

**THE BOARD OF EDUCATION OF
WORCESTER COUNTY**

AUDIT COMMUNICATIONS

June 30, 2025

TABLE OF CONTENTS

	Pages
I. Communication with Those Charged with Governance	3 - 6
II. Communications on Internal Control Over Financial Reporting	7 – 9
III. On the Horizon	10 - 11

I. COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE



September 30, 2025

To the Board of Directors
The Board of Education of Worcester County

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Worcester County for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 25, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Board of Education of Worcester County are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Board changed accounting policies related to compensated absences by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*, in 2025. Accordingly, under GASB Statement No. 101, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position and Statement of Fund Net Position – Proprietary Fund. The impact of the adoption of GASB Statement No. 102 was not considered material to the financial statements. We noted no transactions entered into by the Board of Education of Worcester County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

Management’s estimate of the net OPEB (other postemployment benefits) liability and related deferred outflows of resources, deferred inflows of resources, and OPEB expense which is recorded on the government-wide statements is based on an actuarial study performed by a third party. We evaluated the key factors and assumptions used to develop the accrual/expense in determining that it is reasonable in relationship to the financial statements taken as a whole.

Management's estimate of the net pension liability and related deferred outflows of resources, deferred inflows of resources, and pension expense which is recorded on the government-wide statements is based on an actuarial study performed by a third party. We evaluated the key factors and assumptions used to develop the accrual, deferred outflows/inflows, and expense in determining that it is reasonable in relationship to the financial statements taken as a whole.

Management's estimate of the liability for compensated absences is based on a determination of whether or not accumulated leave is more likely than not to be used for time-off or otherwise paid in cash or settled through noncash means. We evaluated key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of pensions in Note 7 to the financial statements describes the Board's pension plans, pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions as well as the significant assumptions used in the actuarial valuation.

The disclosure of other post-employment benefits ("OPEB") in Note 9 to the financial statements describes the Board's defined benefit healthcare plan, net OPEB liability, OPEB expense, deferred outflows of resources, and deferred inflows of resources related to other post-employment benefits as well as the significant assumptions used in the actuarial valuation.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 30, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Board’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Board of Education of Worcester County’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management’s discussion and analysis, budgetary comparison schedule – general fund, schedule of proportionate share of net pension liability, schedule of board contributions – pension plan, and schedule of total OPEB liability and related ratios; which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the additional supplementary information, which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the board members and management of the Board of Education of Worcester County and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

The signature is handwritten in dark ink, appearing as "UHY LLP". The letters are stylized and connected, with a cursive-like flow.

Salisbury, Maryland

II. COMMUNICATIONS ON INTERNAL CONTROL OVER FINANCIAL REPORTING



September 30, 2025

Board of Education of Worcester County
Newark, Maryland

In planning and performing our audit of the financial statements of the Board of Education of Worcester County as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Board's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

The memorandum that accompanies this letter summarizes our comments and suggestions regarding deficiencies other than significant deficiencies and material weaknesses that are opportunities for strengthening the Board's internal controls and operating efficiency. We previously communicated to you about the Board's internal control in our letter dated September 30, 2025. This letter does not affect our report dated September 30, 2025 on the financial statements of the Board of Education of Worcester County.

This information is intended solely for the information and use of the Board and management of the Board of Education of Worcester County and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to thank the employees of the Board of Education of Worcester County for the assistance and cooperation provided us during our engagement.

Sincerely,

A handwritten signature in dark ink that reads "UHY LLP".

Salisbury, Maryland

CURRENT YEAR COMMENTS

Capital Asset & Lease Software/Module

The Board of Education operates capital assets with a total cost of over \$300,000,000, including finance and right-of-use lease assets. Currently, capital assets are tracked using Excel spreadsheets that may be susceptible to clerical errors and inefficient reporting processes. We recommend management utilize an add-on module to the financial accounting software or separate capital asset software to improve the reporting and tracking of capital assets, including leases, district- wide.

This is a repeat comment.

Management Response:

A fixed asset software has been purchased and is in the process of being fully implemented. Policies and procedures are in place for monitoring and tracking capital assets. Once fully implemented, the software will enable more streamlined reporting capabilities.

III. ON THE HORIZON

Implementation of New Accounting Principles

GASB Statement No. 103, Financial Reporting Model

The statement improves 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 accountabilities. This statement addresses certain application issues surrounding the following:

- Management's discussion and analysis
- Unusual or infrequent items
- Presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position
- Major component unit information
- Budgetary comparison information

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Statement No. 104 – Disclosure of Certain Capital Assets

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.