

**BOARD OF EDUCATION OF GARRETT COUNTY**

**FINANCIAL REPORT**

**JUNE 30, 2025**

# BOARD OF EDUCATION OF GARRETT COUNTY

## INDEX TO FINANCIAL REPORT

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 – 3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4 – 17
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet – Governmental Funds	20
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23 – 24
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual	
Current Expense Fund – Unrestricted (Non-GAAP Budgetary Basis)	25
Current Expense Fund – Restricted (Non-GAAP Budgetary Basis)	26
Current Expense Fund – School Activity (GAAP Budgetary Basis)	27
Food Service Fund (GAAP Budgetary Basis)	28
Statement of Fiduciary Net Position – Other Postemployment Benefits Trust Fund	29
Statement of Changes in Fiduciary Net Position – Other Postemployment Benefits Trust Fund	30
<b>NOTES TO FINANCIAL STATEMENTS</b>	31 – 65
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Changes in the Board's Net OPEB Liability and Related Ratios	66
Schedule of the Board's Proportionate Share of the Net Pension Liability – Maryland State Retirement Pension System	67
Schedule of the Board's Contributions – Maryland State Retirement and Pension System	68
Notes to Required Supplementary Information	69 – 70

## **INDEPENDENT AUDITOR'S REPORT**

Board of Education of Garrett County  
Oakland, Maryland

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Garrett County, a component unit of Garrett County, 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 index to financial report.

In our opinion, the financial statements referred to above 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 of Education of Garrett County as of June 30, 2025, and the respective changes in financial position, and the respective budgetary comparisons for the current expense fund and food service fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

##### ***Change in Accounting Principle***

As discussed in Note 4 to the financial statements, the Board adopted new accounting guidance issued by Governmental Accounting Standards Board, Statement Number 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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

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

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***Responsibilities of Management for the Financial Statements (Continued)***

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

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Changes in the Board's Net OPEB Liability and Related Ratios, Schedule of the Board's Proportionate Share of the Net Pension Liability-Maryland State Retirement and Pension System, and Schedule of the Board's Contributions-Maryland State Retirement and Pension System, listed in the index to the financial report 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2025 on our consideration of the internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board of Education of Garrett County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Education of Garrett County's internal control over financial reporting and compliance.

*The Rodeheaver Group, P.C.*

Oakland, Maryland  
September 29, 2025

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

Maryland State law requires that local education agencies (LEAs) publish 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 at the close of each year. In compliance with that requirement, the finance department presents this annual financial report which is a thorough and detailed presentation of the system's 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 regarding the finances of GCPS. Management is responsible for the completeness and reliability of the information contained in this report based on a comprehensive framework of internal controls. Those 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 US GAAP. The objective is to provide reasonable 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 aspects.

This section of Garrett County Public Schools' (GCPS) 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. In this section we provide an overview of the basic financial statements, selected condensed data and highlights, and analysis of GCPS' 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 (GASB). The goal of MD&A is to present an objective and easily readable analysis of its financial activities based on currently known facts, decisions, and conditions.

### **Overview of the Financial Statements**

This Financial Report is comprised of three parts: Management's Discussion and Analysis, the basic financial statements, and the required supplementary information. There are three parts to the basic financial statements:

- (1) The first two statements are *government- or district-wide statements* which provide both *short-term and long-term* information about the school system's *overall* financial condition.
- (2) The remaining statements are *fund financial statements* which focus on *individual* parts of the school system, reporting operations in more detail than the district-wide financial statements.
- (3) The basic financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

***District-wide Financial Statements***

The district-wide financial statements provide readers with a broad overview of GCPS' finances. These statements include all assets, liabilities, and deferred outflows/inflows of the school system using the accrual basis of accounting similar to how private sector companies report their operational results. They are designed to provide a complete financial view of the entity known as the Board of Education of Garrett County.

The first of the district-wide statements is the *Statement of Net Position*, page 18. It presents balance sheet information for the entire GCPS operations at a given point in time - June 30, 2025. It includes all of the school system's assets including 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 GCPS. The ending net position is segregated into three categories: net investment in capital assets, restricted, and unrestricted net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of GCPS is improving or deteriorating.

The second of the district-wide financial statements is the *Statement of Activities*, page 19. It presents information showing the change in the district's net position during the most recent fiscal year. This statement shows the results of operation that caused net position to change from the prior year to the amount reported on the Statement of Net Position. This district-wide financial statement reflects the school system's activities by governmental activities. All of the school system's basic services are included in governmental activities, such as regular and special education, transportation, administration, etc. County appropriations as well as state formula aid finance the majority of these activities.

The district-wide perspective is unrelated to the budget and, accordingly, budget comparisons are not provided in this view. The Other Post-Employment Benefits Trust Fund is a fiduciary fund, and as such, is not included in the district-wide financial statements.

***Fund Financial Statements***

The fund financial statements provide more detailed information about the Garrett County Public Schools' funds, focusing on the most significant or "major" funds. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. GCPS, like other government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The school system's funds are divided into two categories: governmental funds and fiduciary funds. The Board of Education of Garrett County does not operate any enterprise activities that are reported as proprietary funds.

Budgetary presentation of individual fund financial information utilizing the current financial resources measurement focus and the budgetary basis of accounting is presented as part of the fund financial statements on pages 25 through 28.

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

*Governmental Funds*

Most of the school system's basic services are included in governmental funds comprised of the general fund, school construction fund, and Food and Nutrition Services fund. They are generally focused on (1) cash and other financial assets that can be readily converted to cash and (2) the balances left at year-end that are available for spending. This information is provided on pages 20 and 22. The governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the school system's programs. Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. That will give a better understanding of the long-term impact of the districts' near-term financial decisions. The information found on pages 21, 23, and 24 explains the differences between the district-wide and fund statements.

Upon implementation of GASB 84, *Fiduciary Activities*, in 2020, it was determined that student activity account funds, health reimbursement arrangement (HRA) funds for post-65 retirees, and flexible spending arrangement (FSA) funds for active employees would be reported in the Unrestricted Current Expense Fund.

*Fiduciary Funds*

Fiduciary fund statements provide information about the financial relationships in which GCPS acts solely as a trustee for the benefit of others, such as the Post-Employment Retiree Health Benefit Plan. The Other Post-Employment Benefits (OPEB) Trust Fund is a fiduciary fund used to accumulate resources for retirement benefits payments to qualified former board employees. The OPEB Trust Fund is reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 29 and 30, respectively.

The activities reported in the fiduciary funds are excluded from the Board of Education of Garrett County's basic financial statements because the assets cannot be used to finance the Board's activities. Management is responsible for ensuring that the assets reported in these funds are used only for the intended purpose and by those to whom the assets belong.

*Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes can be found on pages 31 to 65 of this report.

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

**Management's Discussion and Analysis**

This section of the Board of Education of Garrett County School System's Financial Report, Management's Discussion and Analysis (MD&A), is a discussion and analysis of the school system's operations during the fiscal year (FY) ended June 30, 2025, as required by Government Accounting Standards.

As stated earlier, the goal of the MD&A is to present an objective and easily readable analysis of the Board's financial activities based on currently known facts. In order to better understand the school system's financial performance, it should be read in conjunction with the financial statements and accompanying notes to the basic financial statements.

***Financial Highlights***

The Current Expense Fund unassigned fund balance as of June 30, 2025, was \$500,000. Through policy of the Board of Garrett County Commissioners, the Board of Education maintains an unassigned fund balance at the end of each year of \$500,000. In FY2019, the Garrett County Commissioners agreed that the Board is entitled to maintain all of its carryover funds as undesignated/unreserved. For FY 2025, there are revenues in deficit of expenditures totaling \$721,680.

On a system-wide basis, the Board of Education of Garrett County closed the fiscal year ended June 30, 2025, with a combined net position of \$58.4 million, up from a restated \$26.4 million in FY2024 for an increase of \$32 million. The Current Expense Fund actual revenues were down \$2.5 million from FY2024's \$71.0 million to FY2025's \$68.5 million as a result of decreases in federal revenues. Current Expense Fund actual expenditures were up \$1.1 million from FY2024's \$68.2 million to FY2025's \$69.3 million.

From a budgetary basis, the Unrestricted Current Expense actual revenues, \$55.2 million, were \$1.6 million, or 2.9%, less than the final budget. Compared to the original budget, the actual revenues were \$774,123, or 1.4%, lower. The Unrestricted Current Expense Fund actual expenditures of \$55.4 million were \$1.2 million, or 2.17% under the final budget. The primary drivers were lower instructional costs due to employee shortages and mid-year separations.

Major budget initiatives for fiscal year 2025 were in support of the defined Mission, Vision, and Goals of the Garrett County Board of Education as well as the Master Plan for Garrett County Public Schools including both unrestricted and restricted federal and state funding. The goals of the budget included:

- Accelerating Academic Achievement – It is imperative to meet our students where they are and accelerate each student's academic achievement. This includes expanding/enhancing early childhood education, Post-CCR, dual enrollment, and AP/CTE opportunities. All students will be challenged with a rigorous instructional environment preparing them to become life-long learners and responsible citizens.

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

- Partnerships with all members of our community will be fostered and strengthened by engaging them in the education of our children. The mission of Garrett County Public Schools, in partnership with all members of our community, is to inspire and foster student growth by providing rigorous instruction and learning opportunities, sustaining a culture of excellence, and preparing our students for life in an ever-evolving world.
- Every department and school will be a good steward of system resources and will manage them in a cost-effective manner.
- Moving GCPS forward by continuing to build instructional excellence, addressing the capital improvements and needs, and implementing the Board's strategic facilities plan.
- Ensuring that our employees are highly qualified and effective in their jobs, contributing to a self-renewing organization.
- Addressing Social/Emotional Wellbeing of Students- It is imperative to enhance a coordinated student services plan. As additional support, an alternative classroom was established for grades 5-12 at the Dennett Road Educational Complex. Lastly, GCPS allocated more resources to the Community Schools through state funding.

The Board's adopted Governmental Accounting Standards Board Statement 101, Compensated Absences. This standard was implemented retroactively causing a restatement as detailed in Note 4 - Change to Accounting Principle. For FY25 details, refer to Note 8 - Long-Term Liabilities.

***Financial Analysis of the School System as a Whole***

The school system's combined net position increased \$32 million, or 121.14%, in relation to the net position for June 30, 2024. This increase resulted from an overall increase in assets of just over \$40 million along with an increase in liabilities totaling \$15 million. Cash and other current assets increased by \$10.6 million year-over-year.

The following charts summarize year-over-year comparison of Net Position and Changes in Net Position with revenues by major source and program expenses by major function.

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

<b><u>Changes in Condensed Statement of Net Position</u></b>			
	<b>2025</b>	<b>2024</b>	<b>% Change</b>
Current and other assets	\$ 31,089,571	\$ 20,474,639	51.84%
Capital assets	<u>\$ 98,039,847</u>	<u>\$ 66,967,734</u>	46.88%
<b><i>Total assets</i></b>	<b>\$ 129,129,418</b>	<b>\$ 87,442,373</b>	<b>48.04%</b>
Deferred Outflows of Resources	<u>\$ 2,252,531</u>	<u>\$ 3,866,059</u>	-41.74%
<b><i>Total assets and deferred outflows of resources</i></b>	<b><u>\$ 131,381,949</u></b>	<b><u>\$ 91,308,432</u></b>	<b>44.23%</b>
Current and other liabilities	\$ 19,088,305	\$ 8,132,359	134.72%
Long-term liabilities	<u>\$ 45,548,108</u>	<u>\$ 49,947,106</u>	-8.81%
<b>Total liabilities</b>	<b>\$ 64,636,413</b>	<b>\$ 58,079,465</b>	<b>11.29%</b>
Deferred Inflows of Resources	<u>\$ 8,327,545</u>	<u>\$ 6,812,097</u>	22.25%
<b><i>Total liabilities and deferred inflows of resources</i></b>	<b><u>\$ 72,963,958</u></b>	<b><u>\$ 64,891,562</u></b>	<b>12.44%</b>
<b><i>Net position</i></b>			
Invested in capital assets			
net of related debt	\$ 95,540,598	\$ 56,312,873	69.66%
Restricted	\$ 1,955,704	\$ 1,819,019	7.51%
Unrestricted	<u>\$ (39,078,311)</u>	<u>\$ (31,715,022)</u>	23.22%
<b><i>Total Net Position</i></b>	<b><u>\$ 58,417,991</u></b>	<b><u>\$ 26,416,870</u></b>	<b>121.14%</b>

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

<b>Changes in Net Position from Operating Results</b>			
	<b>2025</b>	<b>2024</b>	<b>% Change</b>
<i>Program revenues:</i>			
Charges for services	\$ 1,730,513	\$ 1,660,441	4.22%
Operating grants and contributions	\$ 22,065,534	\$ 23,917,495	-7.74%
Capital grants and contributions	\$ 35,365,714	\$ 15,186,069	132.88%
<i>General revenues:</i>			
County government	\$ 26,928,547	\$ 25,909,841	3.93%
State (unrestricted)	\$ 21,026,208	\$ 21,998,480	-4.42%
Federal	\$ -	\$ -	
Other	<u>\$ 704,819</u>	<u>\$ 752,689</u>	-6.36%
<b>Total Revenues</b>	<b><u>\$ 107,821,335</u></b>	<b><u>\$ 89,425,015</u></b>	<b>20.57%</b>
<i>Program Expenses:</i>			
Administration	\$ 5,164,094	\$ 5,299,634	-2.56%
Instruction (Regular and Special Education)	\$ 35,753,331	\$ 34,578,020	3.40%
Student Services and Health	\$ 1,659,512	\$ 1,602,828	3.54%
Transportation	\$ 4,826,463	\$ 4,928,827	-2.08%
Maintenance and Operations	\$ 6,287,528	\$ 6,291,123	-0.06%
Fixed charges	\$ 16,196,432	\$ 16,638,664	-2.66%
Food Services	\$ 3,924,771	\$ 3,705,467	5.92%
Other	<u>\$ 2,008,083</u>	<u>\$ 1,433,481</u>	40.08%
<b>Total Expenses</b>	<b><u>\$ 75,820,214</u></b>	<b><u>\$ 74,478,044</u></b>	<b>1.80%</b>
<b>Change in Net Position</b>	<b><u>\$ 32,001,121</u></b>	<b><u>\$ 14,946,971</u></b>	<b>114.10%</b>

Results of operations for the school system as a whole are presented on the Statement of Activities on page 19. The majority of revenue received by the Board of Education of Garrett County is from the county and the State of Maryland. The state utilizes multiple formulas to calculate the allocation of aid to Maryland public school systems. Grant revenues, however, can be derived by formula or awarded on a competitive basis. The Food Services program is primarily self-funded by children's payments along with federal and state food and nutrition subsidies.

Revenues increased \$18.4 million or 20.57%. This increase is primarily due to a \$20.2 million increase in Capital grants and contributions. The \$1.85 million decrease in Operating grants and contributions is offset by an increase of \$1 million in county revenue received.

Approximately \$75.8 million in expenses are reported with an increase of only 1.8%, or \$1.3 million over the prior year. That spending increase was a result of increased costs in Instruction & Special Education of 1.2 million and also small increases in Pupil Services and Food Services.

