0.69%	650	10	0.65%
Mount Saint Mary's University	723	10	0.67%	-	-	-
Wells Fargo Home Mortgage	-	-	-	1,881	6	1.87%
United Health Care (formerly MAMSI)	-	-	-	675	9	0.67%
	<u>31,932</u>		<u>29.40%</u>	<u>26,952</u>		<u>26.85%</u>

¹ Includes military personnel, contractors and offsite annex

² Formerly Frederick Memorial Healthcare System

Source: City of Frederick and Frederick County Government



Student: Jacob Lipchock

Grade 10

FREDERICK COUNTY PUBLIC SCHOOLS

Total Enrollment by School and Student to Teacher Ratio Last Ten Fiscal Years

SCHOOLS	Fiscal Years										Capacity	Percent Capacity
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
Elementary												
Ballenger Creek	656	665	648	650	586	602	640	678	709	715	636	112%
Blue Heron	-	-	-	-	-	-	615	680	707	680	728	93%
Brunswick	659	648	703	727	762	694	740	752	773	804	725	111%
Butterfly Ridge	-	-	-	627	675	649	682	625	619	607	773	79%
Carroll Creek Montessori	218	220	229	228	228	228	230	227	224	227	240	95%
Carroll Manor	566	556	565	579	577	538	516	545	561	530	592	90%
Centerville	997	1,001	956	929	972	439	447	445	468	471	598	79%
Deer Crossing	744	737	778	788	806	813	464	505	533	528	608	87%
Emmitsburg	278	258	255	247	220	201	207	216	203	211	225	94%
Frederick Classical Charter	240	241	248	252	249	250	253	250	251	250	250	100%
Glade	638	666	681	616	611	543	554	572	554	561	625	90%
Green Valley	365	367	417	511	627	545	688	785	839	850	501	170%
Hillcrest	1,010	972	968	732	749	714	763	575	558	581	534	109%
Kempstown	358	386	389	404	403	356	374	401	436	448	388	115%
Lewistown	177	173	170	184	195	161	168	172	166	152	209	73%
Liberty	283	284	280	262	262	215	240	238	251	265	271	98%
Lincoln	572	599	591	583	598	605	614	618	625	615	706	87%
Middletown	423	434	473	467	472	417	434	441	453	460	480	96%
Middletown Primary	443	494	464	496	477	428	448	486	487	463	432	107%
Monocacy	591	600	621	619	611	551	539	568	549	523	550	95%
Monocacy Valley Montessori	223	216	217	218	217	214	209	209	208	206	210	98%
Myersville	315	340	372	385	418	379	387	409	402	402	434	93%
New Market	699	714	691	693	684	632	574	582	572	571	627	91%
New Midway/Woodsboro	335	314	313	300	292	287	297	276	264	269	314	86%
North Frederick	631	661	661	668	669	599	612	625	652	660	752	88%
Oakdale	599	631	633	679	792	926	923	1,028	1,150	1,167	730	160%
Orchard Grove	630	693	686	602	635	603	613	616	601	613	618	99%
Parkway	223	212	208	220	242	223	261	258	253	263	236	111%
Sabillasville	112	122	112	99	82	70	69	-	-	-	-	-
Sabillasville Environmental	-	-	-	-	-	-	-	131	138	136	138	99%
Spring Ridge	465	466	500	475	482	437	614	628	603	605	647	94%
Sugarloaf	-	-	-	-	-	620	732	828	842	845	754	112%
Thurmont	332	301	321	299	312	292	292	278	276	283	483	59%
Thurmont Primary	373	369	370	370	336	284	287	307	329	350	470	74%
Tuscarora	774	781	798	654	713	701	744	781	779	793	633	125%
Twin Ridge	529	500	506	483	473	577	653	678	689	703	681	103%
Urbana	700	710	712	761	813	651	653	689	703	736	764	96%
Valley	408	399	400	494	508	459	515	491	506	525	499	105%
Walkersville	681	680	652	691	678	631	695	689	698	692	701	99%
Waverly	610	634	718	517	548	511	542	844	926	965	1,016	95%
Whittier	745	756	765	690	718	686	726	735	730	779	624	125%
Wolfsville	159	157	159	138	149	123	140	157	159	163	200	82%
Yellow Springs	495	488	453	455	470	498	560	588	605	628	453	139%
Total Elementary Schools	19,256	19,445	19,683	19,792	20,311	19,352	20,714	21,606	22,051	22,295	22,055	101%

(continued)

