

WASHINGTON COUNTY BOARD OF EDUCATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

**WASHINGTON COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2024**

INDEPENDENT AUDITORS' REPORT	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	8
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	21
STATEMENT OF ACTIVITIES	22
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	23
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION	24
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	25
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	26
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	27
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	28
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	29
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS	31
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS	32
NOTES TO BASIC FINANCIAL STATEMENTS	33

**WASHINGTON COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2024**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - UNRESTRICTED CURRENT EXPENSE FUND	76
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS	77
SCHEDULE OF THE SCHOOL SYSTEM’S OPEB CONTRIBUTIONS	78
SCHEDULE OF THE SCHOOL SYSTEM’S INVESTMENT RETURNS FOR THE OPEB PLAN	79
SCHEDULE OF THE SCHOOL SYSTEM’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – MARYLAND STATE RETIREMENT AND PENSION SYSTEM	80
SCHEDULE OF THE SCHOOL SYSTEM’S PENSION CONTRIBUTIONS – EMPLOYEE RETIREMENT AND PENSION SYSTEM - MARYLAND STATE RETIREMENT AND PENSION SYSTEM	81
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	82



INDEPENDENT AUDITORS' REPORT

Board of Directors
Washington County Board of Education
Hagerstown, Maryland

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 8 through 20 and the required supplementary information, as listed in the table of contents on pages 81 through 86, 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 GAAS, 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 27, 2024, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
September 27, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

This section of the Washington County Board of Education's (School System) annual financial report presents a discussion and analysis, prepared by the School System's senior financial management, of the financial performance for the fiscal year ended June 30, 2024. Please read it in conjunction with the basic financial statements that follow this section.

Financial Highlights

- The School System continued to use the federal pandemic grants received the prior year to address learning gaps, and address other needs. Some have grant periods that will extend coverage for pandemic-related costs for about one more fiscal year.
- The total cost of educational programs was \$443.0 million, an increase of 9.5% from the prior year. After related charges, fees, operating and capital grants and contributions, the net cost that required general revenue funding increased by 10.1% to \$316.4 million.
- The net position of our business-type activities, i.e., School Food Service increased this year by \$0.3 million. Expenses were \$16.8 million while revenues were \$17.1 million. School was in session the full year and paid lunches resumed for those who didn't qualify for free meals with the end of the universal free meals program during the pandemic.
- Capital Projects Fund expenditures of \$10.3 million included several roofing projects, HVAC projects, other systemic maintenance projects, and architectural costs.
- The School System contributed \$6.0 million to a trust fund established exclusively for the purpose of non-pension post-employment benefits and paid, net of contributions from retirees, \$14.4 million for retiree health care expenses.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

Overview of the Financial Statements

Figure 1: Organization of the Washington County Public Schools Annual Financial Report

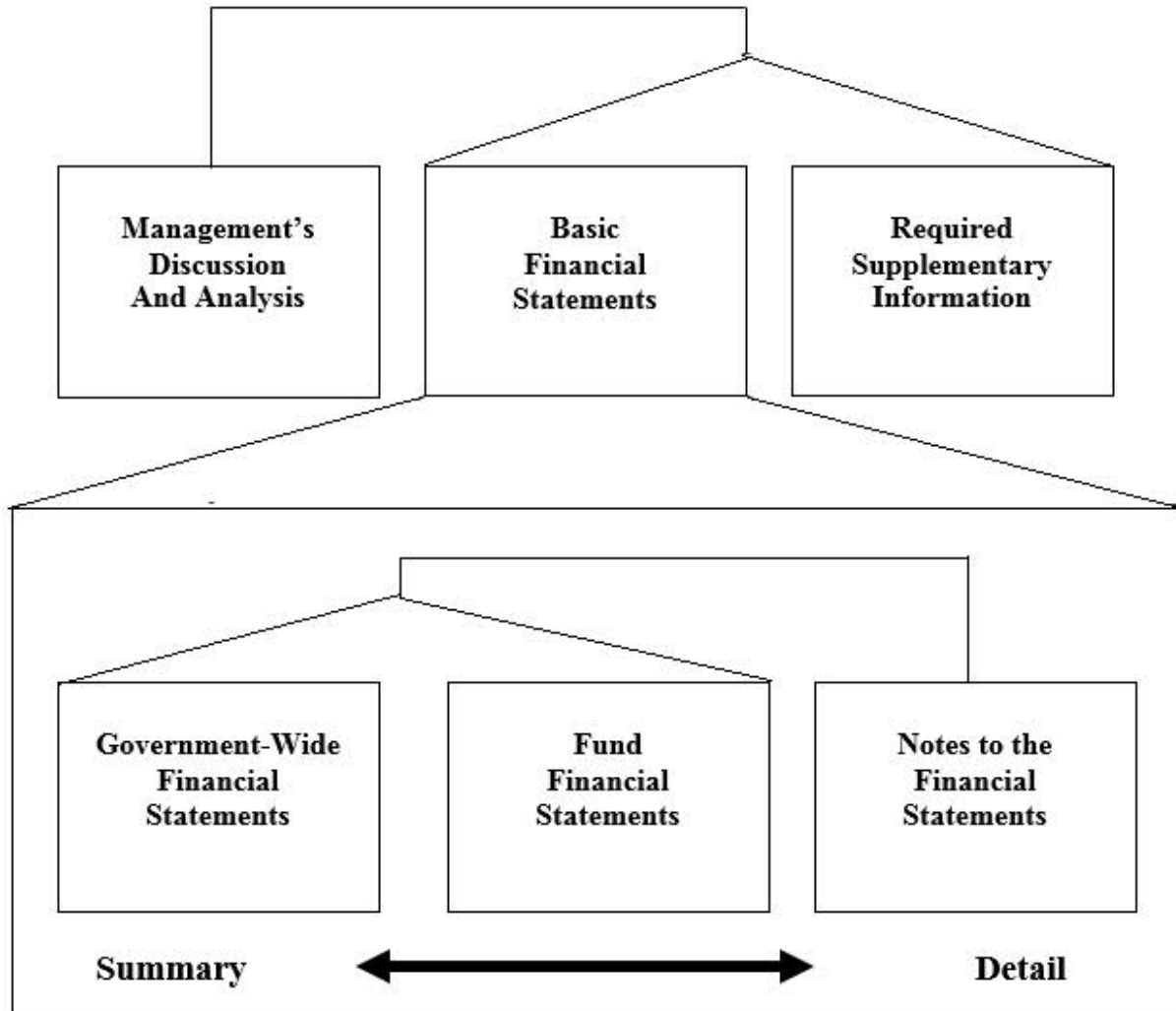


Figure 1 shows how the various parts of this annual report are arranged and related to one another. This annual report consists of several sections. They are: independent auditor's report, management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School System:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the School System's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School System, reporting the operations in *more detail* than the government-wide statements. The fund financial statements include:
 - The *governmental funds statements* that tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

- *Proprietary funds statements* that offer *short-term* and *long-term* financial information about the activities the School System operates *like businesses*, such as food services and self-insurance.
- *Fiduciary funds statements* that provide information about the financial relationships in which the School System acts solely as a *trustee* or *agent* for the benefit of others.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison to the School System's budget for the year.

Figure 2 summarizes the major features of the School System's financial statements, including the portion of the activities they cover and the types of information they contain.

Figure 2: Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School System (except fiduciary funds)	The activities of the School System that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School System operates similar to private businesses: food services and self-insurance	Instances in which the School System administers resources on behalf of someone else such as the retiree health plan trust.
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, expenses, and changes in fund net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset, deferred outflows of resources, liability, and deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

		Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liabilities are due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

The remainder of this overview section highlights the structure and contents of each of the statements.

Government-Wide Financial Statements

The government-wide statements report information about the School System as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the School System's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The statement of activities includes all the year's revenues and expenses, regardless of when cash is received or paid.

The two government-wide statements report the net position and how they have changed. Net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the School System's financial health.

- Over time, increases or decreases in the system's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School System's overall health, one needs to consider additional non-financial factors such as the condition of school buildings and other facilities.

In the government-wide financial statements, the activities of the School System are divided into two categories:

- *Governmental activities:* Most of the School System's basic services are included here, such as regular and special education, transportation, operations and maintenance, and administration. County appropriations, state formula aid, and grants finance most of these activities.
- *Business-type activities:* The School System charges fees to help it cover the cost of certain services it provides. School Food Service is included here.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

Fund Financial Statements

The fund financial statements provide more detailed information about the School System's funds, focusing on its most significant or "major" funds, not the School System as a whole. Funds are accounting devices used to keep track of specific funding and spending on particular programs:

- State law mandates certain funds, and
- The School System establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues such as restricted grants.

The School System has three kinds of funds:

- *Governmental funds:* Most of the School System's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending, subject to various levels of constraints. Consequently, the governmental funds statements provide a detailed short-term view that helps you 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 this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in a reconciliation of the governmental funds balance sheet to the statement of net position and a separate reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances (deficit) to the statement of activities.
- *Proprietary funds:* Services for which the School System charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The School System's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The Food Services Fund is the only enterprise fund of the School System. The School System also uses *internal service funds* (the other type of proprietary fund) to report activities that support other programs and activities. The Self-Insurance Fund is the only internal service fund.
- *Fiduciary funds:* The School System is the trustee, or *fiduciary*, for assets that belong to others, such as the Retiree Health Plan Trust. The School System is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These activities are excluded from the government-wide financial statements because the assets cannot be used to finance operations.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

Financial Analysis of the School System as a Whole (Government-Wide)

Net Position: The School System's *combined* net position was higher on June 30, 2024, than it was on the previous year's financial statements, increasing by \$4.9 million. (See Figure 3).

Figure 3: Condensed Statement of Net Position (in millions of dollars)						
	Governmental Activities		Business-Type Activities		Total School System	
	2024	2023	2024	2023	2024	2023
Current assets	\$ 99.60	\$ 90.2	\$ 8.5	\$ 8.9	\$ 108.1	\$ 99.1
Capital assets	241.5	246.5	2.5	2.3	244.0	248.8
Deferred outflows of resources	103.6	110.4	3.7	3.3	107.3	113.7
Total Assets and Deferred Outflows of Resources	444.7	447.1	14.7	14.5	459.4	461.6
Current Liabilities	51.1	42.6	0.7	1.1	\$ 51.8	\$ 43.7
Noncurrent liabilities	201.3	202.0	8.1	7.5	209.4	209.5
Deferred inflows of resources	123.4	138.3	3.0	0.3	126.4	138.6
Total Liabilities and Deferred Inflows of Resources	375.8	382.9	11.8	8.9	387.6	391.8
Net Position						
Net Investment in capital assets	238.2	242.5	2.2	2.1	240.4	244.6
Restricted	10.8	3.9	-	-	10.8	3.9
Unrestricted	(180.1)	(182.2)	0.7	3.5	(179.4)	(178.7)
Total Net Position	\$ 68.90	\$ 64.20	\$ 2.90	\$ 5.55	\$ 71.80	\$ 69.75

Change in Net Position: The School System's total revenues were \$464.8 million (See Figure 4). Local funding amounted to 24.1%. State and program funding amounted to 44.0% and 30.8%, respectively. The remaining 1.1% came from fees charged for services and other miscellaneous sources (See Figure 5).