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

MANAGEMENT’S DISCUSSION AND ANALYSIS  
June 30, 2025

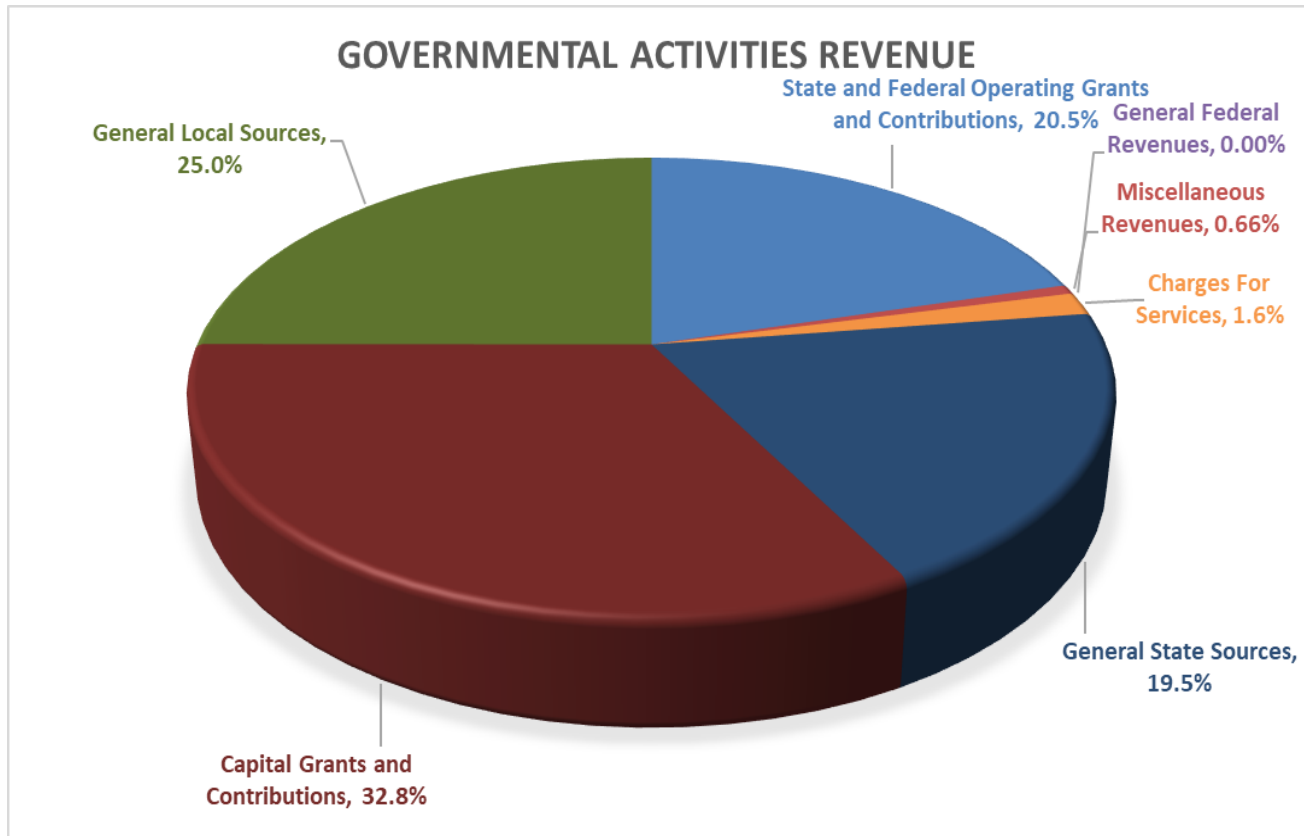
However, that increase was largely offset by a decrease in Administration, Student Transportation and Fixed Charges.

The table below presents the total cost of the major school system functions. It details each function’s net cost (total cost less fees generated by the functions and intergovernmental aid provided for specific programs).

	Total Cost of Services			Net Cost of Services		
	2025	2024	Percentage Change	2025	2024	Percentage Change
Administration	\$ 5,164,094	\$ 5,299,634	-2.56%	\$ 4,848,297	\$ 4,293,580	12.92%
Instruction and Special Education	35,753,331	34,578,020	3.40%	-11,563,884	6,739,998	-271.57%
Pupil Services	920,023	883,486	4.14%	785,888	552,478	42.25%
Student Health Services	739,489	719,342	2.80%	425,719	525,749	-19.03%
Student Transportation	4,826,463	4,928,827	-2.08%	881,517	987,813	-10.76%
Maintenance of Plant and Operations of Plant	6,287,528	6,291,123	-0.06%	5,665,711	5,512,392	2.78%
Fixed Charges	16,196,432	16,638,664	-2.66%	15,124,350	14,817,953	2.07%
Food Services	3,924,771	3,705,467	5.92%	420,131	101,225	315.05%
All others	2,008,083	1,433,481	40.08%	70,724	182,851	-61.32%
	<b>\$ 75,820,214</b>	<b>\$ 74,478,044</b>	<b>1.80%</b>	<b>\$ 16,658,453</b>	<b>\$ 33,714,039</b>	<b>-50.59%</b>

The cost of all governmental activities was just over \$75.8 million. Some of this cost is financed by users of the school system’s programs through tuition, user fees and student activities funds of \$1,730,513. Operating and capital grants and contributions from the federal and state governments for certain programs were \$22,065,534, down \$1.85 million from FY 2024. The net cost of services, \$16,658,453, is the financial burden placed on county and state taxpayers by these functions. The largest portion of the school system’s total revenue of \$107,821,335 was provided through Garrett County and State of Maryland taxpayers, 25% and 19.5%, respectively. The chart below on the top of page 12 details the governmental sources of revenue.

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025



***Financial Analysis of the School System's Funds***

The school system's financial performance is reflected in its governmental funds. At the completion of the current year, the combined fund balances for all governmental funds totaled \$11,152,799.

The Current Expense Fund balance is \$10,798,586, up \$211,740 from FY 2024. Funds assigned for subsequent years' budgets decreased to \$8.6 million from \$8.9 million in FY 2024. Funds restricted for Medical Assistance (MA) ended the year at \$580,141, up slightly from the FY 2024 ending balance of \$337,850. Balances assigned for school activities are up \$77,582 from \$802,407 to \$879,989 at June 30, 2025. There are funds restricted for the FY 2026 capital and operating budgets of \$200,000. There is also a \$500,000 unassigned carryover balance that remains the same as last year. The Food Services fund balance decreased from \$792,643 at June 30, 2024 to \$354,213 at June 30, 2025, of which \$58,639 is food inventory and \$295,574 is restricted for the Food Service Fund.

Local appropriations, general state sources, and state and federal funding revenues account for about 96.9% of the total Unrestricted Current Expense Fund revenues. Fortunately, for the Garrett County Public Schools, all these sources are stable and predictable.

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

***General (Current Expense) Budgetary Highlights***

The Unrestricted Current Expense Fund operates under a legally adopted annual budget. The budget is subdivided into state mandated categories of expenditures including Administration, Mid-level Administration, Instructional Salaries, Textbooks and Instructional Supplies, Other Instructional Costs, Special Education, Student Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, Food Services, Capital Outlays, and Community Services. The legal level of budgetary control is at the category level. Unexpended and encumbered appropriations terminate at the end of the fiscal year.

The variance of actual to final budget and original to final budget for Unrestricted Current Expense Fund is detailed in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis) on page 25. The overall variation between the original unrestricted budget and final budget represents several changes.

The Unrestricted Current Expense actual revenues were under final budget by 2.9%, or \$1,621,823. There was an increase in Earnings on Investments; however, there was a decrease in Miscellaneous Revenues of \$2.1 million. Actual expenditures were \$1.2 million, or 2.2%, below final budget. Instructional expenses were under budget due to numerous long-term substitutes filling vacant teacher positions and an overall decrease in Textbook and Supplies, Other Charges, and Administration due to restrictive spending. In addition to the Unrestricted Fund, the Current Expense Fund is comprised of the Restricted Current Expense Fund and School Activity Accounts. The Restricted Current Expense Fund variance between final budget and actual represents the remaining funds available to be spent from restricted grants, all of which are budgeted upon award. For FY 2025, there was a balance of \$580,141 compared to a balance of \$337,850 in FY 2024. School Activity Accounts operate at the school level abiding by the Board's policies and procedures. The fund balance remaining is restricted for use at the school level. For FY 2025, that balance was \$879,989, up slightly from the FY 2024 balance of \$802,407. The Statement of Revenues, Expenditures, and Changes in Fund Balance for the Restricted Current Expense Fund and School Activity Accounts are presented on page 26 and 27, respectively.

The Food Service revenue was \$88,794, or 2.5%, lower than anticipated as a result of lower meals and food served and less interest. Compared to FY 2024, the FY 2025 revenues were down \$210,338, or 5.7%. The variance reported for salaries and wages were due to the additional costs incurred for the summer feeding program.

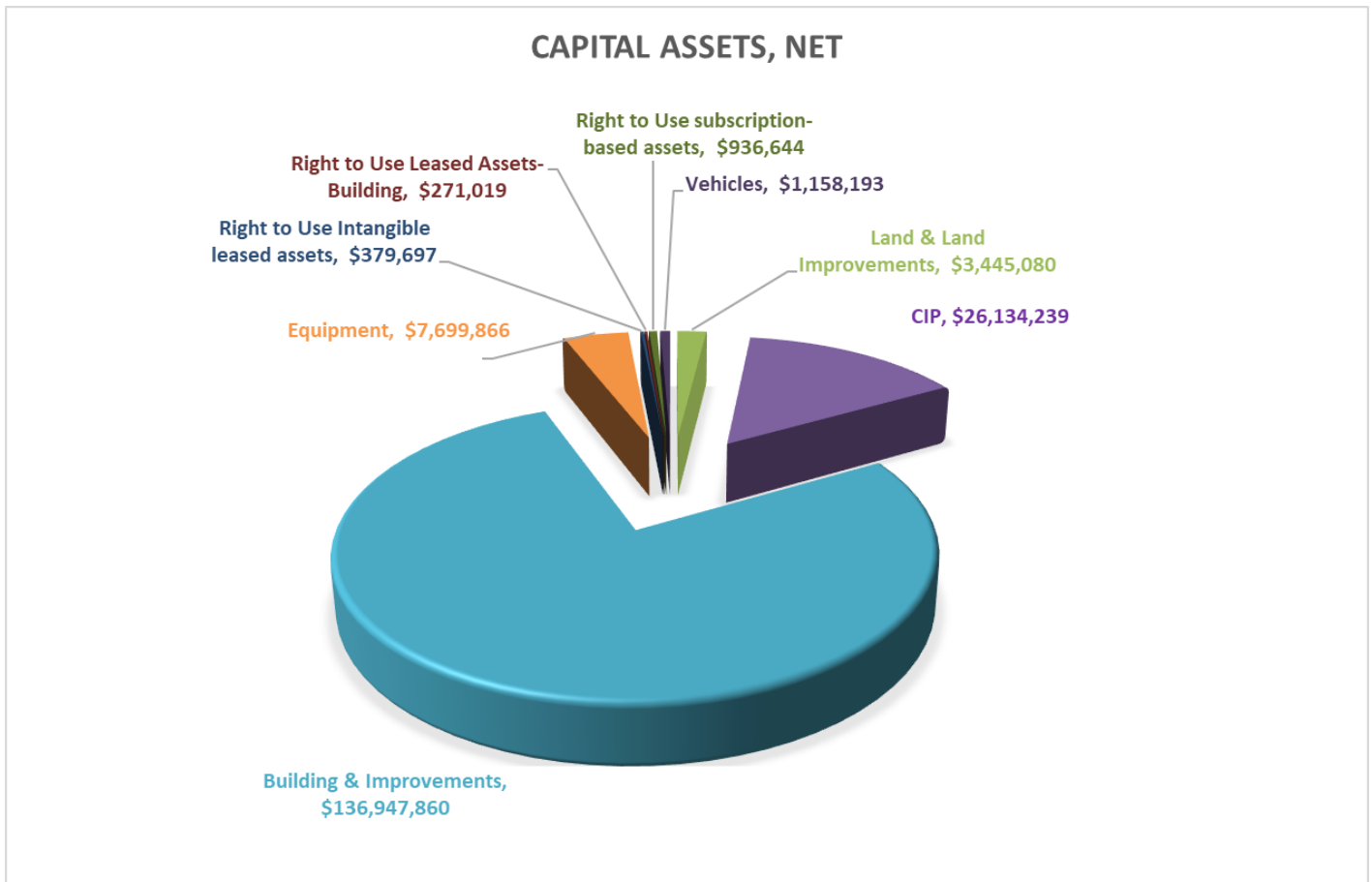
***Capital Assets***

By the end of FY 2025, the school system had \$176.9 million invested primarily in a broad range of capital assets including land and land improvements, buildings and improvements, vehicles, and other equipment. This amount represents an increase of nearly \$35.6 million, or 25.16%, over FY 2024. Depreciation was \$5.18 million in FY 2025; therefore, investment in the Capital Improvement Program (CIP) outpaced depreciation.

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

The CIP includes funding for school construction and renovation for several projects in FY 2025. As of June 30, 2025, there is \$26.1 million classified as construction in progress. The larger projects include the Southern Middle/Broadford Elementary project, \$19.2 million; Roof installation projects at Northern High, \$1.8 million, and Southern High, \$3.9 million; the Southern High Fieldhouse, \$757,465; the portables at Broadford, \$363,418; and the Wastewater Plant, \$49,627. More detailed information about the school system's capital assets can be found in Note 7 to the financial statements.



***Long-Term Debt and Other Long-Term Obligations***

At year-end, the school system had \$45,548,108 in long-term obligations outstanding. Of that, \$8,281,760, or 18.18%, represents obligations for accumulated unpaid leave for the system's staff; \$431,808, or 0.95%, is classified as leases; \$2,067,441, or 4.54%, represents contractual financing obligations for capital equipment; \$2,622, or 0.01%, represents accrued interest payable; \$30,520,408, or 67.0%, represents the school system's net other post-employment benefit (OPEB) obligation; while the remainder represents the net pension liability of \$4,244,069, or 9.32%. Details of changes in balances are illustrated in Note 8.