FREDERICK COUNTY PUBLIC SCHOOLS

Total Enrollment by School and Student to Teacher Ratio Last Ten Fiscal Years (continued)

SCHOOLS	Fiscal Years										Capacity	Percent Capacity
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
Middle												
Ballenger Creek	718	778	779	840	817	800	790	805	792	777	859	90%
Brunswick	557	588	578	606	573	610	618	656	654	638	957	67%
Carroll Creek Charter	17	47	74	85	90	90	88	87	91	90	90	100%
Crestwood	506	514	579	653	691	670	667	739	747	996	1,168	85%
Frederick Classical Charter	113	116	120	126	127	126	119	125	126	126	126	100%
Governor Thomas Johnson	532	562	513	509	553	563	589	549	571	573	943	61%
Middletown	816	851	813	782	784	794	807	799	767	784	998	79%
Monocacy	723	738	789	886	969	978	951	926	932	710	914	78%
Monocacy Valley Montessori	77	81	83	81	83	89	88	89	89	89	90	99%
New Market	497	508	545	552	563	647	661	684	707	676	774	87%
Oakdale	648	644	703	769	872	899	953	1,057	1,069	1,085	1,158	94%
Sabillasville Environmental	-	-	-	-	-	-	-	23	45	60	69	87%
Thurmont	543	561	555	563	545	573	565	546	521	507	924	55%
Urbana	834	866	964	1,003	1,021	967	1,034	1,128	1,114	1,090	1,020	107%
Walkersville	804	826	882	891	876	836	835	841	805	779	1,105	70%
West Frederick	856	853	890	853	947	925	889	776	770	820	1,094	75%
Windsor Knolls	777	761	758	742	764	709	719	744	754	812	978	83%
Total Middle Schools	9,018	9,294	9,625	9,941	10,275	10,276	10,373	10,574	10,554	10,612	13,267	80%
High												
Brunswick	737	748	766	740	788	791	844	857	876	907	928	98%
Catoctin	856	806	783	753	741	715	741	782	791	819	1,043	79%
Frederick	1,317	1,459	1,460	1,395	1,502	1,541	1,651	1,821	1,847	1,812	1,601	113%
Governor Thomas Johnson	1,408	1,385	1,574	1,692	1,720	1,733	1,826	1,944	2,020	2,047	2,171	94%
Lingnore	1,423	1,381	1,326	1,323	1,309	1,391	1,516	1,564	1,615	1,640	1,642	100%
Middletown	1,139	1,116	1,140	1,133	1,125	1,148	1,094	1,094	1,107	1,047	1,328	79%
Monocacy Valley Montessori	-	-	-	-	-	-	-	-	53	91	120	76%
Oakdale	1,218	1,251	1,251	1,250	1,263	1,358	1,462	1,617	1,676	1,696	1,616	105%
Tuscarora	1,447	1,518	1,550	1,570	1,582	1,639	1,672	1,708	1,714	1,716	1,749	98%
Urbana	1,635	1,690	1,758	1,785	1,849	1,905	1,923	1,935	2,010	1,982	1,899	104%
Walkersville	1,071	1,088	1,094	1,148	1,180	1,217	1,241	1,207	1,200	1,175	1,065	110%
Total High Schools	12,251	12,442	12,702	12,789	13,059	13,438	13,970	14,529	14,909	14,932	15,162	98%
Other Schools												
Flexible Evening High/Virtual School	19	19	14	20	22	11	27	17	4	26	N/A	N/A
Heather Ridge	55	59	56	56	56	44	29	45	57	50	148	34%
Rock Creek	77	76	79	75	74	71	70	76	72	72	120	60%
Success	44	43	45	41	31	29	37	52	34	67	N/A	N/A
Total Other Schools	195	197	194	192	183	155	163	190	167	215	268	80%
TOTAL ALL SCHOOLS	40,720	41,378	42,204	42,714	43,828	43,221	45,220	46,899	47,681	48,054	50,752	95%
Teachers & Therapists[†]	2,864	2,827	2,921	3,048	3,079	3,201	3,283	3,377	3,640	3,598		
Student/Teacher Ratio	14.22	14.64	14.45	14.01	14.23	13.50	13.77	13.89	13.10	13.36		

Sources: 2016 through 2018 enrollments are from the FCPS Facilities Department.

2019 through 2025 enrollments are from the FCPS System Accountability & School Improvement Department. Capacity is from the FCPS Educational Facilities Masters Plan, June 2025.

[†] The FCPS Budget Office's annual budget.