The total cost of all programs and services was 9.9% higher than last year at \$459.8 million. The School System's expenses, as shown graphically in Figure 6, are predominately related to instructing, caring for and transporting students (58.5%). Administrative and business activities accounted for 2.0%, while employee benefits, the majority of which are related to personnel who provide direct student services, represented 25.5% of the total cost. Another 14.0% of the total expenditures is used to operate and maintain the School System's 47 school sites and associated relocatable buildings. Special education costs were up 8.2% due to increasing growth in the special education population and needing to use contracted services for covering vacancies for specialized service needs. Maintenance was up 44.2% due to a continued emphasis on various systemic projects in place of construction projects utilizing ESSER funds. Fixed charges are up 5.2% due to an increase in benefit costs. Food services increased 10.5% due to inflation. Other Instructional costs increased 39.1% due to dual credit opportunities provided to our students.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

Figure 4: Changes in Net Position from Operating Results (in millions of dollars)						
	Governmental Activities		Business-Type Activities		Total School System	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Charges for services	\$16.8	\$13.5	\$2.4	\$2.2	19.2	15.7
Operating grants & contributions	108.2	101.9	13.9	12.4	122.1	114.3
Capital grants & contributions	1.7	1.5	0.0	0.0	1.7	1.5
General revenues					0.0	0.0
Local appropriation	112.1	111.5	-	-	112.1	111.5
State aid	204.7	182.9	-	-	204.7	182.9
Other and Transfers	4.2	2.0	0.8	1.1	5.0	3.1
Total Revenues	447.7	413.4	17.1	15.7	464.8	429.1
Expenses						
Instruction & leadership	\$225.5	\$217.4	-	-	\$225.5	\$217.4
Student personnel & health services	6.7	\$9.5	-	-	6.7	9.5
Administration	9.2	\$8.7	-	-	9.2	8.7
Operation & maintenance of plant	65.4	\$53.9	-	-	65.4	53.9
Student transportation	15.1	\$14.5	-	-	15.1	14.5
Fixed charges (employee benefits)	120.4	\$99.4	0.0	0.0	120.4	99.4
Food services & other	0.6	\$0.9	16.8	14.1	17.4	15.0
Interest	0.2	\$0.2	-	-	0.2	0.2
Total Expenses	443.1	404.5	16.8	14.1	459.9	418.6
Increase (Decrease) in Net Position	\$ 4.60	\$ 8.90	\$ 0.30	\$ 1.60	\$ 4.90	\$ 10.50

WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

Figure 5: Sources of Revenues for FY2024

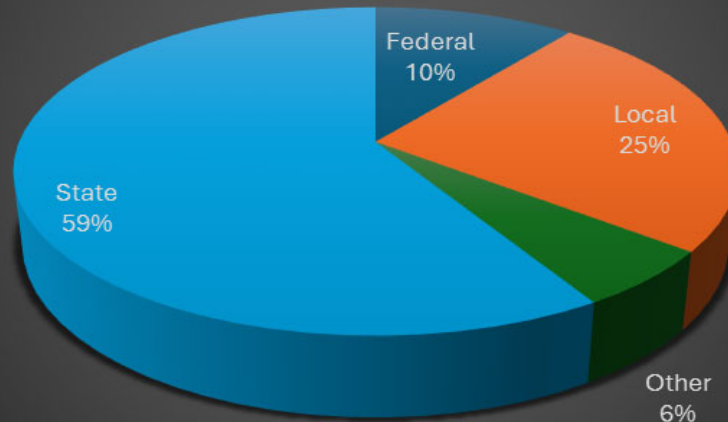
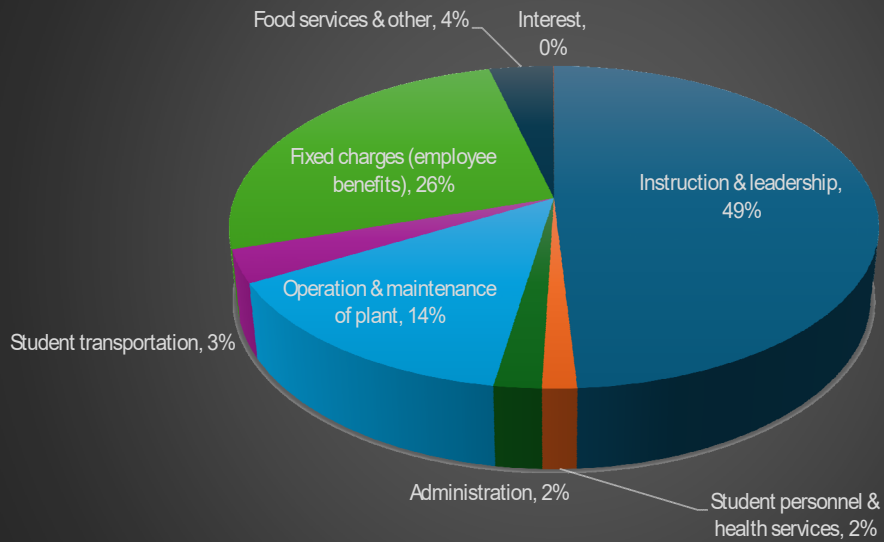


Figure 6: Expenses for FY2023



**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

Governmental Activities

General revenues for the governmental activities increased by 8.3% to \$321.0 million, while total expenses, net of charges for services and grants, increased 10.1% to \$316.4 million. The increase in net position for governmental activities was \$4.6 million.

Figure 7 presents the cost of the eight major School System activities: Instruction and Instructional Leadership, Student Personnel and Health Services, Administration, Operation and Maintenance of Plant, Student Transportation, Employee Benefits, Food Services and Other, and Depreciation and Interest. This table also shows each activity's *net cost* (total cost less fees generated by the activities, less intergovernmental aid such as grants provided for specific programs). The *net cost* shows the financial burden placed upon state and local taxpayers for each of these functions after the above-mentioned intergovernmental grants.

Figure 7: Net Cost of Governmental Activities (in millions of dollars)				
	Total Cost of Services		Net Cost of Services	
	2024	2023	2024	2023
Instruction & instructional leadership	\$ 225.50	\$ 217.40	\$ 167.40	\$ 159.60
Student personnel & health services	6.7	9.5	3.0	6.2
Administration	9.2	8.7	7.7	6.9
Operation & maintenance of plant	65.4	53.9	50.8	46.2
Student transportation	15.1	14.5	5.0	5.1
Fixed Charges (Employee Benefits)	120.4	99.4	83.0	64.1
Food services and other	0.6	0.9	(0.8)	(0.9)
Interest	0.2	0.2	0.2	0.2
Total	\$ 443.10	\$ 404.50	\$ 316.30	\$ 287.40

The cost of all governmental activities this year was \$443.1 million. Charges for services amounted to \$16.8 million, which were primarily amounts received from employees and retirees for health insurance premiums. Additionally, certain programs were subsidized to the extent of \$108.2 million by the federal (\$47.9 million), and state (\$57.6 million), as well as other organizations (\$2.7 million). However, general revenues financed most of the costs of governmental activities (\$317.9 million). Total local funding amounted to \$112.1 million, while the state contributed \$204.7 million. Investment earnings, charges for services, and other miscellaneous sources funded the balance of the governmental activities.

Business-Type Activities

School Food Service is the only business-type activity in the School System. Revenues of this business-type activity were \$17.1 million, including \$0.8 million transferred from Governmental Activities, and expenses were \$16.8 million (See Figure 4). School Food Service's revenues and transfer were greater than expenses by \$0.3 million.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

School Food Services staff continues to make prudent management decisions, taking advantage of all available government commodities, participating in cost-saving buying consortia, and developing marketing and promotion campaigns for products that are healthy yet attractive to our young consumers. Every effort is made to assure that students who qualify for free or reduced meal prices receive that benefit.

Financial Analysis of the School System's Funds

The financial performance of the School System as a whole is reflected in its governmental funds as well. At year-end, its governmental funds reported combined fund balances of \$36.4 million. This is up \$7.1 million from last year's ending fund balance of \$29.3 million, resulting primarily from an excess of revenues over expenditures in the general fund and by excess expenditures, representing retainage accruals, in the capital projects fund.

Current Expense Fund (Governmental): The current expense (general) funds had \$7.1 million more revenues and other financing sources than expenditures and other financing uses in fiscal year 2024, including a \$0.5 million transfer to the capital projects fund. The resulting unassigned fund balance of \$8.0 million represents just 1.9% or about 1 week worth of annual expenditures. The Government Finance Officers Association recommends an unrestricted fund balance level of no less than two months of revenues or expenditures. The surplus is calculated on the modified accrual basis and is different from the \$6.4 million budgetary basis surplus due to the treatment of prior and current year encumbrances and the expenditure of previously committed fund balance.

Capital Projects Fund (Governmental): The Capital Projects Fund experienced an excess of expenditures over revenues and other financing sources of \$0.1 million. This is entirely the result of increased retainages payable on construction in progress for which revenue is not currently recognized. The fund balance deficit of \$0.6 million equals the amount of outstanding retainage due on construction contracts in progress.

Food Service Fund (Proprietary-Enterprise): As previously noted, Food Service experienced an increase in fund balance of \$0.3 million.

Self-Insurance Fund (Proprietary-Internal Service): The self-insurance fund began the year with a fund balance of \$19.6 million. Change in net position totaled \$6.2 million loss. In fiscal year 2024, there was a 3.0% premium increase to more appropriately balance revenue with expenditures. Administrative costs were up primarily due to stop loss premiums, and claims increased 5.7 million. The result is a \$13.4 million fund balance at year-end.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

General Fund Budgetary Highlights

Over the course of the year, the School System revised the annual operating budget several times. These budget amendments were completed to adjust to revised needs and priorities.

All expense areas of the budget experienced costs lower than revised estimates except for committed funds used for capital projects. These positive variances can be traced to higher investment, other revenue related to the sale of old computers, the effect of vacancies, indirect cost recovery, and other operating factors.

Capital Assets and Debt Administration

Capital Assets

By the end of fiscal year 2024, the School System had invested \$244.0 million (net of depreciation and related debt) in a broad range of capital assets including school buildings, athletic facilities, computers and audio-visual equipment, transportation equipment, custodial and maintenance equipment, food service equipment, and miscellaneous instructional assets. This amount represents a net decrease of \$4.8 million or 1.5% from last year. More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$13.0 million, while net increases to buildings, improvements, equipment and furniture amounted to approximately \$10.2 million, including a decrease in construction in progress of \$1.4 million.

Since numerous Washington County schools are over forty years old and in need of renovation or replacement, maintenance and systemic project spending were emphasized during the past several years and will continue to be needed.

The fiscal year 2025 capital budget forecasts the School System will spend about the same as budgeted the prior year. There is still insufficient funding for major projects to renovate or replace schools that are getting very old. Budgeted expenditures of \$11.6 million, including \$7.1 million from state funding, for capital projects include the following:

- Various systemic maintenance projects in several aging schools
- Design of a new elementary school

Debt

The County, not the School System, reflects debt and annual debt service expenditures for school construction in their financial statements. The School System's debt consists of compensated absences payable and obligations related to capital leases, as well as pension and other post-employment benefits. See Notes 8, 11 and 12 to the financial statements for more detailed information concerning the current year activity and balances. A trust fund for the management of assets and accounting of financial transactions associated with the provision of retiree health insurance coverage has been established.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

Factors Bearing on the School System's Future

At the time these financial statements were prepared and audited, the School System was aware of several existing circumstances that could significantly affect its financial health in the future.

- School Construction and Maintenance Funding: Due to the age and condition of certain school facilities, the School System needs to update and improve facilities through renovations or replacements of existing schools. The challenge will be to obtain the needed capital funding, at the local level, to match available state funding for new facilities as well as support necessary major maintenance projects to older buildings. If current local funding levels of capital projects does not increase significantly, it will be impossible to replace or renovate existing facilities that are growing quite old or to gain efficiencies through the consolidation of smaller schools into new larger buildings.
- Impact of Blueprint for Maryland's Future: The Blueprint for Maryland's Future was approved into law in 2021, and it creates significant standards to enhance instruction for Maryland students. It also requires additional funding from state and local sources. Over the next few years, we expect the county to shift from the maintenance of effort formula towards the Blueprint formula which will impact the amount of funding the Board of Education receives from the county. The amount of funding required of the county will depend on overall growth in enrollment as well as growth in specified programs such as Special Education, Free and Reduced Priced Meals, Multi-Lingual Learners and Pre-Kindergarten while also being impacted by the wealth of the county in relation to the rest of the state.
- Enrollment Trends: Future local revenue may be largely dependent upon changes in enrollment. State revenue is also affected by our enrollment, as well as poverty levels, and county wealth.