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

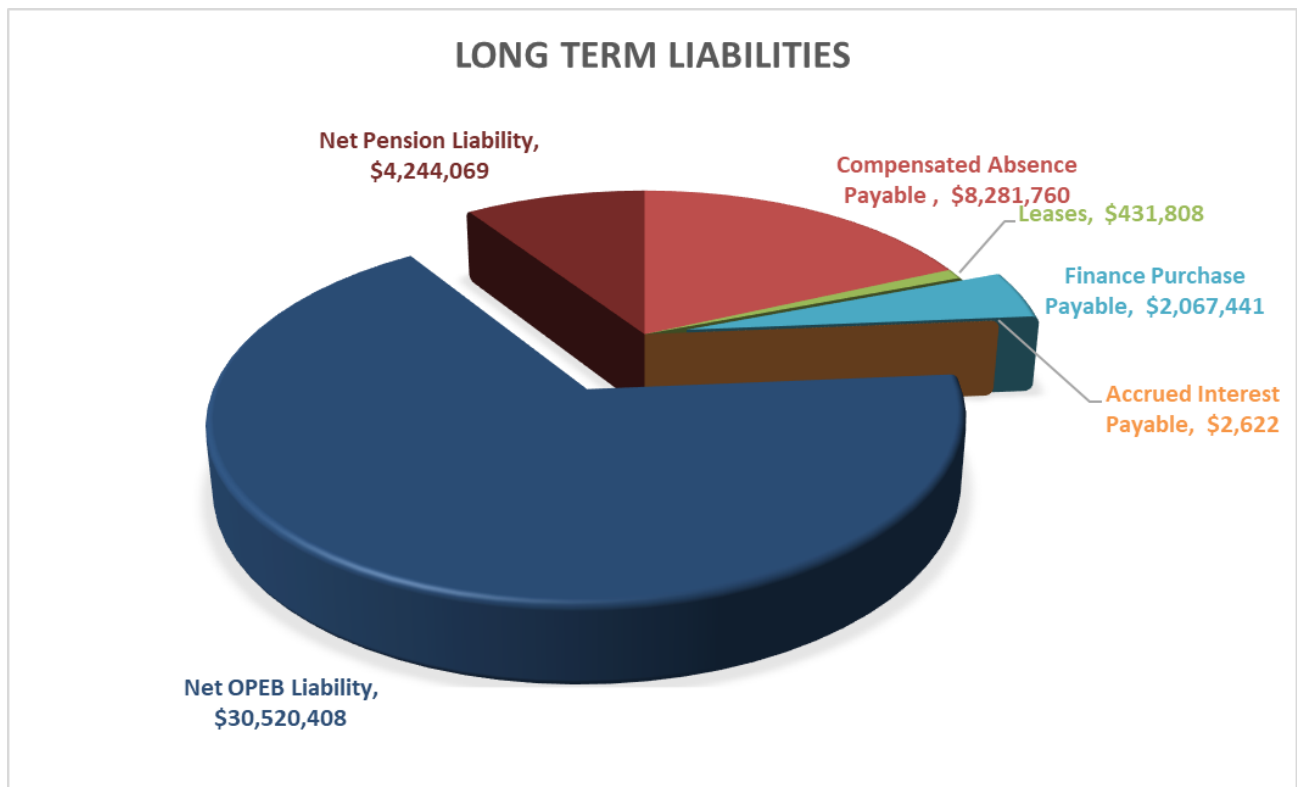
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

***Post-Employment Benefits***

Effective July 1, 2006, the Board of County Commissioners of Garrett County, the Board of Trustees of Garrett College, and the Board of Education entered into the Garrett County Employees Health Care Plan. Consequently, a Retiree Health Plan Trust Agreement was entered into effective July 1, 2009. The County, College, and the Board of Education amended the Agreement effective June 30, 2018 to create three independent and separate Trust Agreements. Consequently, the Board of Education adopted its own Plan Provisions for Other Post-Employment Benefits and Trust independent and separate from the county and the college. The Board continues to be a member of a coalition between County government, Garrett College and the Board of Education to procure health insurance and wellness benefits for current and retired employees of these entities.

The Board's actuary has calculated Total OPEB Liability at \$33,049,194 with a Plan Fiduciary Net Position of \$2,528,786, or 7.65%, leaving a Net OPEB Liability of \$30,520,408 at June 30, 2025. The actual OPEB contribution amount for the year ended June 30, 2025, was \$1,179,653, all of which was pay-as-you-go premiums paid by the board for retirees. There was no additional funding toward the OPEB obligation in FY 2025. Under GASB Statement Number 75, there is no requirement to fund this obligation.

The Board's proportionate share of the Maryland State Retirement and Pension System's net pension liability, as calculated by the System's actuary, is \$4,244,069 as of June 30, 2025 and is reported as a liability on the Board's government-wide statement of net position.



BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

### **Factors Impacting the School System**

The school system must consider a multitude of factors as it prepares future budgets. The basic challenge budgetarily is trying to meet the varying needs of the school system while balancing continued revenue constraints. School systems across the country, including Garrett County Public Schools, are seeing lasting effects of the Coronavirus pandemic, most notably with concerns around increased costs for social and emotional support, instructional recovery services for students, as well as a nationwide teacher shortage. When looking forward and planning financially for the future, GCPS has to take into consideration the impacts of the following issues.

#### *Economic Uncertainties*

Garrett County is the westernmost county in Maryland, encompassing 655 total square miles in area, making it the second largest county in Maryland. Garrett County lies completely within the Appalachian Mountains bordered on the north by the Commonwealth of Pennsylvania, on the west and south by the state of West Virginia, and on the east by Allegany County, Maryland. However, with a population of just over 28,800 as of the 2020 census, it is the third-least populated county in Maryland.

Garrett County government and the state of Maryland are the primary sources of revenue for Garrett County Public Schools, accounting for approximately 97.7% of its governmental revenues. The economic conditions of these two funding sources have a tremendous impact on the financial condition of GCPS. According to the Maryland Department of Labor, Garrett County's unemployment rate increased from 3.3% in July 2024 to 3.9% in July 2025. According to the US Census Bureau, Garrett County's per capita income was only \$41,130 in 2022, making it one of the poorest counties in the state.

#### *Long-term Capital Needs*

Based on enrollment projections, the Board of Education's goals and objectives, and state and county plans and programs, the facilities group annually updates a facilities master plan. This plan assesses the age and capacity of school facilities and generates a list of proposed capacity and renovation projects. This serves as the basis for the Capital Improvement Plan budget.

In FY 2025, GCPS had a school construction budget of \$37 million. The FY 2025 construction budget increased to \$37 million, primarily due to the continuing work at Southern Middle/Broadford. School system leadership has fostered a collaborative relationship with the Maryland Interagency Commission on School Construction (IAC) and the Garrett County Board of Commissioners, which bodes well for the future GCPS Capital Improvement Plan. However, our plan is subject to budget constraints at both the state and local levels. For FY 2026, there was a decline in overall expected CIP funding for the Southern Middle/Broadford Project due to state CIP funding cuts. This reduction in funding will delay CIP projects in future years.

#### *Blueprint for Maryland's Future*

The Blueprint for Maryland's Future (Blueprint) is a comprehensive education reform legislation that was passed in 2021 with the goal of transforming public education in Maryland to provide a world-class education for all students. One of the primary outcomes of the Blueprint is to

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025

*“improve the quality and equity of Maryland’s education system so that all Maryland students, regardless of where they live, household income, race, ethnicity, gender, language spoken at home, disabilities, and any other unique characteristic, can leave high school globally competitive and prepared for success in post-secondary education, work, and life”* (Accountability and Implementation Board, 2022, p.11).

As such, GCPS recognizes the importance of the Blueprint initiatives and is committed to implementing them as required by law to create improved outcomes for all students. This will greatly impact GCPS’ operating budgets, both from a revenue and an expenditure perspective.

*Staffing*

Teacher shortages continue to be a concern for GCPS and school districts across the state and nation. Based on MSDE statistics, the Maryland state average attrition rate is high, with 9.4% of Maryland teachers not returning to teaching in the State in the 2024-2025 school year. At an LEA level, an average of 10.5% of teachers did not return as a teacher in the same LEA and 17.6% of teachers did not return as a teacher in the same school. GCPS attrition rate for the FY 2025 school year was 6.5%, mirroring the state rate. Not surprisingly, new teachers are most likely to leave with about 1 in 8 leaving the teaching profession altogether. The challenge is to attract and incentivize teachers to enter and remain in the teaching profession. The State is addressing teacher shortages most notably through the implementation of the Blueprint and its National Board Certification (NBC) salary increases.

*Enrollment*

Student enrollment decline continues to be a concern for the school system because it has a direct and significant impact on both state and local funding. Since 1974, when Maryland Department of Planning (MDP) began tracking kindergarten through twelfth grade enrollment, the system has averaged a decrease in student enrollment of approximately 1.15% per year. However, most recently, GCPS’ enrollment has not dropped as much as anticipated and has leveled off somewhat. In FY 2025, there were slightly over 3,400 students enrolled; however, the preliminary numbers for FY 2026 are indicating a small decline in enrollment. Enrollment continues to be a concern worth monitoring.

**Contacting the School System’s Financial Management**

This report provides a general overview of the Board of Education of Garrett County’s finances and outlines the school system’s accountability for the resources it receives. If you have any questions about this report or need additional information, you can contact Ashley Glotfelty, Director of Finance at the Board of Education of Garrett County, 770 Dennett Road, Oakland, MD 21550.

## **BASIC FINANCIAL STATEMENTS**

**BOARD OF EDUCATION OF GARRETT COUNTY**

**STATEMENT OF NET POSITION**

**June 30, 2025**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 16,301,944
Accounts receivable	
County	683,246
State	11,821,621
Federal	765,078
Other	187,554
Inventory	58,639
Restricted cash	950,413
Restricted investments - certificates of deposit	321,076
Non-depreciable capital assets	29,579,319
Depreciable capital assets, net of accumulated depreciation	67,239,207
Right to use assets, net of accumulated amortization	1,221,321
<b>Total Assets</b>	<u>129,129,418</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
OPEB related	305,966
Pension related	1,946,565
<b>Total Deferred Outflows of Resources</b>	<u>2,252,531</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>131,381,949</u>
<b>LIABILITIES</b>	
Accrued payroll and withholding	6,643,675
Termination benefits payable	68,080
Accounts payable and accrued expenses	12,050,020
Unearned revenue	326,530
Long-term liabilities:	
Due within one year	3,080,522
Due in more than one year	42,467,586
<b>Total Liabilities</b>	<u>64,636,413</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
OPEB related	7,706,080
Pension related	621,465
<b>Total Deferred Inflows of Resources</b>	<u>8,327,545</u>
<b>NET POSITION</b>	
Net investment in capital assets	95,540,598
Restricted for food service	295,574
Restricted for school activities	879,989
Restricted for capital expenditures	200,000
Restricted for medical assistance	580,141
Restricted for 2026 operating budget	
Unrestricted	(39,078,311)
<b>Total Net Position</b>	<u>58,417,991</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 131,381,949</u>

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2025**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenues and</u>
<u>Functions/Programs</u>		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
<b>Governmental activities:</b>					
Administration	\$ 2,031,634	\$ 3,099	\$ 162,870	\$ -	\$ (1,865,665)
Mid-level administration	3,132,460	-	149,828	-	(2,982,632)
Instruction - Salaries	22,374,649	18,664	3,757,403	-	(18,598,582)
- Textbooks and supplies	1,377,098	-	242,741	-	(1,134,357)
- Other	6,270,293	1,291,757	1,332,746	35,365,714	31,719,924
Special education	5,731,291	-	5,308,190	-	(423,101)
Student personnel services	920,023	-	134,135	-	(785,888)
Student health services	739,489	-	313,770	-	(425,719)
Student transportation	4,826,463	-	3,944,946	-	(881,517)
Operation of plant	5,267,674	27,664	497,582	-	(4,742,428)
Maintenance of plant	1,019,854	-	96,571	-	(923,283)
Community services	1,936,995	-	1,937,359	-	364
Food services	3,924,771	389,329	3,115,311	-	(420,131)
Fixed charges	16,196,432	-	1,072,082	-	(15,124,350)
Interest expense	71,088	-	-	-	(71,088)
<b>Total governmental activities</b>	<u>\$ 75,820,214</u>	<u>\$ 1,730,513</u>	<u>\$ 22,065,534</u>	<u>\$ 35,365,714</u>	<u>\$ (16,658,453)</u>
<b>General revenues:</b>					
Local appropriations					26,928,547
State appropriations					21,026,208
Gain (loss) from disposition of capital assets					(22,023)
Miscellaneous					153,191
Unrestricted investment earnings					573,651
Total general revenues					<u>48,659,574</u>
Change in net position					32,001,121
Net Position - beginning of year (restated - see Note 4)					<u>26,416,870</u>
Net Position - end of year					<u>\$ 58,417,991</u>

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

As of June 30, 2025

	<u>Current Expense Fund</u>	<u>Food Service Fund</u>	<u>School Construction Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,808,424	\$ 493,520	\$ -	\$ 16,301,944
Accounts receivable				
County	-	-	683,246	683,246
State	1,002,541	245,155	10,573,925	11,821,621
Federal	733,553	31,525	-	765,078
Other	179,749	7,805	-	187,554
Due from other funds	760,077	-	-	760,077
Inventory	-	58,639	-	58,639
Restricted cash	950,413	-	-	950,413
Restricted investments	321,076	-	-	321,076
<b>TOTAL ASSETS</b>	<u>19,755,833</u>	<u>836,644</u>	<u>11,257,171</u>	<u>31,849,648</u>
<b>LIABILITIES</b>				
Accrued payroll and withholdings	6,489,778	153,897	-	6,643,675
Termination benefits payable	68,080	-	-	68,080
Accounts payable and accrued expenses	1,504,899	155,291	10,389,829	12,050,019
Unearned revenue	291,508	35,022	-	326,530
Due to other funds	-	138,221	621,856	760,077
<b>Total Liabilities</b>	<u>8,354,265</u>	<u>482,431</u>	<u>11,011,685</u>	<u>19,848,381</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable grant revenue	602,982	-	245,486	848,468
<b>Total Deferred Inflow of Resources</b>	<u>602,982</u>	<u>-</u>	<u>245,486</u>	<u>848,468</u>
<b>FUND BALANCES</b>				
Nonspendable - inventories	-	58,639	-	58,639
Assigned for subsequent years' budget	8,638,456	-	-	8,638,456
Restricted for school activities	879,989	-	-	879,989
Restricted for capital expenditures	200,000	-	-	200,000
Restricted for food service	-	295,574	-	295,574
Restricted for medical assistance	580,141	-	-	580,141
Unassigned	500,000	-	-	500,000
<b>Total Fund Balances</b>	<u>10,798,586</u>	<u>354,213</u>	<u>-</u>	<u>11,152,799</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u>\$ 19,755,833</u>	<u>\$ 836,644</u>	<u>\$ 11,257,171</u>	<u>\$ 31,849,648</u>

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

**June 30, 2025**

**Total fund balances - Governmental funds** \$ 11,152,799

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

(Note 7)

Cost of capital assets	176,972,598	
Accumulated depreciation and amortization	<u>(78,932,752)</u>	
		98,039,846

Deferred outflows arising from changes in the net OPEB liability are not reported in the funds. (Note 3)		305,966
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Deferred outflows arising from changes in the net pension liability are not reported in the funds. (Note 3)		1,946,565
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end are as follows: (Note 8)

Compensated absences liability	(8,281,760)	
Accrued interest payable	(2,622)	
Finance purchase payable	(2,067,441)	
Lease liability	(431,808)	
Net pension liability	(4,244,069)	
Net OPEB liability	<u>(30,520,408)</u>	
		(45,548,108)

Revenue that is collected after year-end and unavailable soon enough to pay for the current period's expenditures is reported as deferred inflows in the fund. (Note 1(D))		848,468
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Deferred inflows arising from changes in the net OPEB liability are not reported in the funds. (Note 3)		(7,706,080)
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Deferred inflows arising from changes in the net pension liability are not reported in the funds. (Note 3)		<u>(621,465)</u>
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**Total net position - Governmental activities** \$ 58,417,991