Notes:

Elementary and special school enrollments are total enrollments.

October 1 is the state's official enrollment date for the school year.

Percent capacity is based on actual enrollment as presented, not on equated enrollment.

Frederick County Virtual School was Flexible Evening High School prior to fiscal year 2018.

FREDERICK COUNTY PUBLIC SCHOOLS

Total Enrollment by Grade Last Ten Fiscal Years

	Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Elementary School										
Pre-Kindergarten ¹	1,181	1,204	1,288	1,253	1,392	1,061	1,282	1,536	1,550	1,585
Kindergarten	2,756	2,854	2,825	2,958	3,098	2,788	3,255	3,182	3,250	3,255
Grade 1	2,910	2,874	3,019	2,963	3,084	3,012	3,176	3,439	3,336	3,352
Grade 2	3,062	2,979	2,985	3,114	3,048	3,037	3,241	3,382	3,548	3,411
Grade 3	3,142	3,122	3,041	3,088	3,217	3,047	3,183	3,375	3,467	3,636
Grade 4	3,157	3,207	3,233	3,132	3,202	3,205	3,201	3,339	3,456	3,520
Grade 5	3,048	3,205	3,292	3,284	3,270	3,202	3,376	3,353	3,444	3,536
Total Elementary School	19,256	19,445	19,683	19,792	20,311	19,352	20,714	21,606	22,051	22,295
Middle School										
Grade 6	2,965	3,124	3,336	3,374	3,399	3,346	3,403	3,514	3,436	3,510
Grade 7	3,038	3,063	3,190	3,370	3,482	3,417	3,453	3,494	3,573	3,482
Grade 8	3,015	3,107	3,099	3,197	3,394	3,513	3,517	3,566	3,545	3,620
Total Middle School	9,018	9,294	9,625	9,941	10,275	10,276	10,373	10,574	10,554	10,612
High School										
Grade 9	3,278	3,355	3,415	3,421	3,566	3,689	4,191	3,962	3,962	3,936
Grade 10	3,128	3,116	3,217	3,272	3,264	3,418	3,431	3,876	3,733	3,747
Grade 11	2,946	3,035	3,033	3,110	3,132	3,167	3,248	3,472	3,708	3,629
Grade 12	2,899	2,936	3,037	2,986	3,097	3,164	3,100	3,219	3,506	3,620
Total High School	12,251	12,442	12,702	12,789	13,059	13,438	13,970	14,529	14,909	14,932
Other Schools										
Flexible Evening High/Virtual School	19	19	14	20	22	11	27	17	4	26
Heather Ridge	55	59	56	56	56	44	29	45	57	50
Rock Creek	77	76	79	75	74	71	70	76	72	72
Success	44	43	45	41	31	29	37	52	34	67
Total Other Schools	195	197	194	192	183	155	163	190	167	215
Total Enrollment	40,720	41,378	42,204	42,714	43,828	43,221	45,220	46,899	47,681	48,054

Sources: 2016 through 2018 enrollments are from the FCPS Facilities Department.
2019 through 2025 enrollments are from the FCPS System Accountability & School Improvement Department.

Notes:

¹ Includes Special Education Pre-K and Part-time Special Education Pre-K (Child Find).
October 1 is the State's official enrollment date for the school year.

FREDERICK COUNTY PUBLIC SCHOOLS

Operating Information Last Ten Fiscal Years

Fiscal Year	Per Pupil Expenditures ¹		Number of School Bus Riders ³	Food and Nutrition Services ⁴	
	Dollars	State Rank ²		Breakfasts Served	Lunches Served
2016	\$12,783	18	28,945	1,073,337	2,209,809
2017	12,593	23	29,956	1,070,283	2,221,800
2018	12,682	23	29,957	1,095,044	2,230,584
2019	13,283	24	30,320	1,242,221	2,255,822
2020	13,545	23	30,656	846,968 ⁵	1,529,690 ⁵
2021	14,403	23	1,368 ⁵	863,940 ⁵	994,288 ⁵
2022	15,227	24	31,078	1,634,083 ⁶	3,288,928 ⁶
2023	15,849	24	30,890	1,357,119	2,614,223
2024	15,457	24	31,418	1,523,749	2,752,914
2025	N/A	N/A	31,752	1,648,237	2,852,222

¹ Source: Maryland State Department of Education

² Ranking of Maryland's 24 school systems

³ Source: FCPS Transportation Department

⁴ Source: FCPS Food and Nutrition Services Department

⁵ Decrease in meals served and number of school bus riders is a direct result of modified instruction during the COVID-19 pandemic (March 2020-June 2021).