Contacting the School System's Financial Management

This financial report is designed to provide the citizens and taxpayers of Washington County, and the creditors, parents and employees of the Washington County Public Schools with a general overview of the School System's finances and to demonstrate its accountability for the money it receives. If you have questions about this report, please contact the Finance Office, Washington County Public Schools, 10435 Downsville Pike, Hagerstown, Maryland 21740, or call (301) 766-2831.

BASIC FINANCIAL STATEMENTS

WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 32,279,369	\$ 15,153	\$ 32,294,522
Investments	46,611,945	-	46,611,945
Due from Other Governments	21,075,671	2,009,492	23,085,163
Internal Balances	(5,451,014)	5,451,014	-
Accounts Receivable	2,131,672	689	2,132,361
Inventories	77,846	992,851	1,070,697
Prepaid items	2,848,369	-	2,848,369
Total Current Assets	99,573,858	8,469,199	108,043,057
NONCURRENT ASSETS			
Capital Assets, not Being Depreciated	22,386,928	135,225	22,522,153
Capital Assets, Net of Accumulated Depreciation/Amortization	219,082,087	2,413,368	221,495,455
Total Noncurrent Assets	241,469,015	2,548,593	244,017,608
Total Assets	341,042,873	11,017,792	352,060,665
DEFERRED OUTFLOWS OF RESOURCES			
Other Post-Employment Benefits (OPEB)	95,879,216	2,177,358	98,056,574
Pensions	7,759,897	1,496,898	9,256,795
Total Deferred Outflows of Resources	103,639,113	3,674,256	107,313,369
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	14,537,670	163,030	14,700,700
Accrued Liabilities	26,974,485	63,689	27,038,174
Unearned Revenues	7,795,679	475,049	8,270,728
Long-term Liabilities due within one year			
Compensated Absences	482,534	-	482,534
Lease and Subscription Liability	1,294,690	33,871	1,328,561
Note Payable	54,889	-	54,889
Total Current Liabilities	51,139,947	735,639	51,875,586
NONCURRENT LIABILITIES			
Compensated Absences	6,512,809	189,189	6,701,998
Net OPEB Liability	172,762,667	3,923,333	176,686,000
Net Pension Liability	20,337,906	3,923,218	24,261,124
Lease and Subscription Liability	1,622,236	112,116	1,734,352
Note Payable	47,385	-	47,385
Total Noncurrent Liabilities	201,283,003	8,147,856	209,430,859
Total Liabilities	252,422,950	8,883,495	261,306,445
DEFERRED INFLOWS OF RESOURCES			
Other Post-Employment Benefits (OPEB)	122,190,555	2,774,872	124,965,427
Pensions	1,210,243	233,458	1,443,701
Total Deferred Inflows of Resources	123,400,798	3,008,330	126,409,128
NET POSITION			
Net Investment in Capital Assets	238,248,235	2,201,109	240,449,344
Restricted for			
Scholarships	148,010	-	148,010
Grants	10,681,852	-	10,681,852
Unrestricted	(180,219,859)	599,114	(179,620,745)
Total Net Position	\$ 68,858,238	\$ 2,800,223	\$ 71,658,461

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Administration	\$ 9,172,417	\$ -	\$ 1,440,796	\$ -	\$ (7,731,621)	\$ -	\$ (7,731,621)
Mid-level Administration	22,267,252	-	1,305,023	-	(20,962,229)	-	(20,962,229)
Instructional Salaries	135,654,765	-	20,196,711	-	(115,458,054)	-	(115,458,054)
Instructional Textbooks and Supplies	15,398,137	4,107,729	7,264,036	-	(4,026,372)	-	(4,026,372)
Other Instructional Costs	12,334,650	-	1,277,461	-	(11,057,189)	-	(11,057,189)
Special Education	39,818,434	-	23,893,892	-	(15,924,542)	-	(15,924,542)
Student Personnel Services	3,040,264	-	1,957,435	-	(1,082,829)	-	(1,082,829)
Student Health Services	3,654,092	-	1,693,011	-	(1,961,081)	-	(1,961,081)
Student Transportation Services	15,057,994	-	10,015,060	-	(5,042,934)	-	(5,042,934)
Operation of Plant	35,477,819	-	3,069,798	-	(32,408,021)	-	(32,408,021)
Maintenance of Plant	29,936,240	-	10,639,139	936,392	(18,360,709)	-	(18,360,709)
Fixed Charges	120,357,812	12,652,820	24,737,367	-	(82,967,625)	-	(82,967,625)
Food Services	-	-	-	755,804	755,804	-	755,804
Community Services	631,971	-	660,736	-	28,765	-	28,765
Interest on Long-Term Obligations	180,307	-	-	-	(180,307)	-	(180,307)
Total Governmental Activities	442,982,154	16,760,549	108,150,465	1,692,196	(316,378,944)	-	(316,378,944)
Business-Type Activities:							
Food Services	16,815,222	2,362,936	13,948,201	-	-	(504,085)	(504,085)
Total Primary Government	\$ 459,797,376	\$ 19,123,485	\$ 122,098,666	\$ 1,692,196	(316,378,944)	(504,085)	(316,883,029)
General Revenues:							
Unrestricted Grants and Contributions							
Local					112,080,900	-	112,080,900
State					204,732,313	-	204,732,313
Investment Earnings					3,122,532	287	3,122,819
Other					2,252,562	-	2,252,562
Gain (Loss) on Disposal of Assets					(354,900)	(20,175)	(375,075)
Transfers					(795,303)	795,303	-
Total General Revenues and Transfers					321,038,104	775,415	321,813,519
Changes in Net Position					4,659,160	271,330	4,930,490
Net Position-Beginning of Year					64,199,078	2,528,893	66,727,971
Net Position-End of Year					\$ 68,858,238	\$ 2,800,223	\$ 71,658,461

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024**

	<u>General Fund</u> Current Expense Fund	<u>Capital Project</u> Fund	<u>Total</u> Governmental Funds
ASSETS			
Cash and Cash Equivalents	32,279,369	\$ -	\$ 32,279,369
Investments	29,770,868	-	29,770,868
Due From Other Governments	15,493,292	5,582,379	21,075,671
Accounts Receivable	2,047,132	-	2,047,132
Inventories	77,846	-	77,846
Prepaid Items	471,124	-	471,124
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 80,139,631</u>	<u>\$ 5,582,379</u>	<u>\$ 85,722,010</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	8,376,160	5,884,820	\$ 14,260,980
Accrued Liabilities	23,265,141	27,750	23,292,891
Due to Other Funds	3,942,799	56,845	3,999,644
Unearned Revenue	7,567,455	228,224	7,795,679
Total Liabilities	<u>43,151,555</u>	<u>6,197,639</u>	<u>49,349,194</u>
FUND BALANCES			
Nonspendable	548,970	-	548,970
Restricted	10,829,862	-	10,829,862
Committed	1,042,006	-	1,042,006
Assigned	16,589,935	-	16,589,935
Unassigned	7,977,303	(615,260)	7,362,043
Total Fund Balances (Deficit)	<u>36,988,076</u>	<u>(615,260)</u>	<u>36,372,816</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances (Deficit)	<u>\$ 80,139,631</u>	<u>\$ 5,582,379</u>	<u>\$ 85,722,010</u>

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
JUNE 30, 2024**

Total Fund Balance - Governmental Funds	\$	36,372,816
---	----	------------

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

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

Those assets consist of:

Cost of capital assets	\$ 475,747,764	
Accumulated depreciation	(234,278,749)	
Total Capital Assets		241,469,015

An internal service fund is used by the school system's management to charge the costs of medical and prescription claims to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.

13,410,674

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 consist of:

Long-term portion of Compensated absences	(6,512,809)	
Lease and Subscription Liability	(2,916,926)	
Note Payable	(102,274)	(9,532,009)

The net pension liability associated with the school system's proportionate share of the Maryland State Retirement and Pension System is not payable with current financial resources and is not reported in the governmental funds. The other post-employment benefits liability for the school system is not payable with current financial resources and is not reported in the general funds. The activity associated with the school system's share of the net pension liability and the other post-employment benefits liability consist of:

Net Pension Liability	(20,337,906)	
Deferred Outflows of Resources - Pensions	7,759,897	
Deferred Inflows of Resources - Pensions	(1,210,243)	
Net Other Post-Employment Benefits Liability (OPEB)	(172,762,667)	
Deferred Outflows of Resources - OPEB	95,879,216	
Deferred Inflows of Resources - OPEB	(122,190,555)	(212,862,258)

Total Net Position-Governmental Activities	\$	68,858,238
--	----	------------

See accompanying Notes to Basic Financial Statements.

WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	General Fund Current Expense Fund	Capital Project Fund	Total Governmental Funds
REVENUES			
Local	109,475,420	3,010,540	\$ 112,485,960
State Maryland	257,194,653	6,733,711	263,928,364
Federal Government	47,927,915	-	47,927,915
Tuition	171,662	-	171,662
Investment Income	2,333,816	-	2,333,816
Other	8,347,821	14,885	8,362,706
Total Revenues	<u>425,451,287</u>	<u>9,759,136</u>	<u>435,210,423</u>
EXPENDITURES			
Current			
Administration	9,252,309	-	9,252,309
Mid-level Administration	22,690,019	-	22,690,019
Instructional Salaries	140,458,856	-	140,458,856
Instructional Textbooks and Supplies	15,398,137	-	15,398,137
Other Instructional Costs	11,513,789	-	11,513,789
Special Education	40,809,838	-	40,809,838
Student Personnel Services	3,218,645	-	3,218,645
Student Health Services	5,367,197	-	5,367,197
Student Transportation Services	14,758,334	-	14,758,334
Operation of Plant	27,918,301	-	27,918,301
Maintenance of Plant	20,131,199	9,277,023	29,408,222
Community Services	644,044	-	644,044
Fixed Charges	100,751,771	-	100,751,771
Capital Outlay	3,387,745	1,045,517	4,433,262
Debt Service			
Principal	1,455,151	-	1,455,151
Interest	180,307	-	180,307
Total Expenditures	<u>417,935,642</u>	<u>10,322,540</u>	<u>428,258,182</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,515,645	(563,404)	6,952,241
OTHER FINANCING SOURCES (USES)			
Transfers Out	(1,266,154)	-	(1,266,154)
Transfers In	-	470,851	470,851
Leases & Subscriptions	727,614	-	727,614
Sale of Assets	139,558	-	139,558
Total Other Financing Sources (Uses)	<u>(398,982)</u>	<u>470,851</u>	<u>71,869</u>
NET CHANGES IN FUND BALANCE	7,116,663	(92,553)	7,024,110
Fund Balances (Deficit) - Beginning of Year	<u>29,871,413</u>	<u>(522,707)</u>	<u>29,348,706</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 36,988,076</u>	<u>\$ (615,260)</u>	<u>\$ 36,372,816</u>