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2025**

	<u>Current Expense Fund</u>	<u>Food Services Fund</u>	<u>School Construction Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Intergovernmental revenues				
Local sources	\$30,476,500	\$ -	\$ 4,530,266	\$ 35,006,766
State sources	30,195,770	204,165	30,849,776	61,249,711
Federal sources	5,739,828	2,780,522	-	8,520,350
Earnings on investments	559,127	14,524	-	573,651
Charges for services	1,357,228	477,882	-	1,835,110
Miscellaneous revenues	206,177	11,536	11,189	228,902
<b>Total Revenues</b>	<u>68,534,630</u>	<u>3,488,629</u>	<u>35,391,231</u>	<u>107,414,490</u>
<b>EXPENDITURES</b>				
Administration	2,036,398	-	-	2,036,398
Mid-level administration	3,111,134	-	-	3,111,134
Instruction - Salaries	22,347,429	-	-	22,347,429
- Textbooks and supplies	1,378,089	-	-	1,378,089
- Other	1,601,177	-	-	1,601,177
Special education	5,723,964	-	-	5,723,964
Student personnel services	920,023	-	-	920,023
Student health services	739,489	-	-	739,489
Student transportation	4,802,853	-	-	4,802,853
Operation of plant	5,219,010	-	-	5,219,010
Maintenance of plant	1,158,843	-	-	1,158,843
Community services	1,950,250	-	-	1,950,250
Food services	19,098	3,564,982	-	3,584,080
Fixed charges	16,357,388	-	-	16,357,388
Capital outlay	1,430,719	362,077	34,898,001	36,690,797
Debt service - principal	399,140	-	64,410	463,550
Debt service - interest	61,486	-	6,980	68,466
<b>Total Expenditures</b>	<u>69,256,490</u>	<u>3,927,059</u>	<u>34,969,391</u>	<u>108,152,940</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(721,860)</u>	<u>(438,430)</u>	<u>421,840</u>	<u>(738,450)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from leases	372,300	-	139,460	511,760
Operating transfers in	561,300	-	-	561,300
Operating transfers out	-	-	(561,300)	(561,300)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>933,600</u>	<u>-</u>	<u>(421,840)</u>	<u>511,760</u>
<b>NET CHANGE IN FUND BALANCES</b>	211,740	(438,430)	-	(226,690)
Fund Balances - beginning of year	<u>10,586,846</u>	<u>792,643</u>	<u>-</u>	<u>11,379,489</u>
<b>FUND BALANCES - end of year</b>	<u><u>\$10,798,586</u></u>	<u><u>\$ 354,213</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,152,799</u></u>

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2025**

**Change in fund balances - Governmental funds** \$ (226,690)

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

Outlays for capital assets, subscription-based information technology arrangements (SBITA) assets, and leased assets are reported as an expenditure in the governmental funds but are considered an asset at the government-wide level. This is the amount of these types of assets that were purchased during the fiscal year. (Note 7) 36,926,071

Outlays for capital assets, SBITA assets, and leased assets are reported as an expenditure in the governmental funds. In the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation or amortization expense. This is the amount of depreciation and amortization expense charged during the year. (Note 7) (5,184,967)

Leases and SBITAs that are recognized in the current year are recognized as revenue in the fund level statements but not in the statement of activities. This is the amount of revenue recognized in the current fiscal year. (511,760)

Some revenues do not provide current financial resources and are, therefore, deferred in the fund level statements. (Note 1(D))

Prior year unavailable revenue	(932,197)	
Current year unavailable revenue	<u>848,468</u>	
		(83,729)

In the fund level statements, proceeds from the sale of capital assets are recorded as revenues. In the statements of activities, a loss is recorded if the book value of the assets sold are greater than the sales proceeds. This is the loss related to the sale of capital assets. (Note 7) (22,023)

In the fund level statements, non-cash donations of capital assets are not recognized as revenue since it is not a current financial resource. This is the amount of donated capital assets recognized as revenue at the government-wide level. (Note 7) 517,185

Some expenses reported in the Statement of Activities do not require the use of current financial resources (e.g., compensated absences) and, therefore, are not reported as expenditures in governmental funds. This is the change in compensated absences payable. (Note 8) 149,030

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2025**

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

Fund level financial statements report payments related to right to use intangible assets and other long-term debt as expenditures. In the statement of activities, these payments are recorded as a reduction of the liability and interest expense as follows: (Notes 8, 9, and 10)

Lease payments recorded as outlays in the fund level statements	81,450	
Finance purchase payments recorded as outlays in the fund level statements	382,100	
Long-term interest expense	(2,622)	
	460,928	460,928

Certain pension and OPEB expenses in the statement of activities are recognized on the full accrual basis of accounting. Changes in the deferred outflows, deferred inflows, net pension liability and OPEB liability impact pension and OPEB expense as follows: (Notes 12 and 13)

Effect of pension expenses recognized in the statement of activities	(94,951)	
Effect of OPEB expenses recognized in the statement of activities	72,027	
	(22,924)	(22,924)

<b>Change in net position - Governmental activities</b>		<b>\$ 32,001,121</b>
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The Notes to Financial Statements are an integral part of this statement.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
CURRENT EXPENSE FUND - UNRESTRICTED  
For the Year Ended June 30, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Modified Accrual Basis</u>	<u>Adjustments Budgetary Basis</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>				
<b>REVENUES</b>						
Intergovernmental revenues						
Local sources	\$30,346,206	\$30,346,206	\$30,346,206	\$ -	\$30,346,206	\$ -
State sources	23,942,768	23,997,768	26,660,681	(3,068,031)	23,592,650	(405,118)
Federal sources	120,000	120,000	467,527	-	467,527	347,527
Earnings on investments	15,000	15,000	560,937	-	560,937	545,937
Charges for services	45,000	48,100	64,495	2,322	66,817	18,717
Miscellaneous revenues	1,490,000	2,279,600	117,376	33,338	150,714	(2,128,886)
<b>Total Revenues</b>	<u>55,958,974</u>	<u>56,806,674</u>	<u>58,217,222</u>	<u>(3,032,371)</u>	<u>55,184,851</u>	<u>(1,621,823)</u>
<b>EXPENDITURES</b>						
Administration	1,887,585	1,890,685	1,769,290	2,866	1,772,156	118,529
Mid-level administration	2,910,195	2,991,276	2,961,306	26,570	2,987,876	3,400
Instruction - Salaries	21,315,107	20,920,849	20,849,099	-	20,849,099	71,750
- Textbooks and supplies	662,055	847,166	551,334	-	551,334	295,832
- Other	945,559	1,035,870	458,489	158,659	617,148	418,722
Special education	4,143,990	4,346,208	4,211,718	1,077	4,212,795	133,413
Student personnel services	724,047	786,047	785,888	-	785,888	159
Student health services	446,282	447,368	425,719	-	425,719	21,649
Student transportation	4,728,513	4,795,968	4,761,144	-	4,761,144	34,824
Operation of plant	5,327,212	5,387,412	4,907,368	437,510	5,344,878	42,534
Maintenance of plant	1,067,365	1,168,465	1,062,273	-	1,062,273	106,192
Fixed charges	11,801,064	11,921,360	15,285,307	(3,373,052)	11,912,255	9,105
Community services	-	2,000	12,847	-	12,847	(10,847)
Capital outlay	-	66,000	619,158	(538,341)	80,817	(14,817)
Debt service - principal	-	-	399,140	(399,140)	-	-
Debt service - interest	-	-	61,486	(61,486)	-	-
<b>Total Expenditures</b>	<u>55,958,974</u>	<u>56,606,674</u>	<u>59,121,566</u>	<u>(3,745,337)</u>	<u>55,376,229</u>	<u>1,230,445</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	200,000	(904,344)	712,966	(191,378)	(391,378)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from leases	-	-	372,300	(372,300)	-	-
Operating transfers in	-	-	561,300	-	561,300	561,300
<b>NET CHANGE IN FUND BALANCE</b>	-	-	29,256	340,666	369,922	169,922
Fund Balance - beginning of year	-	-	9,446,589	124,910	9,571,499	9,571,499
<b>FUND BALANCE - end of year</b>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 9,475,845</u>	<u>\$ 465,576</u>	<u>\$ 9,941,421</u>	<u>\$ 9,741,421</u>

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
CURRENT EXPENSE FUND - RESTRICTED  
For the Year Ended June 30, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Modified Accrual Basis</u>	<u>Adjustments Budgetary Basis</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>				
<b>REVENUES</b>						
Intergovernmental revenues						
Federal sources	\$ 5,828,035	\$ 5,833,170	\$ 5,272,301	\$ (1,626)	\$ 5,270,675	\$ (562,495)
State sources	4,198,782	4,159,721	3,535,089	139,015	3,674,104	(485,617)
Local sources	125,650	130,294	130,294	-	130,294	-
Other sources	140,986	234,702	88,801	-	88,801	(145,901)
<b>Total Revenues</b>	<u>10,293,453</u>	<u>10,357,887</u>	<u>9,026,485</u>	<u>137,389</u>	<u>9,163,874</u>	<u>(1,194,013)</u>
<b>EXPENDITURES</b>						
Administration	279,652	286,705	267,108	-	267,108	19,597
Mid-level administration	114,326	162,362	149,828	-	149,828	12,534
Instruction - Salaries	2,148,978	1,712,504	1,498,330	-	1,498,330	214,174
- Textbooks and supplies	274,167	254,617	242,740	-	242,740	11,877
- Other	696,218	1,278,445	513,362	777,985	1,291,347	(12,902)
Special education	1,884,988	1,907,964	1,512,246	-	1,512,246	395,718
Student personnel services	160,048	166,684	134,135	-	134,135	32,549
Student health services	325,867	343,162	313,770	-	313,770	29,392
Student transportation	71,238	78,124	41,709	-	41,709	36,415
Operation of plant	364,715	414,812	311,642	-	311,642	103,170
Maintenance of plant	180,448	147,652	96,570	-	96,570	51,082
Fixed charges	1,379,779	1,192,338	1,072,081	-	1,072,081	120,257
Food services	14,293	19,500	19,098	-	19,098	402
Community services	2,347,249	2,351,531	1,937,403	-	1,937,403	414,128
Capital outlay	251,487	241,487	811,561	(777,985)	33,576	207,911
<b>Total Expenditures</b>	<u>10,493,453</u>	<u>10,557,887</u>	<u>8,921,583</u>	<u>-</u>	<u>8,921,583</u>	<u>1,636,304</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(200,000)	(200,000)	104,902	137,389	242,291	442,291
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	200,000	200,000	-	-	-	(200,000)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	104,902	137,389	242,291	242,291
Fund Balance - beginning of year	-	-	337,850	-	337,850	337,850
<b>FUND BALANCE - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442,752</u>	<u>\$ 137,389</u>	<u>\$ 580,141</u>	<u>\$ 580,141</u>

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
CURRENT EXPENSE FUND - SCHOOL ACTIVITY  
For the Year Ended June 30, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>REVENUES</b>				
Earnings on investments	\$ 600	\$ 600	\$ (1,810)	\$ (2,410)
Charges for services	999,400	999,400	1,292,733	293,333
<b>Total Revenues</b>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,290,923</u>	<u>290,923</u>
<b>EXPENDITURES</b>				
Instruction - Textbooks and supplies	403,000	403,000	584,015	(181,015)
- Other	597,000	597,000	629,326	(32,326)
<b>Total Expenditures</b>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,213,341</u>	<u>(213,341)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	77,582	77,582
Fund Balance - beginning of year	-	-	802,407	802,407
<b>FUND BALANCE - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 879,989</u>	<u>\$ 879,989</u>

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
FOOD SERVICE FUND  
For the Year Ended June 30, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>REVENUES</b>				
Federal	\$ 2,355,705	\$ 2,615,695	\$ 2,610,488	\$ (5,207)
State sources	133,267	133,267	204,165	70,898
Meals and food served	436,428	506,428	477,882	(28,546)
Interest earned	38,678	38,678	14,524	(24,154)
Federal donation of food	141,892	141,892	170,034	28,142
Other revenues	5,412	141,463	11,536	(129,927)
<b>Total Revenues</b>	<u>3,111,382</u>	<u>3,577,423</u>	<u>3,488,629</u>	<u>(88,794)</u>
<b>EXPENDITURES</b>				
Salaries and wages	1,553,340	1,579,003	1,731,701	(152,698)
Contracted services	63,770	73,000	100,555	(27,555)
Supplies and materials	1,443,078	1,635,506	1,692,450	(56,944)
Other charges	51,194	51,444	40,276	11,168
Capital outlay	-	238,470	362,077	(123,607)
<b>Total Expenditures</b>	<u>3,111,382</u>	<u>3,577,423</u>	<u>3,927,059</u>	<u>(349,636)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	(438,430)	(438,430)
Fund Balance - beginning of year	-	-	792,643	792,643
<b>FUND BALANCE - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,213</u>	<u>\$ 354,213</u>

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION -  
OTHER POSTEMPLOYMENT BENEFITS TRUST FUND**

**June 30, 2025**

	<b>Other Post Employment Benefits Trust Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 36,265
Investments:	
Certificates of Deposit	35,364
Fixed Income Securities	1,041,030
Equity Securities	1,404,253
Total Investments	2,480,647
Interest Receivable	11,875
<b>TOTAL ASSETS</b>	<b>2,528,787</b>
<b>LIABILITIES</b>	<b>-</b>
<b>NET POSITION</b>	
<b>Restricted for Other Post Employment Benefits</b>	<b>\$ 2,528,787</b>

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

BOARD OF EDUCATION OF GARRETT COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
OTHER POSTEMPLOYMENT BENEFITS TRUST FUND  
For the Year Ended June 30, 2025

	<b>Other Post Employment Benefits Trust Fund</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 1,179,653
Plan Members	-
Total Contributions	<u>1,179,653</u>
Investment Earnings:	
Realized Net (Loss) on Investments	(23,924)
Interest and Dividends	88,278
Net Increase in Fair Value of Investments	<u>157,677</u>
Total Net Investment Earnings	<u>222,031</u>
<b>Total Additions</b>	<u>1,401,684</u>
<b>DEDUCTIONS</b>	
Benefits	1,179,653
Administrative	<u>8,422</u>
<b>Total Deductions</b>	<u>1,188,075</u>
<b>Net Increase In Net Position</b>	213,609
<b>Net Position - Beginning of Year</b>	<u>2,315,178</u>
<b>Net Position - End of Year</b>	<u><u>\$ 2,528,787</u></u>

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

# BOARD OF EDUCATION OF GARRETT COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Board of Education of Garrett County conform to generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

#### A. Financial Reporting Entity

The Board of Education of Garrett County (the Board) is the elected body, corporate and politic, established under Maryland law to provide public education in kindergarten through twelfth grade to children residing within the borders of Garrett County, Maryland. The Board determines educational policy and employs a superintendent of schools to administer the public school system known as the Board of Education of Garrett County. Primary funding is provided by Garrett County from its general revenues. Funds are also received from state and federal sources for general school aid and specific purpose grants. The budget is approved by the Garrett County Commission. The Board has no power to levy and collect taxes or to increase the budget. Because of the relationship with Garrett County, the Board is considered a component unit of the county government, as defined by GAAP for governmental entities.

#### B. Basis of Presentation

Government-wide and Fund Financial Statements:

The *government-wide financial statements* (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board. As a general rule, the effect of interfund and internal activity has been eliminated from the government-wide financial statements including the statement of activities. Interfund balances are not included in the government-wide statement of net position. The Board distinguishes overhead costs, which are eliminated in the preparation of the statement of activities from interfund services provided and used between functions which are not eliminated in the statement of activities in the financial statement closing process. The Board does not engage in business-type activities and, as such, issues single column government-wide financial statements.

The *statement of net position* presents the Board's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. The net position of the Board is broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, and other debt of resources that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted* net position results when constraints are placed on net position used by external creditors, grantors, contributors, etc. or imposed by law or enabling legislation and reduced by liabilities and deferred inflows of resources related to those assets, if any.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

**B. Basis of Presentation (Continued)**

*Unrestricted* net position consists of net position which does not meet the definition of the two preceding categories.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Intergovernmental revenue and other items not properly included among program revenues are reported as general revenues. Program revenues must be directly associated with a function and are restricted to meeting the operational or capital requirements of a particular function or activity. Multi-purpose grants and other items not properly included among program revenues are reported as general revenues. The operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The following types of transactions are reported as program revenues. Tuition and fees paid directly by students and parents and sales associated with the food service operations are identified as charges for services. State and federal support for each function is identified as operating grants and contributions. Grant-related revenue that is specifically restricted for use in a particular function to meet the operational and capital requirements of a particular program is separated in the statement of activities. The Board does not allocate indirect expenses.