⁶ Increase in meals served is directly attributable to USDA waivers in effect through June 30, 2022.

N/A Information is not yet available.



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FCPS

FREDERICK COUNTY PUBLIC SCHOOLS

Employees by Function Last Ten Fiscal Years

	Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental Activities										
Instruction										
Regular Instruction										
Teachers	2,514	2,501	2,528	2,581	2,634	2,704	2,824	2,908	3,003	2,957
Other Staff	488	486	512	503	510	535	593	740	870	874
Total Regular Instruction	<u>3,002</u>	<u>2,987</u>	<u>3,040</u>	<u>3,084</u>	<u>3,144</u>	<u>3,239</u>	<u>3,417</u>	<u>3,648</u>	<u>3,873</u>	<u>3,831</u>
Special Education Instruction										
Teachers	309	312	327	346	359	383	397	412	418	451
Other Staff	699	682	655	683	729	715	729	872	957	997
Total Special Education Instruction	<u>1,008</u>	<u>994</u>	<u>982</u>	<u>1,029</u>	<u>1,088</u>	<u>1,098</u>	<u>1,126</u>	<u>1,284</u>	<u>1,375</u>	<u>1,448</u>
School Administration	422	426	430	438	443	459	485	503	521	516
Student Personnel Services	42	42	43	26	30	38	43	47	54	53
Total Instruction	<u>4,474</u>	<u>4,449</u>	<u>4,495</u>	<u>4,577</u>	<u>4,705</u>	<u>4,834</u>	<u>5,071</u>	<u>5,482</u>	<u>5,823</u>	<u>5,848</u>
Support Services										
Administration	98	98	100	99	101	101	101	118	128	127
Food and Nutrition Services	124	122	118	119	117	107	117	132	141	147
Student Transportation	412	441	449	447	449	418	437	451	464	475
Operation of Plant	405	411	409	427	426	430	438	459	462	463
Maintenance of Plant	144	143	143	140	139	138	131	130	125	128
Total Support Services	<u>1,183</u>	<u>1,215</u>	<u>1,219</u>	<u>1,232</u>	<u>1,232</u>	<u>1,194</u>	<u>1,224</u>	<u>1,290</u>	<u>1,320</u>	<u>1,340</u>
Total Employees - Governmental Activities	<u>5,657</u>	<u>5,664</u>	<u>5,714</u>	<u>5,809</u>	<u>5,937</u>	<u>6,028</u>	<u>6,295</u>	<u>6,772</u>	<u>7,143</u>	<u>7,188</u>

Notes:
Staff count expressed in full-time equivalents (FTE). Data from FCPS PeopleSoft Human Resource Management System as of June 30 each fiscal year.

FREDERICK COUNTY PUBLIC SCHOOLS

Facilities Inventory As of June 30, 2025

	<u>Acres</u>	<u>Year Constructed</u>	<u>Gross Square Feet</u>
<u>Central Offices</u>			
33 Thomas Johnson Drive	5.35	1970	43,100
7446 Hayward Road with Various Shops	11.47	-	-
Facility Services Division	-	1967	21,619
Maintenance Building	-	1967	5,220
Grounds Crew Department	-	1942	2,781
Plumbing/Electrical Building	-	1967	5,220
Welding Shop	-	1967	884
Bus Building	-	1970	5,059
AV Repair Shop	-	1967	720
191 South East Street	0.56	2010	89,840
57 West Frederick Street, Walkersville	0.97	1988	2,445
<u>High Schools</u>			
Brunswick High	48.00	1965	166,066
Catoctin High	88.00	1969	179,045
Frederick High	28.00	2017	270,618
Governor Thomas Johnson High	39.31	1966	312,533
Linganore High	50.00	2010	253,565
Middletown High	39.00	1974	189,641
Oakdale High	49.10	2008	241,061
Tuscarora High	46.49	2003	257,062
Urbana High	59.70	1995	249,609
Walkersville High	35.00	1976	181,416
<u>Middle Schools</u>			
Ballenger Creek Middle	25.00	1990	113,850
Brunswick Middle	29.70	1985	119,539
Crestwood Middle	23.08	2004	129,448
Governor Thomas Johnson Middle	25.31	2000	126,700
Middletown Middle	24.00	1953	114,974
Monocacy Middle	20.38	1981	114,445
New Market Middle	19.90	1974	114,936
Oakdale Middle	22.30	2002	129,858
Thurmont Middle	13.00	1950	135,260
Urbana Middle	26.18	2006	145,135
Walkersville Middle	28.68	1961	119,353
West Frederick Middle	12.00	1958	166,439
Windsor Knolls Middle	57.00	1993	116,644
<u>Elementary Schools</u>			
Ballenger Creek Elementary	19.29	1991	64,187
Blue Heron Elementary	15.00	2021	95,085
Brunswick Elementary	34.10	2023	96,475
Butterfly Ridge Elementary	12.12	2018	105,515
Carroll Manor Elementary	18.90	1965	77,593
Centerville Elementary	16.00	2005	87,175
Deer Crossing Elementary	22.00	1997	77,966
Emmitsburg Elementary	13.35	1974	45,080