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Net changes in fund balances - total governmental funds		7,024,110
Amounts reported for governmental activities in the statement of activities is different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeds capital outlays in the period is as follows:		
Depreciation/Amortization expense	(12,560,820)	
Capital outlays	<u>7,868,087</u>	
		(4,692,733)
In the statement of activities, only the gain or loss on the disposition of capital assets is reported whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by costs of the capital assets sold less any accumulated depreciation.		(354,900)
Repayment of note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		60,316
Lease liability proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities.		(727,614)
Repayment of lease liability principal and loss on early termination of lease agreements are expenditures in the governmental funds, but reduce long-term liabilities in the statement of net position.		1,696,878
In the statement of activities, compensated absences are measure by the amounts earned during the year. In governmental funds however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid and accrued). This year, vacation and sick leave earned exceeded the amounts used.		
Increase in compensated absences		(115,591)
The expense incurred related to other post-employment benefits are recognized in the change in net position in the Statement of Activities while the cash contribution to the Retiree Benefit Trust is recorded in the governmental funds. This represents the difference.		8,480,491
An internal service fund is used by the school system's management to charge the costs of medical and prescription claims to the individual funds. The net revenue of the internal service fund is reported with governmental activities.		(6,164,505)
In the government-wide financial statements, activity related to the school system's proportionate share of the Maryland State Retirement and Pension System is recognized when the costs are incurred, adjusted for the actuarial measurement date of the plan. In the governmental funds, expenditures are recognized when current financial resources are used. This year, actual costs of the plan were more than current resources used.		<u>(547,292)</u>
Change in net position of governmental activities		<u><u>4,659,160</u></u>

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024**

	Enterprise Fund Food Service	Internal Service Fund Self-Insurance
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 15,153	\$ -
Investments	-	16,841,077
Due from Other Governments	2,009,492	-
Accounts Receivable	689	84,540
Inventories	992,851	-
Due from Other Funds	5,451,014	-
Prepaid Expenses	-	2,377,245
Total Current Assets	<u>8,469,199</u>	<u>19,302,862</u>
NONCURRENT ASSETS		
Capital Assets, Net of Accumulated Depreciation	<u>2,548,593</u>	-
Total Noncurrent Assets	<u>2,548,593</u>	-
Total Assets	11,017,792	19,302,862
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits (OPEB)	2,177,358	-
Pensions	<u>1,496,898</u>	-
Total Deferred Outflows of Resources	<u>3,674,256</u>	-
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	163,030	276,690
Accrued Liabilities	63,689	4,164,128
Due to Other Funds	-	1,451,370
Subscription Liability	33,871	-
Unearned Revenue	<u>475,049</u>	-
Total Current Liabilities	<u>735,639</u>	<u>5,892,188</u>
NONCURRENT LIABILITIES		
Compensated Absences Payable	189,189	-
Net Pension Liability	3,923,218	-
Net OPEB Liability	3,923,333	-
Subscription Liability	<u>112,116</u>	-
Total Noncurrent Liabilities	<u>8,147,856</u>	-
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits (OPEB)	2,774,872	-
Pensions	<u>233,458</u>	-
Total Deferred Outflows of Resources	<u>3,008,330</u>	-
NET POSITION		
Net Investment in Capital Assets	2,201,109	-
Unrestricted	<u>599,114</u>	<u>13,410,674</u>
Total Net Position	<u><u>\$ 2,800,223</u></u>	<u><u>\$ 13,410,674</u></u>

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024**

	Enterprise Fund Food Service	Internal Service Fund Self-Insurance
OPERATING REVENUE		
Food Service Sales	\$ 2,362,936	\$ -
Charges to Other Funds	-	48,229,439
Charges to Employees and Retirees	-	12,652,820
Total Operating Revenues	<u>2,362,936</u>	<u>60,882,259</u>
OPERATING EXPENSES		
Payroll Costs	7,553,852	92,559
Professional and Contract Services	-	2,750,278
Supplies and Materials	8,499,459	-
Depreciation and Amortization	451,855	-
Other Post-Employment Benefits Contribution	-	1,000,000
Insurance Claims	-	63,992,643
Other Operating Costs	310,056	-
Total Operating Expenses	<u>16,815,222</u>	<u>67,835,480</u>
OPERATING INCOME (LOSS)	(14,452,286)	(6,953,221)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	287	788,716
State Matching and Other	770,960	-
Federal Grants and Commodities	13,176,535	-
Other Grants	706	-
Loss on Disposition of Equipment	(20,175)	-
Total Nonoperating Revenues	<u>13,928,313</u>	<u>788,716</u>
INTER FUND TRANSFERS		
Interfund Transfer In	<u>795,303</u>	<u>-</u>
CHANGE IN NET POSITION	271,330	(6,164,505)
Net Position - Beginning of Year	<u>2,528,893</u>	<u>19,575,179</u>
NET POSITION - END OF YEAR	<u><u>\$ 2,800,223</u></u>	<u><u>\$ 13,410,674</u></u>

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024**

	Enterprise Fund Food Service	Internal Service Fund Self-Insurance
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from User Charges and Other Funds	\$ 1,995,072	\$ -
Cash Received from Assessments Made to Other Funds	-	49,462,878
Cash Received from assessments Made to Employees and Retirees	-	12,652,820
Payments for Other Post-Employment Contributions	-	(1,000,000)
Insurance Claims Paid	-	(65,358,832)
Payments to Employees for Services	(7,563,563)	(92,559)
Payments to Suppliers for Goods and Services	(7,242,924)	(2,750,278)
Payments for Other Operating Expenses	1,261,269	-
Net Cash Provided (Used) by Operating Activities	<u>(11,550,146)</u>	<u>(7,085,971)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal Grants Received	11,268,285	-
Interfund Transfers	795,303	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>12,063,588</u>	<u>-</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of Capital Asset	(718,177)	-
Proceeds from Sale of Capital Assets	3,980	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(714,197)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	287	734,762
Sale of Investments		21,244,492
Purchase of Investments	-	(14,893,283)
Net Cash Provided (Used) by Investing Activities	<u>287</u>	<u>7,085,971</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(200,468)	-
Cash and Cash Equivalents - Beginning of Year	<u>215,621</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 15,153</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

	Enterprise Fund Food Service	Internal Service Fund Self-Insurance
RECONCILIATION OF OPERATING (LOSS)/INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (14,452,286)	\$ (6,953,221)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	451,855	-
Commodities Used	1,202,906	-
(Increase) Decrease in Assets:		
Receivables	(97)	-
Due from Other Funds	1,571,325	-
Inventory	86,347	
Prepays	-	(650,075)
Deferred Outflows of Resources	(355,188)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	31,987	(674,480)
Accrued Liabilities	(28,063)	(41,634)
Due to Other Funds	-	1,233,439
Unearned Revenue	(367,767)	-
Compensated Absences	666	-
Subscription Liability	(36,642)	-
Other Post-Employment Benefits	(42,098)	-
Net Pension Liability	759,411	-
Deferred Inflows of Resources	(372,502)	-
Total Adjustments	<u>3,274,642</u>	<u>(132,750)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (11,550,146)</u>	<u>\$ (7,085,971)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Donated Commodities	<u>\$ 1,202,906</u>	<u>\$ -</u>
Loss on Disposal of Capital Asset	<u>\$ 24,155</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT FIDUCIARY NET POSITION
JUNE 30, 2024**

	Retiree Health Plan Trust
ASSETS	
Investments Held in MABE Trust	<u>\$ 128,029,459</u>
Total Assets	<u><u>\$ 128,029,459</u></u>
NET POSITION	
Restricted for Retiree Health Plan Benefits	<u><u>\$ 128,029,459</u></u>

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2024**

	<u>Retiree Health Plan Trust</u>
ADDITIONS	
Contributions	\$ 20,424,395
Investment Income (Loss)	<u>8,639,430</u>
Total Additions	29,063,825
DEDUCTIONS	
Benefits Paid	<u>14,424,395</u>
Total Deductions	<u>14,424,395</u>
CHANGE IN NET POSITION	14,639,430
Net Position - Beginning of Year	<u>113,390,029</u>
NET POSITION - END OF YEAR	<u><u>\$ 128,029,459</u></u>

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

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

The School System does not have the authority to levy any taxes or incur debt. Schools are funded with local, state, and federal monies. Washington County, Maryland has oversight responsibility for approval and partial funding of the School System's operating budget.

The School System is a component unit of Washington County, Maryland by virtue of the County's responsibility for levying taxes and its budgetary control over the School System.

Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* established the criteria used by the School System to evaluate the possible inclusion of related entities within its reporting entity based upon financial accountability and the nature and significance of the relationship. The component unit discussed below is included in the School System's reporting entity because of the significance of their operational or financial relationships with the School System.

Fiduciary component Unit

The School System's Retiree Health Trust Plan (the Plan) was established to provide postemployment health care and life insurance benefits for retirees of the School System (See Note 12). The Plan is included in the financial reporting entity as a fiduciary fund because the Plan is (1) considered to be a separate legal entity, (2) the School Board functions as the governing board of the plan, and (3) the plan imposes a financial burden on the School System as it is legally obligated to make contributions to the Plan.

The School System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The more significant accounting policies of the School System are described below.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

B. Measurement Focus, Basis of Accounting

The basic financial statements of the School System are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-Wide Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report on all the nonfiduciary activities of the School System. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are supported by local contributions and intergovernmental revenues are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, which incorporates noncurrent assets as well as long-term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. United States Department of Agriculture food commodities are recorded as revenue and expense when they are consumed.

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 or applicants 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. Unrestricted grants and contributions and other items not properly included among program revenues are reported instead as general revenues. The School System does not allocate indirect costs.

Amounts expended to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

B. Measurement Focus, Basis of Accounting

2. Fund Financial Statements

The operations of the School System are organized and are recorded in individual funds. Each fund is a separate accounting entity, with self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures or expenses, as appropriate.

Governmental Funds

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 considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School System considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Operating and capital grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets, including entering into contracts giving the School System the right to use leased assets and subscription-based information technology, are recorded as expenditures in the year that resources were expended, rather than as fund assets. Issuance of long-term debt and financing through leases are reported as other financing sources.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

B. Measurement Focus, Basis of Accounting

2. Fund Financial Statements

Proprietary Funds

The School System's Food Service Fund and Internal Service Fund are proprietary funds. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary funds are presented using the economic resources measurement focus. This means that all assets, deferred outflow of resources, liabilities, and deferred inflow of resources (whether current or noncurrent) associated with their activity are included on their balance sheets. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with a proprietary fund's ongoing operations. Operating revenue of the Food Service Fund consist of fees charged to users of food services and operating revenues of the Internal Service Fund consist of charges to other funds, employees, and retirees for medical costs. Operating expenses of the Food Service Fund consist of employee salaries and benefits, supplies and materials, administrative costs, and depreciation on capital assets. Operating expenses of the Internal Service Fund consist of employee salaries and benefits, purchased services, insurance claims, and administrative costs.

All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses, including state and federal subsidies and grants.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

Fiduciary Fund

The School System's Fiduciary Fund is presented in the fund financial statements as a Retiree Health Plan Trust. Since, by definition, the assets of this fund are held for the benefit of a third party (individuals, private organizations, and/or other governments) and cannot be used to satisfy obligations of the School System, this fund is not incorporated into the government-wide financial statements. The School System's fiduciary fund is presented on the accrual basis of accounting.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

C. Basis of Presentation

The School System reports the following funds:

Governmental Fund Types:

- The General Fund (Current Expense Fund) is the principal operating fund of the School System. It is used to account for all financial resources except those required to be accounted for in another fund.
- The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Fund Types:

- The Food Service Fund accounts for all financial resources associated with the operations of the School System's cafeterias.
- The Internal Service Fund is used to account for the costs of maintaining the School System's group health self-insurance programs. Because the principal users of the internal services are the School System's governmental activities, the net residual balances are consolidated into the governmental activities column when presented in the government- wide financial statements

Additionally, the School System reports the following fiduciary fund:

- The Retiree Health Plan Trust accounts for the assets held in the Maryland Association of Boards of Education Pooled OPEB Investment Trust established exclusively for the purpose of nonpension post-employment benefits.

D. Assets, Liabilities, Net Position or Fund Balances

1. Cash and Cash Equivalents

The School System's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less.