The *fund financial statements* major individual governmental funds are reported as separate columns in the fund financial statements. All of the Board's funds are reported as major funds. In the fund financial statements, financial transactions and accounts of the Board are organized on the basis of funds.

The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

**B. Basis of Presentation (Continued)**

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The budgetary comparison statements are presented to demonstrate compliance with the adopted budget and 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. The Board and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the current reporting model, governments provide budgetary comparison information including the government's original budget and the final budget compared to actual results. These budgetary comparison statements are presented as part of the basic financial statements.

**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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Non-exchange transactions where the Board either gives or receives value without directly receiving or giving equal value in exchange include, for example, grants and contributions. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied.

It is the Board's policy to first use restricted-net position for expenses incurred for which both restricted-net position and unrestricted-net position are available unless a local match is required. Where a local match is required, the expense is allocated to restricted-net position and unrestricted-net position based on the required match percentages.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except 1) employees' annual and sick leave is recognized in the year it is accrued and expected to be liquidated with expendable available financial resources; and 2) principal and interest on general long-term debt including lease liabilities, as well as expenditures related to compensated absences, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions including the right-to-use lease assets and the right-to-use subscription-based information technology arrangements (SBITAs) are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases and SBITAs are reported as other financing sources. The Board does not allocate indirect expenses to functions in the fund financial statements. The major revenue sources subject to the availability criterion are local, state, and federal revenues since they are susceptible to accrual. All other revenue items are measurable and available only when cash is received by the government. The Board reports the following major governmental funds:

The *Current Expense Fund* is the general operating fund of the Board and is used to account for the revenues and expenditures necessary for the day-to-day operation of the Board. This fund is used to account for all financial resources except those required to be accounted for in another fund. State and federal grant programs are included in the restricted portion of this fund. All school activity funds as well as budgetary restrictions imposed by outside providers are also accounted for and included in the restricted portion of the current expense fund.

The *Food Service Fund*, a special revenue fund, provides meal services (mainly to students) within the district. It is largely funded by federal and state revenue that is restricted for that purpose.

The *School Construction Fund*, a capital projects fund, is used to account for the financial resources to be used for the acquisition, construction or renovation of the Board's major capital projects.

As stated earlier, fiduciary activity is not included in the government-wide financial statements. This is because the assets held in these funds is not available for government operations but are held in trust for the benefit of others. Fiduciary funds record activity on the full accrual basis of accounting.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

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

The Board presents the following fiduciary fund type:

The *Other Postemployment Benefits Trust Fund* is used to accumulate resources for retirement medical benefit payments to qualified former Board employees. The financial resources are accumulated for post-retirement health benefits paid to former employees.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund expending the resources. Interfund receivables and payables have been eliminated from the statement of net position.

**D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity**

Cash and Cash Equivalents - For purposes of financial statement presentation, the Board considers all highly liquid investments (i.e. certificates of deposit and repurchase agreements) with a remaining maturity of three months or less when purchased to be cash equivalents. Cash belonging to student and faculty organizations and cash accumulated on behalf of employees and former employees under Health Reimbursement Arrangements and Flexible Spending Accounts are reported as restricted cash for governmental fund and government-wide reporting purposes.

Investments - Investments belonging to student and faculty organizations having original maturities greater than three months are reported as restricted investments for governmental fund and government-wide reporting purposes. Fiduciary fund investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Receivables and Payables - All interfund receivables and payables are displayed in the fund statements as “due to/due from other funds.” These amounts offset each other and are eliminated from the government-wide statement of net position, so as to not overstate the Board’s assets and liabilities. All other receivables are reported at net realizable value.

Inventories - Inventory balances reflected in the financial statements include food and food service items located in each school. Inventory is recorded in the financial statements using the consumption method. Under this method, expenditures are recognized when inventory is used. Inventories are valued on a first-in, first-out cost basis. Unit cost values of donated food are determined from USDA price lists.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (Continued)

Capital Assets - Capital assets, which include land and improvements, buildings and improvements, and equipment are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are valued at acquisition value at the date of acquisition. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	15
Equipment	5-12
Vehicles	8
Leased assets - equipment	5
Leased assets - SBITAs	2-7

Subscription-Based Information Technology Arrangements and Leases – The Board reports and accounts for subscription-based information technology arrangements and leases in accordance with generally accepted accounting principles. At the commencement of an agreement, the board initially recognizes a right to use asset and a liability based on the discounted present value of payments expected to be made over the expected term of the agreement. Assets are amortized utilizing the straight-line basis over the term of the agreement, or for leases, the life of the asset, whichever is shorter. Key estimates made by management include (a) the interest rate it uses to discount the expected payments (when not explicitly stated in the agreement), (b) the term of the agreement, and (c) the payments over the expected term of the agreement.

Deferred Inflows/Outflows 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 position that applies to a future period(s) and thereby will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2025, deferred outflows consist of retirement plan contributions paid in the current fiscal year subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. The statement of net position also has additional components related to the determination of the net OPEB liability and the net pension liability that are being amortized over periods ranging from five to seven years.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

**D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (Continued)**

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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The statement of net position has components related to the determination of the net OPEB liability and the net pension liability that are being amortized over periods ranging from five to seven years.

On the fund financial statements, the Current Expense Fund and the School Construction Fund have deferred inflows of resources related to revenue from state sources that is unavailable soon enough after year end to pay for the current period’s expenditures of \$602,982 and \$245,486, respectively.

Unearned Revenues - Unearned revenues of \$291,508 and \$35,022 for the Current Expense Fund and Food Service Fund, respectively, represent amounts received from grantors in advance of incurrence of eligible expenditures for reimbursable-type grants at June 30, 2025.

Compensated Absences – Board employees are permitted to accumulate earned but unused annual and sick leave benefits. It is Board policy to pay employees who separate from service the accumulated amount of earned but unused annual leave and sick leave (only upon retirement). The Board’s sick leave policy prescribes eligible employees shall accrue fourteen (14) or sixteen (16) days per year depending on bargaining unit. Unused sick leave shall accumulate without limit. For annual leave, employees earn the following based on years of service:

<b>AFT &amp; Support Staff</b>		<b>GASA &amp; Non-GASA</b>	
Years of Service	Days of Leave Earned per Year	Years of Service	Days of Leave Earned per Year
1-2	5	1-24	15
3-4	10	1-24 with 10 years of prior experience	10
5-19	15	25+	25
20+	20		

Annual leave may be accumulated up to 40 to 50 days, depending on employee classification. Upon retirement, up to a maximum of 209 sick days may be paid out at \$30 per day as a termination benefit. As discussed in Note 4, the Board implemented the provisions of GASB Statement 101, *Compensated Absences* which supersedes GASB Statement 16, *Accounting for Compensated Absences*.

As of June 30, 2025, employees of the Board had accumulated approximately \$8,281,760 of vested annual leave and other compensatory leave benefits. These benefits include salaries and salary related payments.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (Continued)

Other Postemployment Benefits - 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 Board's Other Postemployment Benefits Trust Fund and additions to and subtractions from net position have been determined on the same basis as they are reported on pages 29 and 30 of these financial statements. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Long-term Liabilities - In the government-wide financial statements, compensated absences, leases, subscription-based information technology arrangements, finance purchase payable, accrued interest payable, the Board's net OPEB liability and the Board's net pension liability are reported as long-term liabilities in the statement of net position. Only the portion of long-term obligations expected to be paid from expendable available financial resources is reported as a liability in the governmental fund financial statements.

School Construction Debt - The Board is not obligated to repay principal or interest on any debt incurred for school construction. Such bonds and loans are obligations of the county government. Accordingly, the Board does not record school construction debt service revenues, expenditures, or outstanding school construction debt in the accompanying financial statements.

Fund Balances - 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. Governmental fund balances are classified as follows:

*Nonspendable Fund Balance* – Amounts that cannot be spent either (1) because it is not in spendable form or (2) due to legal or contractual constraints. Not in spendable form includes items that are not expected to be converted to cash, such as inventories and prepaid items.

*Restricted Fund Balance* – Amounts constrained for a specific purpose by external parties, constitutional provision, or enabling legislation.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (Continued)

*Committed Fund Balance* – Amounts constrained for a specific purpose by the governing body using its highest level of decision-making authority, which for the County is the five-member School Board. These constraints can only be removed or changed by the same governing body using its decision-making authority to reverse a decision. Actions to constrain resources occur prior to the end of the fiscal year, though the exact amount may be determined subsequently. The Board had no committed fund balance as of June 30, 2025.

*Assigned Fund Balance* – Amounts intended to be used for a specific purpose. This intent is expressed by a governing body or another body such as a budget/finance committee or other approved individual designee of the governing body. Assigned fund balance includes residual amounts for all governmental funds except the general fund not otherwise classified as nonspendable, restricted, or committed. Amounts reported as assigned should not result in a deficit in unassigned fund balance.

*Unassigned Fund Balance* – Amounts available for any purpose that are not otherwise reported as nonspendable, restricted, committed, or assigned. The current expense fund is the only fund which would report a positive amount in the unassigned fund balance. For all other governmental funds, the unassigned classification can only be used to report a deficit balance resulting from overspending for a specific purpose for which amounts had been restricted, committed, or assigned.

The Board is the governing body with the highest level of decision-making authority relative to fund balances. The Board through formal resolution is the only body that can commit fund balance. The elected Board, through its fund balance policy, has delegated to the Superintendent or Assistant Superintendent and Director of Finance, the authority to assign fund balance. It is the Board's policy to first apply restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. In the event that expenditures are made from multiple unrestricted fund balance classifications, the order of fund spending shall be as follows: Committed, Assigned, and Unassigned.

E. Current and Pending Accounting Pronouncements

GASB issued Statement 101, *Compensated Absences*, which took effect during the current fiscal year. 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. That statement required a retroactive application of a change in accounting principle. The details of the effects of that change in accounting principle are presented in Note 4.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

E. Current and Pending Accounting Pronouncements (Continued)

GASB routinely issues standards that will become effective in future years. The following is a standard that has been issued that the Board has determined will have a significant impact on future financial statements.

GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The 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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The Board is currently evaluating the effect of implementation of this Statement.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

G. Net Position Flow Assumptions

Sometimes the Board will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted net position to have been depleted before unrestricted – net position is applied.

H. Fund Balance Flow Assumptions

Sometimes the Board will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

# BOARD OF EDUCATION OF GARRETT COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 – BUDGETARY INFORMATION

#### A. Overview

The majority of current funding for the Board is provided by Garrett County, the state of Maryland, and the federal government. The Superintendent submits the Current Expense Fund and Food Service Fund proposed budgets to the Board of Education. Upon approval by the Board, the proposed budgets are submitted to the County Commissioners for approval. Under Maryland school statutes, the Board's annual Operating Budget, incorporating general and special revenue funds, is presented to the Garrett County Executive and the County Commission no later than March 1, and is to be appropriated by the County Commission by May 31. In general, the county is then responsible to fund the budget as appropriated, to the extent that funds are not raised from other sources (e.g., state and federal government). The Board has no power to levy taxes or to spend funds not appropriated by the County Commission. The budget is adopted by the Board of Education by June 30 and submitted to the State Superintendent within 30 days after approval.

Formal budgetary integration is employed as a management control device during the year for the governmental fund types. Management is authorized to transfer funds within major objects of expenditure (e.g., salaries and wages, contractual services, supplies and materials).

If a department does not have any budgeted funds available or there is a revision necessary between different departments, then per Board policy, the budget amendment must be approved by the Board of Education and the County Commission. By state law, major categories of expenditure may not exceed budgeted amounts for the year ending June 30.

The final budgeted amounts reflected in the accompanying financial statements recognize budget revisions made during the year, all of which were properly reported and/or approved, as applicable. All budget appropriations lapse at year end.

A portion of a restricted component of the Current Expense Fund budget accounts for special federal and state grant programs. Expenditures incurred under these programs are limited to the amounts expended under the respective grants.

Another portion of a restricted component of the Current Expense Fund budget accounts for student activity accounts. The Board monitors compliance with activity account requirements and determines appropriateness of expenditures.

School Construction Fund activity is budgeted on the basis of total project costs and appropriations specifically allocated for capital outlay as approved by the Board of Public Works and Board of County Commissioners. Annual budgetary comparisons to actual expenditures are not presented in the accompanying financial statements for the School Construction Fund.

# BOARD OF EDUCATION OF GARRETT COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 – BUDGETARY INFORMATION (Continued)

#### B. Budgetary Presentation

The Current Expense Fund and Food Service Fund Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual, has been prepared on the legally prescribed budgetary basis of accounting to demonstrate compliance with the legally adopted budget. The Current Expense Fund reports activities on three separate budgetary statements as follows:

- *Unrestricted* – The unrestricted portion of the Current Expense Fund is used to account for activity not presented in the restricted or school activity budgets. This includes general revenue (i.e. county appropriation; unrestricted federal and state funding; investment earnings) received by the Board.
- *Restricted* – The restricted portion Current Expense Fund is used to account for funds that are received that are restricted for purpose. This is primarily related to federal, state and local grants.
- *School Activity* – The school activity portion of the Current Expense Fund is used to account for various extra-curricular activities conducted at the schools such as sporting events and student organization sales which support student activities. The primary revenue source is charges for services.

Generally, the budgetary basis of accounting employs the modified accrual basis of accounting. The basis used to prepare the legally adopted budget differs from GAAP (modified accrual) as follows:

- State of Maryland retirement contributions made on behalf of the Board employees are a legal obligation of the State, and are not included in the Board budget. The budget does include the portion of the costs associated with the Maryland State Retirement and Pension System that was shifted to local governments in 2012.
- Lease financing is not included as a capital outlay and other financing source for budgetary purposes.
- Subscription arrangements are not included as capital outlay for budgetary purposes.
- Certain grant revenue in current and prior year was deferred due to availability criterion but included for budgetary purposes.
- Certain amounts related to SBITA, lease and other debt have been reclassified to the originally budgeted category.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – BUDGETARY INFORMATION (Continued)**

**B. Budgetary Presentation (Continued)**

Adjustments to reconcile the GAAP fund statement to the budgetary basis statement.