(continued)

FREDERICK COUNTY PUBLIC SCHOOLS

Facilities Inventory As of June 30, 2025 (continued)

	<u>Acres</u>	<u>Year Constructed</u>	<u>Gross Square Feet</u>
<u>Elementary Schools, continued</u>			
Glade Elementary	13.35	1995	66,500
Green Valley Elementary	31.22	1971	51,888
Hillcrest Elementary	12.70	1988	62,305
Kempton Elementary	39.46	1981	53,800
Lewistown Elementary	13.00	1961	50,898
Liberty Elementary	11.64	1927	40,720
Lincoln Elementary	11.00	2012	98,463
Middletown Elementary	8.00	1974	54,854
Middletown Primary	20.03	2006	70,288
Monocacy Elementary	12.55	1989	57,900
Myersville Elementary	12.00	1971	54,889
New Market Elementary	12.30	1933	88,983
New Midway Elementary	6.60	1930	21,894
North Frederick Elementary	15.01	2014	95,613
Oakdale Elementary	13.93	2001	89,566
Orchard Grove Elementary	15.68	1996	70,142
Parkway Elementary	5.00	1930	32,223
Spring Ridge Elementary	20.00	1991	66,276
Sugarloaf Elementary	12.90	2018	97,869
Thurmont Elementary	15.31	1955	64,250
Thurmont Primary	13.47	2001	66,334
Tuscarora Elementary	13.39	2004	86,938
Twin Ridge Elementary	17.00	1992	68,900
Urbana Elementary	19.87	2020	98,178
Valley Elementary	31.71	1967	59,989
Walkersville Elementary	15.00	1974	89,514
Waverley Elementary	18.17	2022	130,641
Whittier Elementary	10.13	1998	81,244
Wolfsville Elementary	14.00	1959	41,657
Woodsboro Elementary	5.00	1952	28,557
Yellow Springs Elementary	17.00	1957	52,600
<u>Other Schools</u>			
Career & Technology Center	15.52	1977	86,681
Earth and Space Science Laboratory	2.00	2009	10,771
Heather Ridge School	10.00	1988	31,553
Lincoln "A" Building	3.15	1974	20,334
Rock Creek School	13.00	2021	79,474
Staff Development Center	5.00	1921	27,352
Sabillasville Environmental School	15.00	1964	27,000
Total	<u>1,518.33</u>		<u>7,150,199</u>

Source: Educational Facilities Master Plan, June 2025.

FREDERICK COUNTY PUBLIC SCHOOLS

Capital Assets by Function Last Ten Fiscal Years

	Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Schools										
Buildings	63	63	63	64	64	65	66	66	66	66
Administration										
Buildings	5	5	5	3	4	4	4	5	6	6
Vehicles	7	7	7	9	10	10	11	9	11	16
Special Education										
Vehicles	104	106	107	110	115	115	113	112	118	123
Maintenance										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	148	148	153	148	149	149	149	150	151	151
Operations										
Vehicles	44	41	40	38	24 ¹	22	22	22	22	27
Student Transportation										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	324	319	321	315	340 ¹	349	349	353	350	351
Technology										
Vehicles	12	10	10	9	9	11	11	11	10	13
Other										
Buildings	1	1	1	2	2	2	2	2	2	2

¹ Vehicles were reclassified from Operations to Student Transportation in FY 2020.



Compliance Section





**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Education
of Frederick County, Maryland
Frederick County, 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, each major fund, and the aggregate remaining fund information of the Board of Education of Frederick County, Maryland (the Board), a component of Frederick County, Maryland, 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, and have issued our report thereon dated September 25, 2025.

Report on Internal Controls over Financial Reporting

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

A deficiency in internal controls 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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls 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'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 controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
September 25, 2025

SBC + Company, LLC



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