2. Investments

Investments are valued at fair market value.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

3. Inventories

Inventory, which includes donated food commodities, is valued at the lower of average cost or market. Inventory in the General Fund consists of instructional material and custodial supplies. The cost of governmental fund inventory is recorded as expenditures when used or delivered to the schools. Inventory in the Food Service Fund consists of expendable food and supplies held for consumption. The cost of the Food Service Fund inventory is recorded as an asset at the time individual inventory items are purchased. As inventory is consumed, the cost is charged to expenditures.

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost (except for intangible right-to-use lease assets and subscription-based information technology). Contributed assets are reported at acquisition value as of the date received. Library books and textbooks are expensed at the time they are purchased. Additions, improvements and other capital outlays that significantly extend the useful life an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	25 to 40 Years
Furniture and Equipment	4 to 15 Years
Financed Assets	4 to 5 Years

5. Receivables and Payables

Interfund Receivables and Payables

- Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to eliminations upon consolidation in the government-wide financial statements. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as internal balances. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

6. Long-Term Debt

The School System is not obligated to repay principal or interest on any debt incurred for school construction. Bonds and loans are obligations of the county and state governments. The authorization for expenditures related to debt service for school construction is in the County's Operating Budget. The County, not the School System, reflects annual debt service expenditures for school construction in their annual financial statements. However, the School System does reflect long-term debt in their financial statements for lease obligations that transfer ownership at the end of the lease. These obligations are recorded as note payables in the System's financial statements.

7. Compensated Absences

The School System accrues unpaid vacation and sick leave along with related employee costs when these benefits are either earned or expected to be earned by employees. Vacation leave is accrued based on the employee's individual salary rates as of June 30. Sick leave accrual is determined based on the payment upon retirement according to the terms outlined in various negotiated agreements. Employees are considered to have earned sick leave after reaching specific service milestones or age thresholds. As of June 30th of each year, a portion of the total accrued unpaid vacation and sick leave is considered payable with current resources and is included in accrued liabilities in the governmental fund financial statements. This amount represents pending payouts of unused leave owed to employees who have left active service by that date. The remaining amounts are projected to be utilized in subsequent fiscal years, kept separately, and serve as a reconciling item between the fund and government-wide financial statement presentations.

8. Unearned Revenues

Revenues that are received but not yet earned are recorded as unearned revenue in the School System's financial statements. In the School System's governmental funds and in the government wide statements, unearned revenues arises when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School System has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds balance sheet and revenue is recognized.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

9. Net Position/Fund Balances

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

- *Nonspendable Fund Balance* – Amounts that are not in a spendable form (such as Inventory) or are required to be maintained intact.
- *Restricted Fund Balance* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed Fund Balance* – This classification includes amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the Washington County Board of Education. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.
- *Assigned Fund Balance* – For all governmental funds other than the general fund, this classification includes any remaining positive amounts that are not classified as Nonspendable, Restricted, or Committed. For the General Fund, this classification includes amounts intended to be used for specific purposes that do not meet the criteria to be classified as Restricted or Committed. The assignment of fund balance cannot result in a negative unassigned fund balance. The Board delegates to the Superintendent (and his/her designee) the authority to assign fund balance.
- *Unassigned Fund Balance* – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When fund balance resources are available for a specific purpose in multiple classifications, the School System's policy is to use restricted resources first and then apply unrestricted resources in the following order: Committed, Assigned, and Unassigned. Committed or Assigned resources would only be used upon specific authorization by the School Board or the Superintendent (and his/her designee), respectively.

The School System has established an Unassigned General Fund Balance guideline of between 45-60 days of the revenue it receives from all sources except the county government. For the Internal Service Fund (Self-Insurance) a goal of ten times the specific stop loss retention level before insurance coverage has been established. At June 30, 2024, the specific stop loss level was \$500,000.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

9. Net Position/Fund Balances (Continued)

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the School System, not restricted for any project or other purpose.

When an expense is incurred for purposes for which restricted and unrestricted net position is available, the School System is to apply restricted net position first.

10. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

11. Deferred Outflows / Inflows of Resources

The statement of net position reports separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net assets that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The School System has two items that qualify for reporting in these categories: deferred outflows and inflows related to pensions and deferred outflows and inflows related to other postemployment benefits.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

11. Deferred Outflows / Inflows of Resources (Continued)

Deferred outflows and inflows of resources related to pensions are described further in Note 11 and deferred outflows and inflows of resources related to other postemployment benefits are described further in Note 12. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension/OPEB expense over a closed period, which reflects the weighted average remaining service life of all MSRPS/OPEB members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year).

12. 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 (MSRPS) and additions to/deductions from MSRPS's fiduciary net position have been determined on the same basis as they are reported by MSRPS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Post-employment Health Care and Life Insurance Benefits

In addition to providing the pension benefits described, the School System provides post-employment health care and life insurance benefits (OPEB) for retired employees, their spouses and dependents, and surviving spouses and dependents. On April 15, 2008, the Board created the Retiree Benefit Trust of the Board of Education of Washington County (the Trust) in order to arrange for the establishment of a reserve to pay health and welfare benefits for future retirees. The Trust is affiliated with Maryland Association of Boards of Education Pooled OPEB Investment Trust, an agent multiemployer public employee retirement system established by the Maryland Association of Boards of Education (MABE). The Board reserves the right to establish and amend the provisions of the trust with respect to participants, any benefit provided thereunder, or its participation therein, in whole or in part at any time, by resolution of its governing body and upon advance written notice to the Trustees. The Maryland Association of Boards of Education Pooled OPEB Investment Trust issues an annual financial report for the Trust. That report may be obtained by writing to Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401, or by calling 1-800-841-8197.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

14. Leases and Subscription-Based Information Technology Arrangements

The School System is a lessee for noncancellable leases of equipment and buildings and subscription-based information technology arrangements. The School System recognizes a lease or subscription liability and an intangible right-to-use lease asset or a right-to-use subscription asset (lease/subscription asset) in the government-wide financial statements. The School System recognizes lease and subscription liabilities with an initial, individual value of \$5,000 or more and lease term of greater than 1 year.

At the commencement of a lease or subscription-based information technology arrangement, the School System initially measures the lease liability or subscription liability at the present value of payments expected to be made during the lease or subscription term. Subsequently, the lease or subscription liability is reduced by the principal portion of lease or subscription payments made. The lease or subscription asset is initially measured at the initial amount of the lease or subscription liability, adjusted for lease or subscription payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease or subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases and subscriptions include how the School System determines (1) the discount rate it uses to discount the expected lease and subscription payments to present value, (2) lease term and subscription-based information technology arrangement, and (3) lease and subscription payments.

- The School System uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School System generally uses its estimated incremental borrowing rate as the discount rate for leases and subscription-based information technology arrangements.
- The lease and subscription terms include the noncancellable period of the lease or subscription. Lease and subscription payments included in the measurement of the lease and subscription liability are composed of fixed payments and purchase option price that the School System is reasonably certain to exercise.

The School System monitors changes in circumstance that would require a remeasurement of its lease and subscription-based information technology arrangements and will remeasure the lease and subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease and subscription liability.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

**14. Leases and Subscription-Based Information Technology Arrangements
(Continued)**

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

E. Adoption of Governmental Accounting Standards Board Statements

The School System adopted the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections an Amendment of GASB Statement No. 62*. The adoption of this statement had no effect on previously reported amounts.

The School System adopted the provisions of GASB Statement No. 99, *Omnibus 2022*. The provisions relating to financial guarantees and the classification and reporting of derivative instruments had no effect on previously reported amounts.

F. Pending Changes in Accounting Principles

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The School System is required to adopt this statement for its fiscal year 2025 financial statements. The School System is still evaluating the impact of this Statement.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The School System is required to adopt this statement for its fiscal year 2025 financial statements. The School System is still evaluating the impact of this Statement.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 BUDGETS AND BUDGETARY ACCOUNTING

The School System generally follows these procedures in establishing the budgetary data reflected in the required supplementary information:

Operating Budget

Unrestricted Current Expense Fund

1. Budget meetings with program and department management are held to review the current budget annually, seeking input on changes for the upcoming year. The requests are based upon needs identified in the School System's approved five-year Master Plan.
2. The proposed budget is made available to the public and the County Government in February/March.
3. Public hearings are held to obtain comments from the community.
4. The proposed operating budget is submitted to the County Commissioners in late March or early April.
5. After approval or adjustment by the County Commissioners, the final operating budget is generally approved by the School System in June.
6. Budgets are adopted on a basis consistent with GAAP except for: (1) the inclusion of encumbrances and operating transfers as expenditures, (2) annual debt service requirements on leases which are recognized as a current expense in the General Fund, (3) capital lease proceeds and corresponding acquisition costs which are not recognized as another financing source and current expense, (4) occasionally the inclusion of the previous years' unexpended budgetary appropriations as revenue, (5) retirement contributions made by the State on behalf of the School System are not recognized as revenue and current expense, and (6) the value of donated fixed assets is not recognized as revenue and current expense.
7. Requests for transfers between major categories must be submitted to the County Commissioners for approval or denial. No action within thirty (30) days of submission constitutes approval.

Budgetary comparisons presented in the required supplementary information are on a non-GAAP budgetary basis.

Restricted Current Expense Fund

The restricted current expense fund accounts for certain federal and state programs, student activity programs, and the School System's scholarship programs, which are not part of the operating budget. For the federal and state programs, revenues are recognized at the same time as the related expenditures.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Capital Projects Fund

School construction is budgeted on a project basis with funds primarily provided by the state of Maryland and Washington County bonds. Revenues from the bond proceeds and grants are earned when all significant terms of the proceeds have been met. Such terms are generally met at the time of expenditure. Annual budgetary comparisons to actual expenditures are not presented in the required supplementary information for the Capital Projects Fund.

NOTE 3 DEPOSIT AND INVESTMENT RISK

Cash

Custodial Credit Risk

Maryland State Law prescribes that local government units, such as the School System, must deposit its cash in banks transacting business in the state of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance levels with collateral whose market value is at least equal to the deposits. Any cash deposit exceeding the FDIC insurance level will require collateralization. The FDIC coverage limits are applied to total noninterest-bearing accounts separately from interest-bearing accounts.

Compliance is summarized as follows:

	Governmental and Business- Type Activities
Carrying Amount of Cash Deposits	\$ 32,293,522
Bank Balance of Cash Deposits	35,266,022
Amount Covered by FDIC	2,221,749
Amount Collateralized with Securities	33,044,273
Held by an Agent of the Pledging Financial Institution in the School System's Name	

Investments

Credit Risk

Maryland statutes authorize the School System to invest in obligations of the United States government or agency obligations. As of June 30, 2024, the School System's operating investments in U.S. Government Agencies were rated AAA (\$28,644,183) and rated AA (\$4,995,795) by Standard & Poor's. The School System's operating investments in fixed income mutual funds was not rated (\$83,493). The School System's investment in US Treasury Bills (\$12,888,474) were not rated as of June 30, 2024 as their creditworthiness is universally accepted.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 DEPOSIT AND INVESTMENT RISK (CONTINUED)

Investments (Continued)

Interest and Custodial Risk

Investments are made in federal government securities without risk of loss due to market conditions. The Board's investments, which include uninsured and unregistered investments, are held by a bank's trust department or agent in the School System's name. The Board's policy is generally to require delivery of the investments to a third-party custodian.

Foreign Currency Risk

Maryland law does not permit the School System to have or hold any type of international investment vehicle.