	<u>Unrestricted</u>	<u>Restricted</u>	<u>School Activity</u>	<u>Total Current Expense Fund</u>
<b>Revenues-Per GAAP Basis</b>	\$ 58,217,222	\$ 9,026,485	\$ 1,290,923	\$ 68,534,630
Revenue adjustments:				
Reduce on-behalf revenue payments for employer contributions to the Teachers Retirement and Pension Systems by the State of Maryland	(3,373,052)	-	-	(3,373,052)
Difference in grant revenue recognition due to availability	340,681	137,389	-	478,070
<b>Revenues-Per Budgetary Basis</b>	<u>55,184,851</u>	<u>9,163,874</u>	<u>1,290,923</u>	<u>65,639,648</u>
<b>Expenditures-Per GAAP Basis</b>	59,121,566	8,921,583	1,213,341	69,256,490
Expenditure adjustments:				
Reduce capital outlay for leases/SBITAs	(538,341)	(777,985)	-	(1,316,326)
Reclassification of expenditures related to lease, SBITA and other debt payments to originally budgeted amounts.	(460,626)	-	-	(460,626)
Reclassification of expenditures to categories and amounts in original budget	626,682	777,985	-	1,404,667
Reduce on-behalf expenditures for employer contributions to the Teachers Retirement and Pension Systems by the State of Maryland	<u>(3,373,052)</u>	<u>-</u>	<u>-</u>	<u>(3,373,052)</u>
<b>Expenditures-Per Budgetary Basis</b>	<u>55,376,229</u>	<u>8,921,583</u>	<u>1,213,341</u>	<u>65,511,153</u>
<b>Other Financing Sources (Uses)-Per GAAP Basis</b>	933,600	-	-	933,600
Other financing sources (uses) adjustments:				
Reduce proceeds from leases and subscription based information technology arrangements	<u>(372,300)</u>	<u>-</u>	<u>-</u>	<u>(372,300)</u>
<b>Other Financing Sources (Uses)-Per Budgetary Basis</b>	<u>561,300</u>	<u>-</u>	<u>-</u>	<u>561,300</u>
<b>Net Change in Fund Balance-GAAP Basis</b>	<u>29,256</u>	<u>104,902</u>	<u>77,582</u>	<u>211,740</u>
<b>Net Change in Fund Balance-Budgetary Basis</b>	<u>\$ 369,922</u>	<u>\$ 242,291</u>	<u>\$ 77,582</u>	<u>\$ 689,795</u>

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The following presents a detailed schedule of deferred outflows and inflows of resources in order to provide an adequate description of certain differences on the reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.

***Deferred Outflows***

<b>Description</b>	<b>OPEB Plan</b>	<b>ERS Plan</b>	<b>Total Statement of Net Position</b>
Differences between expected and actual experience	\$ -	\$ 444,197	\$ 444,197
Changes in assumptions	305,966	310,477	616,443
Changes in proportion and differences between employer contributions and share of contributions	-	719,592	719,592
Board contributions to the Employees' Pension System subsequent to the measurement date	-	472,299	472,299
Total deferred outflows of resources	<u>\$ 305,966</u>	<u>\$ 1,946,565</u>	<u>\$ 2,252,531</u>

***Deferred Inflows***

<b>Description</b>	<b>OPEB Plan</b>	<b>ERS Plan</b>	<b>Total Statement of Net Position</b>
Differences between expected and actual experience	\$ (2,561,473)	\$ (111,398)	\$ (2,672,871)
Changes in assumptions	(5,048,716)	-	(5,048,716)
Changes in proportion and differences between employer contributions and share of contributions	-	(359,059)	(359,059)
Net difference between projected and actual earnings on investments	(95,891)	(151,008)	(246,899)
Total deferred inflows of resources	<u>\$ (7,706,080)</u>	<u>\$ (621,465)</u>	<u>\$ (8,327,545)</u>

**NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLE/ACCOUNTING ERROR**

The Board adopted the provisions of GASB Statement 101, *Compensated Absences* for the current fiscal year. In accordance with GASB Statement 100, *Accounting Changes and Error Corrections*, this accounting change in principle must be reported retroactively by restating beginning net position.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLE/ACCOUNTING ERROR**

(Continued)

The effect of this restatement is as follows:

	<u>Governmental Activities</u>
Net Position, as previously reported, July 1, 2024	\$ 33,390,107
Add:	
Effect of Accounting Error for Subscription-Based Information Technology Arrangements	109,212
Deduct:	
Effect of Accounting Change for Implementation of GASB Statement 101	<u>(7,082,449)</u>
Net Position, July 1, 2024, restated	<u><u>\$ 26,416,870</u></u>

This prior period adjustments had no effect on the fund level financial statements since transactions are recorded on the modified accrual basis of accounting.

The accounting error related to subscription-based information technology arrangements arose from the misapplication of an accounting principle. Subscription-based liabilities and assets were reduced with the difference increasing net position by \$109,213.

**NOTE 5 – CASH AND INVESTMENTS**

The following is a reconciliation of cash and cash equivalents and investments of the Board of Education and accompanying fiduciary funds at June 30, 2025:

	<u>Governmental Activities</u>	<u>Other Post Employment Benefits Trust Fund</u>
Cash and Cash Equivalents	\$ 16,301,944	\$ -
Restricted Cash	950,413	36,265
Restricted Investments	321,076	2,480,647
Total	<u><u>\$ 17,573,433</u></u>	<u><u>\$ 2,516,912</u></u>

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – CASH AND INVESTMENTS (Continued)**

A deposit and investment summary is as follows:

**Deposit and Investment Summary**

	Governmental Activities	Other Post Employment Benefits Trust Fund
Deposits & Cash Equivalents	\$ 17,252,337	\$ 36,265
Certificates of Deposit	112,844	35,364
Money Markets	40,877	-
U.S. Government Obligations	2,168	85,197
Treasury Bills & Notes	111,462	15,015
Municipal Bonds & Notes	-	14,136
Preferred Stock	-	37,695
Corporate Bonds & Notes	-	615,930
Fixed Income Mutual Funds	-	273,057
Mutual Funds	53,627	865,833
Equity Securities	-	538,420
Cash on Hand	118	-
Total	\$ 17,573,433	\$ 2,516,912

*Custodial Credit Risk.*

In the case of deposits, this is the risk that in the event of a bank failure, the Board may not be able to recover all or a portion of the deposits. The Annotated Code of Maryland requires that public funds on deposit with a financial institution be fully secured by deposit insurance, surety bonds, obligations of the United States or its agencies, obligations of the state of Maryland or any of its agencies, or obligations of a county, other governmental authority, or municipal corporation in the state of Maryland.

At year end, the carrying amount of the Board's combined deposits were \$17,406,858 and the bank balance was \$17,663,077. Of the bank balance, \$997,101 was insured by the Federal Deposit Insurance Corporation (FDIC), and \$16,665,976 was collateralized by securities held by the Board's agent in the Board's name.

Statutes authorize the Board to invest unexpended or surplus monies in obligations of the U.S. Government, federal government agency obligations and repurchase agreements secured by direct government or agency obligations. In fiscal 2019, the Board approved an investment policy with respect to the portion of unexpended or surplus funds that may be concentrated at any one time in a specific type of investment instrument. This policy limits investments in U.S. federal government agency obligations, repurchase agreements, collateralized certificates of deposits and money market mutual funds.

Fiduciary fund assets at year-end consist of bank deposits held on behalf of the Other Postemployment Benefits Trust Fund. The fiduciary fund has employed professional investment managers to manage fund assets and to follow the Board's investment policies which are designed to protect plan principal and to achieve a real rate of return over the long term.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – CASH AND INVESTMENTS (Continued)**

A portion of fiduciary fund investments, having a market value of \$1,306,393 at June 30, 2025, were exposed to custodial credit risk as they were uninsured and held by the counterparty’s trust department but not in the name of the Board.

*Credit Risk*

The primary government’s policies specify that investments be diversified and fixed income securities be either in U.S. Treasury obligations or U.S. government agencies. It also allows investments in money market mutual funds and collateralized certificates of deposit. The primary government’s investment policies further limit credit risk by prescribing that the fixed income portfolio be well diversified with respect to type, industry and issuer. The investments of the primary government include debt securities having the following ratings, as of June 30, 2025:

Investment Type	Security Ratings			
	Moody's Rating	Amount	Standard and Poor's	Amount
U.S. Government Agencies	Not Rated	\$ 2,168	Not Rated	\$ 2,168
Money Markets	Not Rated	40,877	Not Rated	40,877
Treasury Bills and Notes	AA1	111,462	Not Rated	111,462
Total Market Value		<u>\$ 154,507</u>		<u>\$ 154,507</u>

The Fiduciary funds have investment policies specifying that investments in corporate bonds be primarily investment grade securities rated by Moody’s or Standard and Poor’s. The Fiduciary fund investment policies further limit credit risk by prescribing that the fixed income portfolio be well diversified with respect to type, industry and issuer. Fiduciary fund investment policies do not place limits on investment managers with respect to the duration of their investments. The investments of the fiduciary funds include debt securities having the following ratings, as of June 30, 2025:

Investment Type	Security Ratings			
	Moody's Rating	Amount	Standard and Poor's	Amount
U.S. Government Agencies	AAA	\$ 49,664	AA+	\$ 85,197
U.S. Government Agencies	Not Rated	35,533	N/A	-
Municipal Bonds and Notes	AAA	14,136	Not Rated	14,136
Certificates of Deposit	Not Rated	35,364	Not Rated	35,364
Treasury Bills and Notes	AAA	15,015	AA+	15,015
Corporate Bonds and Notes	AA3	10,253	A+	30,961
Corporate Bonds and Notes	A1	49,632	A	148,974
Corporate Bonds and Notes	A2	98,387	A-	144,783
Corporate Bonds and Notes	A3	167,205	BBB+	275,796
Corporate Bonds and Notes	BAA1	259,733	BBB	15,416
Corporate Bonds and Notes	BAA2	15,416	N/A	-
Corporate Bonds and Notes	Not Rated	15,304	Not Rated	-
Total Market Value		<u>\$ 765,642</u>		<u>\$ 765,642</u>

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – CASH AND INVESTMENTS (Continued)**

*Interest Rate Risk*

The Board’s policy with respect to interest rate risk is that the fixed income portfolio shall be well diversified with respect to type, industry and issuer in order to minimize risk exposure. However, obligations issued or guaranteed by the U.S. government may be held without limitation. Fiduciary fund investments include all fixed income securities with interest rates specifically identified as follows with respect to maturity dates:

<i>Other Post Employment Benefits Trust Fund</i>		
<u>Maturity Date</u>	<u>Interest Rates</u>	<u>June 30, 2025</u>
2026	5.10%	\$ 20,133
2027	4.27%-5.95%	49,988
2028	3.5%-4.80%	74,981
2029	3.75%-5.2%	40,513
2030	3.3%-5.3%	80,073
2030-2035	4.0%-6.125%	475,900
2035-2040	4.85%	24,054
	<b>Total Market Value</b>	<u><u>\$ 765,642</u></u>

Primary Government policies with respect to interest rate risk is to limit the portfolio to U.S. Treasury obligations or U.S. government agencies. It also allows investments in money market mutual funds and collateralized non-negotiable certificates of deposit. Primary government investments include all fixed income securities with interest rates specifically identified as follows with respect to maturity dates:

<i>Primary Government</i>		
<u>Maturity Date</u>	<u>Interest Rates</u>	<u>June 30, 2025</u>
2026	0.01%-3.99%	\$ 40,877
2033	5.50%	2,168
2043	3.88%	26,821
2045	4.75%	84,641
	<b>Total Market Value</b>	<u><u>\$ 154,507</u></u>

*Fair Value Measurement*

The Board 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; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – CASH AND INVESTMENTS (Continued)**

Fixed Income Securities are valued by the Board’s pricing agent using either quotes from current buyers or by referencing similar transactions that occurred near the measurement date.

***Other Post Employment Benefits Trust Fund***

	June 30, 2025	Fair Value Measurement Using	
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Market Inputs (Level 2)
U.S. Government Obligations	\$ 100,212	\$ -	\$ 100,212
Fixed Income Securities	665,430	-	665,430
Mutual Funds	1,138,890	1,138,890	-
Equity Securities	576,115	576,115	-
<b>Total</b>	<b>\$ 2,480,647</b>	<b>\$ 1,715,005</b>	<b>\$ 765,642</b>

***Primary Government***

	June 30, 2025	Fair Value Measurement Using	
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Market Inputs (Level 2)
U.S. Government Obligations	\$ 2,168	\$ -	\$ 2,168
Money Markets	40,877	-	40,877
Mutual Funds	53,627	53,627	-
Treasury Bills and Notes	111,462	-	111,462
<b>Total</b>	<b>\$ 208,134</b>	<b>\$ 53,627</b>	<b>\$ 154,507</b>

**NOTE 6 – INTERFUND BALANCES AND TRANSFERS**

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

Purpose	Due From Other Funds	Due to Other Funds	
	Current Expense Fund	School Construction Fund	Food Service Fund
Funding provided for capital projects	\$ 621,856	\$ (621,856)	\$ -
Accrued payroll at year end	138,221	-	(138,221)
	<b>\$ 760,077</b>	<b>\$ (621,856)</b>	<b>\$ (138,221)</b>

For the fiscal year ended June 30, 2025, a \$561,300 transfer was made from the school construction fund to the current expense fund. Transfers are made at the end of the year for any capital overages or shortages within the school construction fund.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – CAPITAL ASSETS**

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

<b>Governmental Activities</b>	<b>Balance June 30, 2024</b>	<b>Additions &amp; Transfers</b>	<b>Dispositions &amp; Transfers</b>	<b>Balance June 30, 2025</b>
<b>Capital assets not being depreciated</b>				
Land and improvements	\$ 3,445,080	\$ -	\$ -	\$ 3,445,080
Construction in progress	14,174,217	34,522,475	(22,562,453)	26,134,239
Total capital assets, not being depreciated	17,619,297	34,522,475	(22,562,453)	29,579,319
<b>Capital and right to use assets being depreciated/amortized</b>				
Buildings and improvements	113,672,638	23,275,222	-	136,947,860
Right to use leased assets - buildings	-	271,019	-	271,019
Equipment	7,272,411	515,125	(87,670)	7,699,866
Right to use leased assets - equipment	146,950	379,697	(146,950)	379,697
Right to use subscription-based assets	1,617,719	936,644	(1,617,719)	936,644
Vehicles	1,069,567	105,526	(16,900)	1,158,193
Total capital assets being depreciated	123,779,285	25,483,233	(1,869,239)	147,393,279
<b>Less accumulated depreciation/amortization</b>				
Buildings and improvements depreciation	68,951,837	4,133,635	-	73,085,472
Right to use leased assets-building amortization	-	135,509	-	135,509
Equipment depreciation	4,249,325	589,935	(65,647)	4,773,613
Right to use leased assets-equipment amortization	146,950	25,371	(146,950)	25,371
Right to use subscription-based assets amortization	562,778	205,159	(562,778)	205,159
Vehicles depreciation	629,170	95,357	(16,900)	707,627
Total accumulated depreciation/amortization	74,540,060	5,184,966	(792,275)	78,932,751
Capital assets being depreciated	49,239,225	20,298,267	(1,076,964)	68,460,528
Capital assets, net	\$ 66,858,522	\$ 54,820,742	\$ (23,639,417)	\$ 98,039,847

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – CAPITAL ASSETS (Continued)**

Depreciation and amortization expense for the year ended June 30, 2025 was charged to governmental functions as follows:

	<u>Subscription- Based Assets</u>	<u>Leased Assets</u>	<u>Buildings, Equipment and Vehicles</u>	<u>Total</u>
Administration	\$ -	\$ 2,774	\$ 78,456	\$ 81,230
Mid-level Administration	-	21,131	-	21,131
Instruction-Other	205,159	135,509	4,485,852	4,826,520
Special Education	-	986	3,494	4,480
Student Transportation	-	-	23,610	23,610
Operation of Plant	-	480	65,956	66,436
Maintenance of Plant	-	-	70,178	70,178
Food Service	-	-	88,401	88,401
Community Services	-	-	2,980	2,980
Total depreciation/amortization expense - governmental activities	<u>\$ 205,159</u>	<u>\$ 160,880</u>	<u>\$ 4,818,927</u>	<u>\$ 5,184,966</u>

The Board had the following active construction projects as of June 30, 2025:

	<u>Spent-To-Date</u>	<u>Remaining Commitment</u>
Southern/Broadford Elementary (A&E Only)	\$ 1,773,027	\$ 2,581,019
Northern High Roof Replacement	1,791,151	1,666,849
Southern High Roof Replacement	3,936,140	872,860
Southern High Fieldhouse	757,465	9,721
Wastewater Plant	49,627	50,374
Broadford Portables	363,418	-
Broadford/Southern Middle Construction	17,463,411	31,492,964
Totals	<u>\$ 26,134,239</u>	<u>\$ 36,673,787</u>

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 – LONG-TERM LIABILITIES**

The following is a summary of long-term liability transactions by type for the fiscal year ended June 30, 2025:

	Balance June 30, 2024	Additions	Principal Repayments & Other Reductions	Balance June 30, 2025	Due Within One Year
Compensated absences payable*	\$ 1,348,341	\$ 7,082,449	\$ (149,030)	\$ 8,281,760	\$2,313,649
Leases	1,498	511,760	(81,450)	431,808	141,887
SBITAs*	1,121,373	-	(1,121,373)	-	-
Finance purchase payable	2,449,541	-	(382,100)	2,067,441	622,364
Accrued interest payable	42,781	2,622	(42,781)	2,622	2,622
Net OPEB liability	33,929,246	2,367,002	(5,775,840)	30,520,408	-
Net pension liability	3,941,283	302,786	-	4,244,069	-
<b>Total long-term liabilities</b>	<b>\$ 42,834,063</b>	<b>\$ 10,266,619</b>	<b>\$ (7,552,574)</b>	<b>\$ 45,548,108</b>	<b>\$3,080,522</b>

\* - See Note 4 for prior period adjustments

As detailed in Note 4, the Board implemented the provisions of GASB 101, *Compensated Absences*. At the implementation date, the liability for compensated absences increased by \$7,082,449 for a total restated liability of \$8,430,790 at the beginning of the fiscal year. During the year, the liability decreased by \$149,030. The compensated absence liability is shown at a net amount.