Retiree Health Plan Trust Investments

The investments of the MABE Trust are stated at fair value, are deposited with Fidelity, and are managed by GYL Financial Synergies, LLC. The MABE Trust categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs. Although all investments of the MABE Trust are considered Level 1 and Level 2, the School System's membership in the MABE Trust is considered Level 2. As of June 30, 2024, the pooled net position of the MABE Trust was \$694,755,319 in total, of which the School System's allocated investment balance was \$128,029,459. The School System's allocated investments consist of the following:

	Balance at
	<u>June 30, 2024</u>
Cash and Cash Equivalents	\$ 4,480,438
Equity Securities	69,108,241
Fixed Income	49,326,331
Real Estate	5,114,449
Total	<u><u>\$ 128,029,459</u></u>

The School System may terminate its membership in the MABE Trust and withdraw its allocated investment balance by providing written notification six months prior to the intended date of withdrawal.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 DEPOSIT AND INVESTMENT RISK (CONTINUED)

Investments (Continued)

Concentration of Credit Risk

The School System does not have a specific policy that sets a maximum limit on the amount or percentage that can be invested in any single issuer. However, it is worth noting that more than 5% of the School System's Governmental Activities investments are invested in the Federal Home Loan Mortgage Corp. Similarly, more than 11% of the School System's General Fund investments are invested in the Federal Home Loan Mortgage Corp.

Market Risk

The School System's investments are exposed to various risks, such as interest rate, market, currency, and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported on the financial statements. Agency bonds are not backed by the full faith and credit of the United States Government.

As of June 30, 2024, the School System had the following investments and maturities:

	Governmental Activities	Business-Type Activities	Fiduciary Responsibilities	Total
United States Treasury Note - 1.250% Matures August 31, 2024	\$ 5,963,381	\$ -	\$ -	\$ 5,963,381
United States Treasury Note - 4.250% Matures September 30, 2024	2,992,482	-	-	2,992,482
United States Treasury Note - .750% Matures November 15, 2024	5,905,354	-	-	5,905,354
United States Treasury Note - 1.750% Matures March 15, 2025	4,889,810	-	-	4,889,810
United States Treasury Note - 3.875% Matures April 30, 2025	2,992,728	-	-	2,992,728
United States Treasury Note - 3.500% Matures September 15, 2025	5,900,428	-	-	5,900,428
Federal Home Loan Mortgage Corp - 5.200% Matures May 16, 2025	4,995,795	-	-	4,995,795
United States Treasury Bill - .000% Matures July 1, 2024	2,995,404	-	-	2,995,404
United States Treasury Bill - .000% Matures August 15, 2024	5,961,396	-	-	5,961,396
United States Treasury Bill - .000% Matures October 31, 2024	3,931,674	-	-	3,931,674
Income Fund of America	83,493	-	-	83,493
Retiree Health Plan Trust	-	-	128,029,459	128,029,459
	<u>\$ 46,611,945</u>	<u>\$ -</u>	<u>\$ 128,029,459</u>	<u>\$ 174,641,404</u>

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. Agencies	46,528,452	\$ 40,628,024	\$ 5,900,428	\$ -	\$ -
Income Fund of America	83,493	83,493	-	-	-
Retiree Health Plan Trust - Debt Securities	49,326,331	-	-	-	49,326,331
Total	<u>\$ 95,938,276</u>	<u>\$ 40,711,517</u>	<u>\$ 5,900,428</u>	<u>\$ -</u>	<u>\$ 49,326,331</u>

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 DEPOSIT AND INVESTMENT RISK (CONTINUED)

Investments (Continued)

Investments and Fair Value – Investments are measured at fair value on a recurring basis in accordance with the framework established by GASB Statement No. 72, *Fair Value Measurement and Application*. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as below:

Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School System has the ability to access.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets or inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

	Value	In Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Government Agency Securities	\$ 46,528,452	\$ -	\$ 46,528,452	\$ -
Mutual Fund - Income Fund	83,493	83,493	-	-
Total	<u>\$ 46,611,945</u>	<u>\$ 83,493</u>	<u>\$ 46,528,452</u>	<u>\$ -</u>

Mutual funds are valued using prices quoted in active markets for those securities. U.S. government agency securities are valued using quoted market prices for similar securities.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 4 RECEIVABLES AND PAYABLES

Receivables and payables at June 30 consist of the following:

	Governmental Activities			Business-Type	Total
	General	Capital Projects	Internal Service	Activities	
<u>Due From Other Governments</u>					
County	\$ -	\$ 393,221	\$ -	\$ -	\$ 393,221
State	4,750,124	5,189,158	-	1,892,207	11,831,489
Federal	10,533,382	-	-	117,285	10,650,667
Other MD School Systems	209,786	-	-	-	209,786
Total	<u>\$ 15,493,292</u>	<u>\$ 5,582,379</u>	<u>\$ -</u>	<u>\$ 2,009,492</u>	<u>\$ 23,085,163</u>
<u>Other Receivables</u>					
Account	\$ 1,585,669	\$ -	\$ 1,744	\$ 689	\$ 1,588,102
School Loans	342,000	-	-	-	342,000
Interest	119,463	-	82,796	-	202,259
Total	<u>\$ 2,047,132</u>	<u>\$ -</u>	<u>\$ 84,540</u>	<u>\$ 689</u>	<u>\$ 2,132,361</u>
<u>Accounts Payable</u>					
Vendor	\$ 7,673,307	5,269,560	\$ 276,690	\$ 163,030	\$ 13,382,587
Contractor Retainages	702,853	615,260	-	-	1,318,113
Total	<u>\$ 8,376,160</u>	<u>\$ 5,884,820</u>	<u>\$ 276,690</u>	<u>\$ 163,030</u>	<u>\$ 14,700,700</u>
<u>Accrued Liabilities</u>					
Payroll and Payroll Taxes	\$ 23,265,141	\$ 27,750	\$ 3,128	\$ 63,689	\$ 23,359,708
Pending Insurance Claims	-	-	4,161,000	-	4,161,000
Current portion of Compensated Absences Reclassified in Statement of Net Position	(482,534)	-	-	-	(482,534)
Total	<u>\$ 22,782,607</u>	<u>\$ 27,750</u>	<u>\$ 4,164,128</u>	<u>\$ 63,689</u>	<u>\$ 27,038,174</u>

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 CAPITAL ASSETS

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

	Balance July 1, 2023	Additions	Disposals	Transfers	Balance June 30, 2024
GOVERNMENTAL ACTIVITIES					
Capital Assets not Being Depreciated (Cost):					
Land	\$ 9,749,615	\$ -	\$ -	\$ -	\$ 9,749,615
Facilities under Construction	14,213,602	3,784,981	(5,361,270)	-	12,637,313
Total Capital Assets not Being Depreciated	23,963,217	3,784,981	(5,361,270)	-	22,386,928
Capital Assets Being Depreciated/Amortized:					
Building and Building Improvements	391,465,819	4,919,180	-	-	396,384,999
Leased Building and Improvements	437,113	-	(358,218)	-	78,895
Furniture and Equipment	47,814,673	3,793,344	(3,936,665)	4,239	47,675,591
Leased Furniture and Equipment	4,129,275	182,827	(1,192,616)	-	3,119,486
Financed Equipment	304,282	-	-	-	304,282
Subscription-based technology arrangements	5,252,796	544,787	-	-	5,797,583
Total Capital Assets Being Depreciated/Amortized	449,403,958	9,440,138	(5,487,499)	4,239	453,360,836
Less Accumulated Depreciation/Amortization for:					
Building and Building Improvements	(188,399,351)	(8,223,531)	-	-	(196,622,882)
Leased Buildings and Improvements	(201,712)	(43,711)	169,158	-	(76,265)
Furniture and Equipment	(32,278,109)	(2,932,227)	3,839,240	-	(31,371,096)
Lease Furniture and Equipment	(2,523,582)	(341,736)	1,124,201	-	(1,741,117)
Financed Equipment	(151,336)	(63,214)	-	-	(214,550)
Subscription-based technology arrangements	(3,296,438)	(956,401)	-	-	(4,252,839)
Total Accumulated Depreciation/Amortization	(226,850,528)	(12,560,820)	5,132,599	-	(234,278,749)
Capital Assets Being Depreciated/Amortized, Net	222,553,430	(3,120,682)	(354,900)	4,239	219,082,087
Governmental Activities, Capital Assets, Net	<u>\$ 246,516,647</u>	<u>\$ 664,299</u>	<u>\$ (5,716,170)</u>	<u>\$ 4,239</u>	<u>\$ 241,469,015</u>
BUSINESS-TYPE ACTIVITIES					
Capital Assets not Being Depreciated (Cost):					
Facilities under Construction	-	135,225	-	-	135,225
Total Capital Assets not Being Depreciated	-	135,225	-	-	135,225
Capital Assets Being Depreciated/Amortized:					
Furniture and Equipment	\$ 6,176,409	\$ 722,416	\$ (293,006)	\$ (4,239)	\$ 6,601,580
Leased Subscription Based Asset	193,629	-	-	-	193,629
Total Capital Assets Being Depreciated/Amortized	6,370,038	722,416	(293,006)	(4,239)	6,795,209
Less Accumulated Depreciation Amortization for:					
Furniture and Equipment	(4,046,401)	(416,650)	268,851	-	(4,194,200)
Leased Subscription Based Asset	(17,211)	(35,205)	-	-	(52,416)
Total Accumulated Depreciation/Amortization	(4,063,612)	(451,855)	268,851	-	(4,246,616)
Business-Type Activities, Capital Assets, Net	<u>\$ 2,306,426</u>	<u>\$ 270,561</u>	<u>\$ (24,155)</u>	<u>\$ (4,239)</u>	<u>\$ 2,548,593</u>

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

Administration	\$ 146,962
Mid-Level Administration	337,886
Other Instructional Costs	1,080,231
Special Education	26,378
Student Transportation Services	1,489,712
Operation of Plant	8,874,220
Maintenance of Plant	605,431
Total	<u>\$ 12,560,820</u>

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 UNEARNED REVENUE

General Fund

Unearned revenue consists of revenues received under restricted programs in excess of the expenditures under those programs.

Enterprise Fund

Unearned revenue includes commodities donated by the federal government and included in inventory. Unearned revenues also include student lunch ticket sales collected in advance which will be consumed by students in the subsequent fiscal year.

NOTE 7 INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30 are as follows:

	Interfund Payable	Interfund Receivable
Governmental Funds		
General Fund	\$ 3,942,799	\$ -
Capital Projects Fund	56,845	-
Total Governmental Funds	<u>\$ 3,999,644</u>	<u>\$ -</u>
Proprietary Funds		
Food Service Fund	\$ -	\$ 5,451,014
Self-Insurance Fund	1,451,370	-
Total Interfund Balances	<u>\$ 5,451,014</u>	<u>\$ 5,451,014</u>

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system; and (3) payments between funds are made. Interfund receivables and payables are not interest-bearing and are normally settled in the subsequent period.

The School System approved interfund transfers of \$795,303 from the current expense fund to the food service fund for the year ended June 30, 2024, to pay for summer school meals, certain outdoor school meals, food service employees' salaries and benefits, and adjustments to delinquent school accounts. The School System also approved interfund transfers of \$470,851 from the current expense fund-committed fund balance to the capital project fund for the year ended June 30, 2024 to pay for capital projects.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8 LONG-TERM LIABILITIES

General long-term liabilities consist of lease obligations, note payables, accumulated compensated absences payable, net pension liability, and the net OPEB liability. The interest rate on the note payable is 2.35%, with a maturity date in June of 2026. The note payable is secured by the equipment under lease.

The following is a summary of changes in the School System's long-term liabilities for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Maturities/ Disposals	Balance June 30, 2024	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Notes Payable	\$ 162,590	\$ -	\$ (60,316)	\$ 102,274	\$ 54,889
Lease Liability	2,001,538	182,827	(690,401)	1,493,964	316,232
Subscription Liability	1,884,653	544,787	(1,006,478)	1,422,962	978,458
	<u>4,048,781</u>	<u>727,614</u>	<u>(1,757,195)</u>	<u>3,019,200</u>	<u>1,349,579</u>
Other Long-Term Liabilities:					
Compensated Absences	6,841,562	3,985,274	(3,831,493)	6,995,343	482,534
Net Pension Liability	16,609,985	3,727,921	-	20,337,906	-
Other Post-Employment Benefits	<u>176,281,442</u>	<u>-</u>	<u>(3,518,775)</u>	<u>172,762,667</u>	<u>-</u>
	<u>199,732,989</u>	<u>7,713,195</u>	<u>(7,350,268)</u>	<u>200,095,916</u>	<u>482,534</u>
Governmental Activities Long-Term Liabilities	<u>203,781,770</u>	<u>8,440,809</u>	<u>(9,107,463)</u>	<u>203,115,116</u>	<u>1,832,113</u>
BUSINESS-TYPE ACTIVITIES					
Subscription Liability	182,629	-	(36,642)	145,987	33,871
Other Long-Term Liabilities:					
Compensated Absences	188,523	64,311	(63,645)	189,189	-
Net Pension Liability	3,163,807	759,411	-	3,923,218	-
Other Post-Employment Benefits	<u>3,965,431</u>	<u>-</u>	<u>(42,098)</u>	<u>3,923,333</u>	<u>-</u>
Business-Type Long-Term Liabilities	<u>\$ 7,500,390</u>	<u>\$ 823,722</u>	<u>\$ (142,385)</u>	<u>\$ 8,181,727</u>	<u>\$ 33,871</u>

Compensated absences and the net pension liability are paid from the General Fund and the Food Service Fund. The net OPEB liability is paid from the General Fund, Food Service Fund, and the Internal Service Fund.

The School System's Note Payable is for various financed equipment. Below are future principal and interest payments.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 50,543	\$ 2,402	\$ 52,945
2026	51,731	1,215	52,946
Total	<u>\$ 102,274</u>	<u>\$ 3,617</u>	<u>\$ 105,891</u>

See Note 15 for additional disclosures related to leases and subscription-based technology arrangements.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 9 FUND BALANCES/NET POSITION

The financial statements present fund balances / net position based on classifications that comprise a hierarchy that is based primarily on the extent to which the School System is bound to honor constraints on the specific purposes for which amounts in the respective funds can be spent. The classifications used in the financial statements are as follows:

	General Fund	Capital Projects Fund	Total Governmental Funds
Nonspendable			
Inventory	\$ 77,846	\$ -	\$ 77,846
Prepays	471,124	-	471,124
Total Nonspendable	<u>548,970</u>	<u>-</u>	<u>548,970</u>
Restricted -			
Scholarships	148,010	-	148,010
Unearned Grant Revenue	10,681,852	-	10,681,852
Total Restricted	<u>10,829,862</u>	<u>-</u>	<u>10,829,862</u>
Committed			
School Loans	446,530	-	446,530
Facilities	595,476	-	595,476
Total Committed	<u>1,042,006</u>	<u>-</u>	<u>1,042,006</u>
Assigned			
Student Activity Funds	3,846,999		
Encumbrances	12,742,936	-	12,742,936
Total Assigned	<u>16,589,935</u>	<u>-</u>	<u>16,589,935</u>
Unassigned	<u>7,977,303</u>	<u>(615,260)</u>	<u>7,362,043</u>
Total	<u>\$ 36,988,076</u>	<u>\$ (615,260)</u>	<u>\$ 36,372,816</u>

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 10 RISK MANAGEMENT

The School System is exposed to various risks of loss to torts, theft of, damage to, and destruction of assets; errors and omissions; personal injury; and natural disasters. The School System is one of seventeen 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 loss data and are allocated to members based on student enrollment, number, and type of vehicles as well as experience modification factors. The Pool is reinsured on a claims-made basis for legal liability, covering claims aggregating \$3 million per School System per year.

Additionally, the School System 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's Worker's Compensation Commission (COMAR 14.09.02). Each Fund participant pays an annual premium calculated on its payroll, according to the standard classifications, with an experience modification applied. Premiums billed to the Fund members are determined on an actuarial basis. Six months following the end of the Fund's fiscal year, the Fund's trustees declare unneeded funds as surplus and may distribute 50% of the declared surplus as dividends or rate stabilization to the Fund members. This dividend distribution is made no sooner than one year after the close of that fiscal year. Members dedicate the remaining 50% of the surplus each year to a surplus fund until it reaches 75% net annual premium. 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 the insurance plan coverage during any of the past three years.

The School System also offers a program of self-insured health, dental, and vision benefits to its employees and retirees. Charges are made to other funds, employees, and retirees for their respective share of the costs in amounts planned to match the estimated claims, the cost of insurance premiums for coverage in excess of self-insured amounts, and the administrative costs in providing the program. Such costs are also offset by interest income earned from investing receipts until they are paid out in the form of claims or expenses. Administrative costs directly related to the program are borne by the Self- Insurance Fund.

In accordance with the Governmental Standards Board's Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* charges to other funds must be accounted for as revenue by an internal service fund and expenditures/expenses by the other funds. The amounts of these charges were \$48,229,439 for the year ended June 30, 2024.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 10 RISK MANAGEMENT (CONTINUED)

The Self-Insurance Fund's accrued liabilities include an estimate of the amount to be paid for self-insured claims incurred prior to June 30, 2024. This estimate is prepared based upon the School System's experience and other relevant facts. The liability is recorded as an accrued liability in the government-wide and proprietary statements of net position. Changes in the fund's claims liability amount for the year ended June 30, 2024 were as follows:

	2024	2023
Liability - Beginning of Year	\$ 4,202,000	\$ 3,430,059
Claims and Changes in Estimates During the Year	64,625,724	58,225,833
Claims Paid	(64,663,596)	(57,453,892)
Liability - End of Year	<u>\$ 4,164,128</u>	<u>\$ 4,202,000</u>

NOTE 11 PENSION PLAN

Plan Description

The employees of the Board are covered by the Maryland State Retirement and Pension System (the System), which is a multiemployer cost sharing employer defined benefit public employee retirement system. While there are five retirement and pension systems under the System, employees of the Board are a member of either the Teachers' Retirement and Pension Systems or the Employees' Retirement and Pension Systems. The Plans are administered by the State Retirement Agency. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publicly available financial report that can be obtained at <http://www.sra.state.md.us>. The System provides retirement allowances and other benefits to State teachers and employees of participating governmental units, among others. The School System participates in the Maryland Teachers' Retirement System (TRS), the Maryland Teachers' Pension System (TPS), the Maryland State Employee's Retirement System (ERS), and the Maryland State Employee's Pension System (EPS). Eligible professional and clerical personnel are covered under TRS or TPS. Eligible maintenance, custodial, and food service personnel are covered under ERS or EPS.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11 PENSION PLAN (CONTINUED)

Benefits Provided

Maryland Teacher's Retirement System (TRS)

Under TRS, the members are eligible for full service retirement allowances upon attaining age 60 or upon accumulating 30 years of eligible service regardless of age. The retirement allowance is $1/55^{\text{th}}$ of average final compensation for the three highest years as a member for each year of creditable service. Creditable service is based on a full normal working time for teachers – ten months equals one year. TRS members are eligible for early service retirement allowances upon accumulating at least 25 years prior to attaining age 60. The service retirement allowance is reduced by 0.5% for each month that date of retirement proceeds the earlier of age 60 or the date the member would have completed 30 years of eligibility service. The maximum reduction is 30%.

They are also eligible for ordinary disability retirement allowance upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job function. The ordinary disability benefit is $1/55^{\text{th}}$ of average final compensation for the three highest years as a member for each of creditable service. The minimum benefit is 25% of average final compensation; the maximum benefit can be not greater than $1/55^{\text{th}}$ of average final compensation for each year of creditable service the member would have accrued if employment continued to age 60. TRS members are eligible for accidental disability benefits if the Medical Board certifies that, in the course of job performance and as the direct result of an accidental injury, they become totally and permanently disabled. The accidental disability benefit is equal to $66\frac{2}{3}\%$ of the employee's average final compensation for the three highest consecutive years as a member plus the annuity provided by accumulated member contributions but cannot be greater than the average final compensation.

To be eligible for death benefits under the TRS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions. If the member dies prior to accruing one year of service, payment is only the return of accumulated member contributions.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11 PENSION PLAN (CONTINUED)

Benefits Provided

Maryland Teacher's Pension System (TPS)

Under TPS, there are two membership classes. All employees who were members on or before June 30, 2011, participate in the Alternate Contributory Pension Selection (ACPS) and all employees who enroll after July 1, 2011 participate in the Reformed Contributory Pension Benefit (RCPB). ACPS members qualify for normal retirement benefits upon (a) completing 30 years of eligible service, (b) reaching 62 with 5 years of eligible service, (c) reaching age 63 with 4 years of eligible service, (d) reaching age 64 with 3 years of eligible service, or (e) reaching age 65 or older with 2 years of eligible service. ACPS members are eligible for early retirement benefits after attainment of the age 55 with at least 15 years of eligible service. RCPB members qualify for normal retirement benefits when they attain a combined age and eligibility service of 90 years or after reaching age 65 with 10 years of eligible service. RCPB members are eligible for early retirement after attaining the age of 60 with at least 15 years of eligible service. Benefits are generally equal to 0.8%-1.8% of the member's final average salary multiplied by the number of years of credited service, depending upon membership class.

Participants are eligible for ordinary disability retirement benefits after completing five years of service. The benefit allowance is computed on the basis that the service continues until age 62 without any change in rate of earnable compensation. If disability occurs after age 62 (age 65 for RCPB), the benefit is based on creditable service at time of retirement. Participants are eligible for accidental disability retirement benefits if the disability occurred in the actual performance of the employee's duty.

The accidental disability benefits is equal to 66 2/3% of the employee's average final compensation for the three highest consecutive years as a member plus the annuity provided by accumulated member contributions but cannot be greater than the average final compensation.

To be eligible for death benefits under the TPS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions. If the member dies prior to accruing one year of service, payment is only the return of accumulated member contributions.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11 PENSION PLAN (CONTINUED)

Benefits Provided

Maryland Employee's Retirement System (ERS)

Under ERS, the members are eligible for full service retirement allowances upon attaining age 60 or upon accumulating 30 years of eligible service regardless of age. The retirement allowance is 1/55th of average final compensation for the three highest years as a member for each year of creditable service. ERS members are eligible for early service retirement allowances upon accumulating at least 25 years prior to attaining age 60. The service retirement allowance is reduced by 0.5% for each month that date of retirement proceeds the earlier of age 60 or the date the member would have completed 30 years of eligibility service. The maximum reduction is 30%.

They are also eligible for ordinary disability retirement allowance upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job function. The ordinary disability benefit is 1/55th of average final compensation for the three highest years as a member for each of creditable service. The minimum benefit is 25% of average final compensation; the maximum benefit can be not greater than 1/55th of average final compensation for each year of creditable service the member would have accrued if employment continued to age 60. ERS members are eligible for accidental disability benefits if the Medical Board certifies that, in the course of job performance and as the direct result of an accidental injury, they become totally and permanently disabled. The accidental disability benefit is equal to 66 2/3% of the employee's average final compensation for the three highest consecutive years as a member plus the annuity provided by accumulated member contributions but cannot be greater than the average final compensation.

To be eligible for death benefits under the ERS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions. If the member dies prior to accruing one year of service, payment is only the return of accumulated member contributions.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11 PENSION PLAN (CONTINUED)

Benefits Provided

Maryland Employee's Pension System (EPS)

Under the EPS plan, members are eligible for full service pension allowance upon accumulating 30 years of eligibility regardless of age. Absent 30 years of eligible service, members must meet one of the following conditions to be eligible for full service pension allowance: (a) age 62 with 5 years of eligible service, (b) age 63 with 4 years of eligible service, (c) age 64 with 3 years of eligible service, or (d) age 65 or older with 2 years of eligible service. Members are eligible for early service pension liability upon attaining age 55 with at least 15 years of service or attaining age 60 with 15 years of service, depending on plan. Allowances for both normal and early retirement are based on membership class.