**NOTE 9 – FINANCE PURCHASE PAYABLE**

The Board has entered into equipment agreements with the Bank of America and Key Equipment Finance to provide financing for the acquisition, construction and installation of energy efficiency improvements. In accordance with Governmental Accounting Standards Board (GASB) Statement Number 87, *Leases*, these agreements qualify as a finance purchase for accounting purposes and therefore, have been recorded at the present value of the future minimum contract payments at the inception date. The construction costs paid from these financing arrangements totaled \$6,807,404 and are reported as buildings and improvements in the accompanying government-wide financial statements. Depreciation expense related to assets totaled \$458,955 for the year ended June 30, 2025 and was charged to the instruction function for government wide reporting purposes. Accumulated depreciation of \$5,139,298 is reported as a component of accumulated depreciation on buildings and improvements as of June 30, 2025.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – FINANCE PURCHASE PAYABLE (Continued)**

Biannual contract payments are due in January and July of each year under the agreement with Bank of America and include principal and interest at 3.14%. The final payment is due on January 19, 2027. Bank of America has a first priority security lien interest in the energy efficiency improvements acquired with the borrowing proceeds. Annual contract payments are due in February each year under the agreement with Key Equipment Finance and include principal and interest at 2.79%. The final payment is due on February 23, 2031. Both agreements contain events of default including the failure of the Board to make the required payment by the due date as set forth in the agreements; and the failure by the Board to observe and perform any covenant, condition, or agreement set forth in the debt agreements. Remedies of default authorize the lender to declare all rental payments to be due with or without terminating the agreement; or to retake possession of equipment.

The following are the future finance purchase payments due under the agreements at June 30, 2025:

Fiscal Year Ending June 30,	Principal	Interest
2026	\$ 622,364	\$ 57,556
2027	671,826	38,359
2028	205,187	21,566
2029	216,543	15,843
2030	228,377	9,804
2031	123,144	3,434
Total	<u>\$ 2,067,441</u>	<u>\$ 146,562</u>

**NOTE 10 – LEASES**

The Board of Education has entered into three agreements during the fiscal year for the acquisition of copiers, mailing equipment, and modular classrooms that qualify as leases under GASB Statement No. 87, *Leases*. The total amount of the right to use leased assets recognized is \$650,716 (see Note 7 for right to use leased asset detail). The copier lease, which began in March of 2025, has an initial period of 5 years with monthly payments of \$7,397 and the mailing equipment lease had an initial period of 5 years with quarterly payments of \$566. The imputed interest rate on these leases is 7.39%. The modular classroom lease, which began in July of 2024, has an initial period of two years and monthly payments of \$6,490. This lease has an imputed interest rate of 6.89%. The total amount of lease liabilities at June 30, 2025 is \$431,808. Lease payments made during the current fiscal year totaled \$108,900, which was comprised of \$95,337 in principal and \$13,563 in interest.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 – LEASES (Continued)**

The following are the future minimum principal and interest lease payments at June 30, 2025:

Fiscal Year Ending June 30,	Principal	Interest
2026	\$ 141,887	\$ 27,021
2027	71,994	19,033
2028	77,499	13,529
2029	82,858	7,603
2030	57,570	1,606
Total	<u>\$ 431,808</u>	<u>\$ 68,792</u>

**NOTE 11 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

The Board of Education has entered into multiple agreements related to subscription-based information technology that are subject to the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The Board paid \$936,644 in principal SBITA payments during the current fiscal year. All of the SBITAs were paid in full at the inception of the term of the agreement so a liability is not presented on the financial statements. The assets related to the SBITAs are being amortized from a period of 2 to 7 years (see Note 7).

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

The Board of Education’s defined benefit other Postemployment benefit plan (the Plan) provides healthcare benefits to eligible retirees. The Plan is a single-employer defined benefit OPEB plan. The Board formed and administers an OPEB Trust Fund to allow for prefunding of future OPEB benefits. The Board and Plan Trustee at their discretion may establish, alter, amend, modify or terminate their practice of providing healthcare benefits to retirees in accordance with the terms outlined in the OPEB Trust Agreement. They may also require retirees to make greater contributions toward the funding of their benefits. The Board makes the annual determination as to the amount that will be contributed to the OPEB Trust Fund. The OPEB Trust Fund does not issue a stand-alone financial report and is included as a fiduciary fund in this financial report.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)**

Details of the Postemployment benefits under the Plan are as follows:

The Board provides Postemployment health care benefits based on age and years of service to all permanent full-time employees of the Board. Retirees must have a minimum of 10 years full-time equivalent service with The Board of Education of Garrett County, The Board of Garrett County Commissioners, Garrett College, or a combination thereof. After June 30, 2018, the County and College no longer offer retiree benefits to new hires. Therefore, new hires of the Board after June 30, 2018 must serve all years solely to the Board for eligibility.

Retirees are given the option to maintain health insurance coverage after they retire and until they reach age 65. After age 65, the Board contributes a monthly amount to a Health Reimbursement Account (HRA) based on the retiree’s age and years of service. For the employees hired on or after July 1, 2006, dependent insurance coverage may be purchased upon retirement at the retiree’s own cost. The component for retirees age 65 and over was made effective on January 1, 2017.

As of the most recent valuation date, the employees covered by the benefit terms were as follows:

Inactive employees or beneficiaries currently receiving benefit payments	330
Active employees	<u>423</u>
Total	<u><u>753</u></u>

The OPEB Trust Fund is used to account for prefunding contributions made by the Board on behalf of the plan participants. For the year ended June 30, 2025, the Board made \$0 in prefunding contributions to the OPEB Trust. Current OPEB premium payments made on behalf of retirees as well as the costs incurred to administer the OPEB plan are paid from the general operating funds of the Board.

The following table outlines coverage percentages paid by the retiree and the Board under the plan based on years of service at date of retirement:

<u>Years of Service</u>	<u>Retiree</u>	
	<u>Individual Percentage</u>	<u>Employer Percentage</u>
Less than 10 years	No coverage	No coverage
10 or less than 15 years	60%	40%
15 or less than 21 years	50%	50%
21 or less than 26 years	40%	60%
26 or less than 30 years	20%	80%
30 or more years	0%	100%

As of the most recent valuation date, 330 Board retirees participated in this program.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION  
BENEFITS (OPEB) (Continued)**

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 total OPEB liability was determined by an actuarial valuation utilizing the employee data as of January 1, 2025 with asset information and plan provisions in effect as of June 30, 2025.

The total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increase	4.0 percent
Discount rate	4.81 percent
Investment rate of return	6.0 percent
Healthcare cost trend rates	7.5 percent for 2025, decreasing linearly by .25 percent per year to an ultimate rate of 4.5 percent

Mortality rates were based on the Pub-2010 Teachers Employees Headcount-weighted with fully generational scale MP-2021.

The actuarial assumptions used in the January 1, 2025 valuation were based on the results of an actuarial experience study for the period January 1, 2024 – December 31, 2024.

For the year ended June 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 9.61%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The assets of the OPEB Trust Fund assets are administered by professional investment managers who follow the Board’s investment policies. The following target allocation was the adopted asset allocation policy as of April 18, 2024.

<u>Asset Class</u>	<u>Target Allocation</u>
Cash and Cash Equivalents	5%-15%
Equity	30%-60%
Fixed Income Securities	30%-65%

The current level of plan assets is sufficient to cover only one year of benefit payments. As such, all future years of expected payments were discounted using the average yield on 20-year high-grade municipal bonds per paragraph 36 of GASB statement 75. As of June 30, 2025, the yield to maturity of 20-year high-grade bonds was 4.81% according to the S&P Municipal Bond 20-Year Index Rate. The discount rate at June 30, 2024 was 4.21%.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION  
BENEFITS (OPEB) (Continued)**

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances as of July 1, 2024	\$ 36,244,425	\$ 2,315,179	\$ 33,929,246
Changes for the year:			
Service cost	857,265	-	857,265
Interest	1,501,315	-	1,501,315
Differences between expected and actual experience	(2,437,674)	-	(2,437,674)
Assumption and method changes	(1,936,484)	-	(1,936,484)
Contributions - employer	-	1,179,653	(1,179,653)
Net investment income	-	222,029	(222,029)
Benefit payments	(1,179,653)	(1,179,653)	-
Administrative expense and other changes	-	(8,422)	8,422
Net Changes	<u>(3,195,231)</u>	<u>213,607</u>	<u>(3,408,838)</u>
Balances as of June 30, 2025	<u><u>\$ 33,049,194</u></u>	<u><u>\$ 2,528,786</u></u>	<u><u>\$ 30,520,408</u></u>

The assumption change affecting the decrease in the net OPEB liability was primarily due to the change in the discount rate from 4.21% to 4.81%.

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 (3.81 percent) or 1 percentage point higher (5.81 percent) than the current discount rate:

	1% decrease (3.81%)	Current rate (4.81%)	1% increase (5.81%)
Net OPEB liability	<u><u>\$ 34,093,250</u></u>	<u><u>\$ 30,520,408</u></u>	<u><u>\$ 27,474,276</u></u>

The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower (6.5 percent decreasing to 3.5 percent, 0.0% HRA) or 1-percentage-point higher (8.5 percent decreasing to 5.5 percent, 2.0% HRA) than the current healthcare cost trend rates:

	Healthcare Cost Trend Rates		
	1% decrease (6.5% decreasing to 3.5%, 0.0% HRA)	Current Rate (7.5% decreasing to 4.5%, 1.0% HRA)	1% increase (8.5% decreasing to 5.5%, 2.0% HRA)
Net OPEB liability	<u><u>\$ 27,055,151</u></u>	<u><u>\$ 30,520,408</u></u>	<u><u>\$ 34,659,890</u></u>

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)**

For the year ended June 30, 2025, the Board recognized OPEB expense (in the form of contributions) at the fund level of \$1,179,653. Additional OPEB expense (offset) of (\$72,023) was recognized at the government-wide level for a total OPEB expense of \$1,107,630. At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ -	\$ (2,561,473)
Changes of assumptions	305,966	(5,048,716)
Net difference between projected and actual investment earnings	-	(95,891)
	<u>\$ 305,966</u>	<u>\$ (7,706,080)</u>

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

2026	\$ (2,379,522)
2027	(2,369,388)
2028	(1,277,917)
2029	(815,486)
2030	(557,801)
Total	<u>\$ (7,400,114)</u>

**NOTE 13 – STATE RETIREMENT PLANS**

General Information about the Pension Plan

The Board of Education of Garrett County participates in the Maryland State Retirement and Pension System, a cost sharing multiple-employer public employee retirement system. Substantially all employees of the Board are eligible to participate in the System, which provides retirement, disability and death benefits in accordance with State statutes. The System is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and managed by a board of trustees.

The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the Teachers and Employees Retirement and Pension Systems. The annual report for the year ended June 30, 2024 (most recent available data) may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202, by calling 1-800-492-5909, or visiting [sra.maryland.gov/annual-financial-reports](http://sra.maryland.gov/annual-financial-reports).

# BOARD OF EDUCATION OF GARRETT COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 13 – STATE RETIREMENT PLANS (Continued)

For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individuals who become a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on whether the retiree or designated beneficiary has attained age and similar actuarial factors.

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

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

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

A member of either the Teachers' or Employees' Retirement System 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 Teachers' or Employees' Retirement System member is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System 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 Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System 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 Teachers' or Employees' Pension System is 30%.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – STATE RETIREMENT PLANS (Continued)**

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. A member who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems, the method by which the annual COLAs are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two part combination COLA depending upon the COLA election made by the member.

However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011, the adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

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

Employees covered under the TRS and the ERS are required to contribute 7.0% of earned compensation.

The State's contributions on behalf of the Board for the year ended June 30, 2025 were \$3,373,052 which were equal to the State's required contributions for that year. The Board's contributions for the year ended June 30, 2025 were \$1,992,106 and \$472,299 to the TRS and ERS, respectively, which were equal to the Board's required contributions for that year.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – STATE RETIREMENT PLANS (Continued)**

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

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

At the time the GASB's pension changes were under consideration, an initiative for pension cost sharing was before the 2012 session of the General Assembly. This legislation, which became law, required each BOE to begin paying the "normal cost" for their teachers starting in FY 2013. It was structured as a four-year phase-in to the full normal cost with 50% paid in FY 2013. Full normal cost was paid in FY 2017 and each year thereafter.

Because the State of Maryland pays the unfunded liability and the local BOEs pay the normal cost for the teachers' pension, the local Boards of Education are not required under GASB 68 to record their share of the unfunded pension liability for the TRS, but instead, that liability is recorded by the State of Maryland. The portion of the net pension liability recorded by the State of Maryland related to the Board's teachers' pensions was \$48,656,455 as of June 30, 2025. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024. The Board's portion of the net pension liability recorded by the State was calculated based on pension contributions made for Board teacher pensions relative to total contributions made by all participants to the Maryland State Retirement and Pension System for the year ended June 30, 2024, actuarially determined. At June 30, 2024, the Board's proportion was 0.1850 percent.

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

At June 30, 2025, the Board reported a liability of \$4,244,069 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024. The Board's proportion of the net pension liability was based on the Board's contributions to the ERS relative to total contributions made by all participants to the Maryland State Retirement and Pension System for the year ended June 30, 2024, actuarially determined. At June 30, 2024, the Board's proportion was 0.0161 percent. This was a decrease of 5.72% from the Board's proportionate share in the prior fiscal year. Pension expense for the ERS plan for the year ended June 30, 2025 was \$567,249.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – STATE RETIREMENT PLANS (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Changes of assumptions	\$ 310,477	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(151,008)
Difference between actual and expected experience	444,197	(111,398)
Changes in proportion and differences between employer contributions and share of contributions	719,592	(359,059)
Board contributions to the Employees' Pension System subsequent to the measurement date	472,299	-
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 1,946,565</u>	<u>\$ (621,465)</u>

The \$472,299 reported as deferred outflows of resources related to pensions resulting from Board contributions to the ERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (offset) as follows:

2026	\$ 93,568
2027	390,747
2028	250,122
2029	89,499
2030	28,865
	<u>                    </u>
Total	<u>\$ 852,801</u>

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – STATE RETIREMENT PLANS (Continued)**

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

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Inflation	2.5% general
Salary increases	3.0% to 22.5%, including inflation
Discount rate	6.80%
Investment rate of return	6.80%
Mortality	Various versions of the Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2021 fully generational mortality improvement scale.

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 of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the System after considering input from the System’s investment consultant(s) and actuary(s).

For each major asset class that is included in the System’s target asset allocation as of June 30, 2024, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34.00%	6.00%
Private Equity	16.00%	8.50%
Rate Sensitive	20.00%	2.40%
Credit Opportunity	9.00%	5.40%
Real Assets	15.00%	5.50%
Absolute Return	6.00%	3.90%
Total	100.00%	

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – STATE RETIREMENT PLANS (Continued)**

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

	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
Board's proportionate share of the net pension liability	<u>\$ 6,168,096</u>	<u>\$ 4,244,069</u>	<u>\$ 2,640,257</u>

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

**NOTE 14 – VOLUNTARY RETIREMENT INCENTIVE PLAN**

The Board offered a \$1,000 early notification retirement stipend to those employees who notified human resources, prior to January 14, 2025, of their intent to retire from the Maryland State Retirement and Pension System on or before August 1, 2025. Employees were required to meet the Retirement and Pension System’s age and service requirements in order to be eligible for the stipend. Five employees met the notification and qualification requirements and earned total stipends of \$5,000 for the year ended June 30, 2025.

**NOTE 15 – RISK MANAGEMENT**

The Board of Education of Garrett County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Effective July 1, 2009 the Garrett County Employees Health Care Plan became self-insured for hospitalization and medical benefits provided to its employees within specific limits. The Board participates in the Plan with the Board of Garrett County Commissioners and Garrett College. The County’s actuarial firm establishes premium rates for Plan participants based on claims history. The Board submits its pro-rata portion of the actuarially prescribed premium to the Board of Garrett County Commissioners at the end of each pay period based on the number of employees covered and types of coverages in effect.

Should actual claims exceed the projected claims used by the actuaries in establishing rates, the shortfall would be made up through future premium rate increases.

The Board is one of nineteen Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Group Insurance Pool (the Pool), a public entity risk pool organized as a trust. The School System pays an annual premium to the Pool for its property, liability and automobile coverage. Such premiums are actuarially calculated for the Pool as a whole based on student enrollment, number and type of vehicles as well as experience modification factors. The Pool is reinsured on a claims-made basis for legal liability, covering claims aggregating \$3 million per School System per year.

# BOARD OF EDUCATION OF GARRETT COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 15 – RISK MANAGEMENT (Continued)

Additionally, the Board is one of seventeen Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Workers' Compensation Group Self-Insurance Fund (the Fund). The Fund was established as a public entity risk pool organized to provide worker's compensation indemnity and medical benefits coverage for participating school boards. The fund is operated under regulations promulgated by the State Worker's Compensation Commission (COMAR 14.09.02). Each Fund participant pays an annual premium calculated on its payroll, according to standard classification, with an experience modification applied. Premiums billed to the Fund members are determined on an actuarial basis. The fund carries an excess insurance policy providing specific excess and employer liability protection coverage, thus reducing the potential of assessment against Fund members. The Fund provides coverage for up to a maximum of \$500,000 for each worker's compensation claim.

Settled claims from these risks have not exceeded insurance plan coverage during any of the past three years.

### NOTE 16 – RELATED PARTIES

The Board of Education is closely related to the Board of Garrett County Commissioners (Primary Government) and the Maryland State Department of Education and is dependent on these two sources for the major portion of its current expense funding. The amounts received during the year are disclosed within the financial statements. The Board of Education also participates in a Employee Health Care Self-Insurance Plan administered by Garrett County Commission.

### NOTE 17 – COMMITMENTS AND CONTINGENCIES

#### Financial Assistance Program Compliance

The Board participates in numerous Federal and State grant/loan programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Board has not complied with the laws and regulations governing the grant/loan programs, refunds of any money received may be required or, the collectability of any related receivable at June 30, 2025 may be impaired. In the opinion of the Board, the amount, if any, of contingent liabilities relating to non-compliance with the laws and regulations governing the respective grant/loan programs is not material; consequently, no provision has been recorded in the accompanying financial statements for such contingencies.

### NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 29, 2025, the date the financial statements were available to be issued, and has determined that there are no subsequent events that require recognition in these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BOARD OF EDUCATION OF GARRETT COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE BOARD'S NET OPEB LIABILITY AND RELATED RATIOS**

	<b>Fiscal Year 2025</b>	<b>Fiscal Year 2024</b>	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>	<b>Fiscal Year 2021</b>	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2018</b>
<b>Total OPEB liability</b>								
Service Cost	\$ 857,265	\$ 846,969	\$ 967,023	\$ 1,312,111	\$ 1,309,059	\$ 882,210	\$ 790,272	\$ 834,100
Interest	1,501,315	1,433,728	1,284,946	901,882	942,667	1,125,386	1,152,179	958,874
Difference between expected and actual experience	(2,437,674)	-	(341,598)	-	(2,286,216)	-	747,067	620,579
Changes of assumptions	(1,936,484)	(159,869)	(2,330,721)	(6,544,442)	250,273	9,603,519	742,738	(2,290,779)
Benefit payments	<u>(1,179,653)</u>	<u>(1,170,904)</u>	<u>(1,156,066)</u>	<u>(1,098,995)</u>	<u>(1,133,885)</u>	<u>(1,083,732)</u>	<u>(1,016,851)</u>	<u>(956,707)</u>
<b>Net changes in total OPEB liability</b>	<b>(3,195,231)</b>	<b>949,924</b>	<b>(1,576,416)</b>	<b>(5,429,444)</b>	<b>(918,102)</b>	<b>10,527,383</b>	<b>2,415,405</b>	<b>(833,933)</b>
<b>Total OPEB liability - beginning</b>	<b>36,244,425</b>	<b>35,294,501</b>	<b>36,870,917</b>	<b>42,300,361</b>	<b>43,218,463</b>	<b>32,691,080</b>	<b>30,275,675</b>	<b>31,109,608</b>
<b>Total OPEB liability - ending (a)</b>	<b><u>\$ 33,049,194</u></b>	<b><u>\$ 36,244,425</u></b>	<b><u>\$ 35,294,501</u></b>	<b><u>\$ 36,870,917</u></b>	<b><u>\$ 42,300,361</u></b>	<b><u>\$ 43,218,463</u></b>	<b><u>\$ 32,691,080</u></b>	<b><u>\$ 30,275,675</u></b>
<b>Plan fiduciary net position</b>								
Contributions - employer	\$ 1,179,653	\$ 1,170,904	\$ 1,156,066	\$ 1,098,995	\$ 1,133,885	\$ 1,083,732	\$ 1,391,851	\$ 956,707
Net investment income	222,029	260,521	163,311	(234,761)	381,431	94,235	83,695	82,176
Benefit payments	(1,179,653)	(1,170,904)	(1,156,066)	(1,098,995)	(1,133,885)	(1,083,732)	(1,016,851)	(956,707)
Administrative expense	<u>(8,422)</u>	<u>(7,465)</u>	<u>(6,814)</u>	<u>(7,472)</u>	-	<u>(362)</u>	<u>(4,303)</u>	<u>(4,836)</u>
<b>Net changes in plan fiduciary net position</b>	<b>213,607</b>	<b>253,056</b>	<b>156,497</b>	<b>(242,233)</b>	<b>381,431</b>	<b>93,873</b>	<b>454,392</b>	<b>77,340</b>
<b>Plan fiduciary net position - beginning</b>	<b>2,315,179</b>	<b>2,062,123</b>	<b>1,905,626</b>	<b>2,147,859</b>	<b>1,766,428</b>	<b>1,672,555</b>	<b>1,218,163</b>	<b>1,140,823</b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 2,528,786</u></b>	<b><u>\$ 2,315,179</u></b>	<b><u>\$ 2,062,123</u></b>	<b><u>\$ 1,905,626</u></b>	<b><u>\$ 2,147,859</u></b>	<b><u>\$ 1,766,428</u></b>	<b><u>\$ 1,672,555</u></b>	<b><u>\$ 1,218,163</u></b>
<b>Board's net OPEB liability - ending (a) - (b)</b>	<b>\$ 30,520,408</b>	<b>\$ 33,929,246</b>	<b>\$ 33,232,378</b>	<b>\$ 34,965,291</b>	<b>\$ 40,152,502</b>	<b>\$ 41,452,035</b>	<b>\$ 31,018,525</b>	<b>\$ 29,057,512</b>
Plan fiduciary net position as a percentage of total OPEB liability	7.65%	6.39%	5.84%	5.17%	5.08%	4.09%	5.12%	4.02%
Covered employee payroll	\$ 27,288,647	\$ 26,127,503	\$ 26,404,299	\$ 26,485,298	\$ 24,978,756	\$ 24,516,317	\$ 24,516,317	\$ 23,950,813
Net liability as a percentage of covered payroll	111.84%	129.86%	125.86%	132.02%	160.75%	169.08%	126.52%	121.32%
Annual money-weighted rate of return	9.61%	12.66%	8.59%	10.95%	22.02%	6.00%	6.88%	7.22%

This schedule is presented to illustrate the requirement to show the information for 10 years. Information prior to June 30, 2017 is not available.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

	<u>Fiscal Year 2025</u>	<u>Fiscal Year 2024</u>	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
Board's percentage share of the ERS net pension liability	0.016%	0.017%	0.016%	0.019%	0.016%	0.017%	0.016%	0.015%	0.016%	0.016%
Board's proportionate share of the ERS net pension liability	\$ 4,244,069	\$ 3,941,283	\$ 3,246,030	\$ 2,799,923	\$ 3,711,887	\$ 3,486,789	\$ 3,456,888	\$ 3,318,137	\$ 3,827,956	\$ 3,248,091
State's proportionate share of the TRS net pension liability	<u>48,656,455</u>	<u>45,733,716</u>	<u>40,018,388</u>	<u>30,864,188</u>	<u>41,576,605</u>	<u>40,729,036</u>	<u>43,957,397</u>	<u>46,727,480</u>	<u>50,860,342</u>	<u>41,722,945</u>
<b>TOTAL</b>	<u>\$ 52,900,524</u>	<u>\$ 49,674,999</u>	<u>\$ 43,264,418</u>	<u>\$ 33,664,111</u>	<u>\$ 45,288,492</u>	<u>\$ 44,215,825</u>	<u>\$ 47,414,285</u>	<u>\$ 50,045,617</u>	<u>\$ 54,688,298</u>	<u>\$ 44,971,036</u>
Board's covered employee payroll	\$ 34,960,211	\$ 34,405,253	\$ 33,287,351	\$ 31,423,174	\$ 30,832,302	\$ 28,304,250	\$ 27,807,284	\$ 28,198,755	\$ 28,668,571	\$ 28,356,891
Board's proportionate share of the net pension liability as a percentage of its covered payroll	12.14%	11.46%	9.75%	8.91%	12.04%	12.32%	12.43%	11.77%	13.35%	11.45%
Plan fiduciary net position as a percentage of the total pension liability	72.08%	73.81%	76.27%	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%

**BOARD OF EDUCATION OF GARRETT COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE BOARD'S CONTRIBUTIONS  
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

	<u>Fiscal Year 2025</u>	<u>Fiscal Year 2024</u>	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
Contractually required contributions										
- Employee Retirement System	\$ 472,299	\$ 422,450	\$ 417,382	\$ 370,264	\$ 411,250	\$ 352,125	\$ 347,147	\$ 328,541	\$ 312,320	\$ 316,062
Contributions in relation to the contractually required contribution - Employee Retirement System	<u>(472,299)</u>	<u>(422,450)</u>	<u>(417,382)</u>	<u>(370,264)</u>	<u>(411,250)</u>	<u>(352,125)</u>	<u>(347,147)</u>	<u>(328,541)</u>	<u>(312,320)</u>	<u>(316,062)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$35,503,747	\$34,960,211	\$34,405,253	\$33,287,351	\$31,423,174	\$30,832,302	\$28,304,250	\$ 27,807,284	\$ 28,198,755	\$28,668,571
Contributions as a percentage of covered-employee payroll - ERS	1.33%	1.21%	1.21%	1.11%	1.31%	1.14%	1.23%	1.18%	1.11%	1.10%

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE 1 - MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

Valuation Date: June 30, 2024

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method	Individual Entry Age Normal Cost Method
Amortization Method	Level Percentage of Projected Payroll, Closed
Remaining Amortization Period	15 Years
Asset Valuation Method	5 Year Smoothed Market Value, 20% Collar
Salary Increases	3.0% to 22.5%, including inflation
Inflation	2.5% general
Discount Rate	6.80%
Investment Rate of Return	6.80%
Mortality Rate	Various versions of the Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2021 fully generational mortality improvement scale

**Benefit terms:**

There were no significant benefit changes during the year.\*

**Changes in Assumptions:**

There were no significant changes in actuarial assumptions from the preceding year.\*

\*The Total Pension Liability as of June 30, 2024 includes the impact of benefit changes (special death benefits for Judges) and assumption changes associated with the 2024 Experience Study for the period of July 1, 2018 to June 30, 2023. These changes first affected the 2024 actuarial valuation which computes the employer contributions for fiscal year 2026.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE 2 – GARRETT BOARD OF EDUCATION OTHER POSTEMPLOYMENT BENEFIT PLAN**

Measurement Date: June 30, 2025  
Actuarial Valuation Date: January 1, 2025

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	Assets are Valued at Market Value
Wage Growth	4.0%
Discount Rate	Since there is no funding policy in effect and the value of plan assets is sufficient to cover approximately 1 year of benefit payments, all future years of expected payments were discounted using the average yield on 20-year high grade municipal bonds per paragraph 36 of GASB statement 75. As of June 30, 2025, the yield to maturity of 20-year high grade bonds was 4.81% according to the S&P Municipal Bond 20-Year rate.
Investment Rate of Return	6.0%, based on current investment mix.
Mortality Rate	Pub-2010 Teachers Employees Headcount-weighted with fully generational scale MP-2021. The mortality table represents the most recent table for teachers released by the Society of Actuaries.
Turnover	T5. This is a standard table, which is consistent with other Maryland county and educational plans.
Inflation	2.50% based on long-term government CPI projections.
Healthcare Cost Trend Rates	Per-capita claims costs are projected to increase by 7.5% in 2025, decreasing linearly by .25% to an ultimate trend rate of 4.5%. The rates used were taken from analysis of historical trends of various medical plans and a composite of expected future increases reported in a number of national surveys. HRA amounts were assumed to increase 1% annually based on future expectation of HRA growth.

**Benefit terms:**

The Board changed a provision of the plan effective in the current fiscal year. For employees hired after July 1, 2024, coverage will end at age 65.

**Changes in assumptions:**

The discount rate changed from 4.21% to 4.81%. The Healthcare cost rate assumption was updated from 7.5% for 2025 decreasing linearly by .25% per year until it reaches 4.5%.