They are also eligible for ordinary disability retirement allowance upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job function. The benefit is the service retirement allowance computed on the basis that service continues until age 62 (age 65 for RCPB) without any change in the rate of earnable compensation. EPS members are eligible for accidental disability benefits if the Medical Board certifies that, in the course of job performance and as the direct result of an accidental injury, they become totally and permanently disabled. The accidental disability benefit is equal to 66 2/3% of the employee's average final compensation for the three highest consecutive years (five years for RCPB) as a member plus the annuity provided by accumulated member contributions but cannot be greater than the average final compensation.

To be eligible for death benefits under the EPS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions.

Contributions

The Board and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System and the Teachers' Retirement System are required to contribute between 7% annually. Members of the Employees' Pension System and Employees' Retirement System are required to contribute 5-7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the System.

Beginning in FY2017, the Board pays the normal cost for their teachers in the Teachers Retirement and Pension System while the State contributes on behalf of the Board, the unfunded liability portion of the Board's annual required contribution to the Teachers' Retirement and Pension System, which for the year ended June 30, 2024 was \$8,257,941. The State's contributions on behalf of the Board for the year ended June 30, 2024 was \$16,047,203. The fiscal 2024 contributions made by the State on behalf of the Board have been included as both revenues and expenditures in the general fund in the accompanying statement of revenues, expenditures and changes in fund balances and are also included as revenues and expenses in the statement of activities.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11 PENSION PLAN (CONTINUED)

Contributions (Continued)

The Board's contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2024, was 10.47% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Board made its share of the required contributions during the year ended June 30, 2024 of \$2,796,482.

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

At June 30, 2024, the School System reported a liability for its proportionate share of the pension liability that reflected a reduction for state pension support provided to the School System. The amount recognized by the School System as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the School System were as follows:

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System
School System's Proportionate Share of net Pension Liability	\$ -	\$ 24,261,120
State's Proportionate Share of net Pension Liability Associated with the School System	146,915,168	-
Total	<u>\$ 146,915,168</u>	<u>\$ 24,261,120</u>

Split of Net Pension Liability

Governmental Activities	\$ 20,337,906
Business-Type Activities	3,923,218
Total	<u>\$ 24,261,124</u>

At June 30, 2024, the Board reported a liability of \$24,261,124 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2023. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2023, the Board's proportionate share was 0.1053443%%, which is an increase of .0065443% from its proportion measured as of June 30, 2022.

Since the state of Maryland pays the unfunded liability and the School System pays the normal cost for the TPS and TRS plans, the local Boards of Education are not required to record their share of the unfunded pension liability but instead, that liability is to be recorded by the state of Maryland.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11 PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2024, the School System recognized pension expense of \$4,545,881. As of June 30, 2024, the School System 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
Net Difference Between Projected and Actual Investment Earnings	\$ 1,932,279	\$ -
Difference Between Expected and Actual Experience	852,706	1,097,492
Change in Proportion	1,961,403	191,272
Change in Assumptions	1,713,925	154,936
Contributions Subsequent to the Measurement Date	2,796,482	-
Total	<u>\$ 9,256,795</u>	<u>\$ 1,443,700</u>
 <u>Split of Deferred Outflows / Inflows of Resources</u>		
Governmental Activities	\$ 7,759,897	\$ 1,210,243
Business-Type Activities	1,496,898	233,458
	<u>\$ 9,256,795</u>	<u>\$ 1,443,701</u>

\$2,796,482 is reported as deferred outflows of resources related to pensions resulting from the School System's contributions 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 as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2025	\$ 1,043,397	\$ 201,707	\$ 1,245,104
2026	1,043,397	201,707	\$ 1,245,104
2027	1,043,397	201,707	\$ 1,245,104
2028	913,937	176,680	\$ 1,090,617
2029	159,795	30,891	\$ 190,686
Total	<u>\$ 4,203,923</u>	<u>\$ 812,692</u>	<u>\$ 5,016,615</u>

Actuarial Methods and Assumptions

The following methods and assumptions were used in the actuarial valuation for the June 30, 2023 measurement date:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.25% General
Salary Increases	2.75% Including Inflation
Investment Rate of Return	6.80%

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11 PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Retirement age was based on an experience-based table of rates that are specific to the type of eligibility condition and was last updated for the 2019 valuation pursuant to an experience study for the period July 1, 2014 to June 30, 2018. Mortality rates were based on Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (fully generational) mortality improvement scale.

Investments

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34 %	6.9 %
Private Equity	16 %	8.6 %
Rate Sensitive	20 %	2.6 %
Credit Opportunity	9 %	5.6 %
Real Assets	15 %	5.4 %
Absolute Return	6 %	4.4 %
	100 %	

Discount Rate

The single discount rate of 6.80% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11 PENSION PLAN (CONTINUED)

Sensitivity of the School System's Proportionate Share of the Net Pension Liability to Change in the Discount Rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 6.80% as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
School System's Proportionate Share of the net Pension Liability - EPS and ERS	\$ 35,974,331	\$ 24,461,124	\$ 14,541,185

Additional Financial and Actuarial Information

Additional financial information supporting the preparation of the schedule of employer allocations and the schedule of pension amounts by employer (including the disclosure of the net pension liability and the unmodified audit opinion on the financial statements) is located in the System's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2023.

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS PLAN

Plan Description

In addition to providing the pension benefits described, the School System provides post-employment health care and life insurance benefits (OPEB) for retired employees, their spouses and dependents, and surviving spouses and dependents. On April 15, 2008, the Board created the Retiree Benefit Trust of the Board of Education of Washington County (the Trust) in order to arrange for the establishment of a reserve to pay health and welfare benefits for future retirees. The Trust is affiliated with the Maryland Association of Boards of Education Pooled OPEB Investment Trust, and agent multiple-employer public employee retirement system established by the Maryland Association of Boards of Education (MABE). The Board reserves the right to establish and amend the provisions of the trust with respect to participants, any benefit provided thereunder, or its participation therein, in whole or in part at any time, by resolution of its governing body and upon advance written notice to the Trustees. The Maryland Association of Boards of Education Pooled OPEB Investment Trust issues an annual financial report for the Trust. That report may be obtained by writing to Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401, or by calling 1-800-841-8197.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Plan Description (Continued)

Eligible participants include employees, former employees, or beneficiaries of Washington County Public Schools who are receiving pensions. Participants must meet the retirement eligibility requirements of the State of Maryland Employees' and Teachers' Pension System (EPS). Under EPS, members hired on or after July 1, 2011 are in the Reformed Contributory Pension System. The earliest retirement eligibility under the Reformed Contributory Pension System is the earlier of:

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

For other members of EPS, the earliest retirement eligibility is the earlier of:

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

Under EPS, there are two types of disability benefits, ordinary and accidental. Ordinary disability under EPS requires five (5) years of eligibility service. There is no service credit requirement for accidental disability.

Retirees can continue the same medical coverage they had (including family coverage) as active employees. Retirees receive a subsidy for their post-retirement medical insurance based on points (Age + Service). A minimum of 66 points (with 5 years of service) is required to receive a subsidy. The maximum subsidy of 85% is reached at 85 points (note this is a blended subsidy percentage based on the subsidy for each plan and the current enrollment distribution). Retirees with less than 66 points are allowed access but must pay 100% of the published rates.

Contributions

The School System will contribute the higher of the budgeted pay-go amount or actual pay-go amount to the trust for fiscal year 2024. Because of the sponsor's funding policy, it is anticipated the sponsor's cash requirement will increase as time goes on. For the years ended June 30, 2024 and 2023, the School System's average contribution rate was 9.93% and 12.11%, respectively of covered payroll. Employees are not required to contribute to the plan. Total claims paid on behalf of retirees amounted to \$18,491,507 of which \$4,067,112 was reimbursed through contributions received from retirees for the year ended June 30, 2024. In addition, the School System contributed \$6,000,000 to the MABE Trust for the year ended June 30, 2024.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Employees Covered by Benefit Terms

The School System partially supports the group insurance plan for retired employees. Eligibility is determined by a point system based on a retiree's age at the date of retirement and the number of years of service with the School System. The School System pays up to a maximum of 85% of the premium of the standard plan, based on the points earned. There were 3,492 active employees and 1,516 inactive employees or beneficiaries currently receiving benefit payments at the June 30, 2024 measurement date.

Investments

The MABE Trust's policy in regard to the allocation of invested assets is established and may be amended by the Trustees by a majority vote of its members. It is the policy of the Trust to pursue an investment strategy that emphasizes growth of principal while avoiding excess risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index. The MABE Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes and aims to refrain from dramatically shifting asset class allocations over short time span. The following is the MABE Trust's adopted asset allocation policy as of June 30, 2024 and 2023:

2024		2023	
Asset Class	Percent Target Allocation	Asset Class	Percent Target Allocation
U.S. Equity	30%	U.S. Equity	33%
Non U.S. Equity	23%	Non U.S. Equity	22%
Fixed Income	40%	Fixed Income	37%
Real Estate	4%	Real Estate	5%
Cash	3%	Cash	3%
Total	100%	Total	100%

Rate of Return

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 7.62%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment in External Investment Pool

The School System has funds designated for Other Post-employment Benefits (OPEB) that are held by the Maryland Association of Board of Education (MABE) in the MABE OPEB Trust (MABE Trust). The MABE Trust is administered by the MABE and is a wholly-owned instrumentality of its members. The ten members who are sole contributors to the MABE Trust consist of Allegany Fiduciary Fund and the boards of education of the following counties in Maryland: Allegany, Caroline, Cecil, Charles, Harford, Kent, Prince George's, St. Mary's, and Washington.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Investment in External Investment Pool (Continued)

The MABE Trust is audited annually by an independent CPA firm. The audit report is usually issued by September 1st of each year, a copy of which can be obtained by sending a request to the following address: Administrator of the MABE Pooled Investment Trust, 621 Ridgely Road, Suite 300, Annapolis, Maryland 21401-1112.

Net OPEB Liability

The OPEB liabilities for the School System as of June 30, 2024 are calculated using a measurement date of June 30, 2023. Therefore, plan information for the year ended June 30, 2023 is utilized.

The net OPEB liability as of June 30, 2023 measurement date (liability recorded on the statement of net position as of June 30, 2023) and June 30, 2024 (for plan disclosure) was as follows:

2023

Total OPEB Liability	\$ 290,076,427
Plan Fiduciary Net Position	113,390,344
Net OPEB Liability	<u><u>\$ 176,686,083</u></u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39.09%
--	--------

2024

Total OPEB Liability	\$ 329,713,501
Plan Fiduciary Net Position	128,029,459
Net OPEB Liability	<u><u>\$ 201,684,042</u></u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	38.83%
--	--------

Actuarial Methods and Assumptions

The Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of the June 30, 2023 measurement date and June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The health care cost trend assumptions are used to project the cost of health care in future years. The following annual trends are based on the current HCA Consulting trend study and are applied in a select and ultimate basis. Select trends are reduced 0.30% each year until reaching the ultimate trend rate.

<u>Expense Type</u>	<u>Select</u>	<u>Ultimate</u>
Pre-Medicare Medical and Rx Benefits	7.75 %	4.00 %
Medicare Benefits	6.75 %	4.00 %
Stop-Loss Fees	7.75 %	4.00 %
Administrative Fees	4.00 %	4.00 %

Mortality rates were based of the Pub-2010 mortality table projected generationally using scale MP-2021. The inflation rate used for used was 2.7%. The actuarial assumptions used in the June 30, 2024 and 2023 valuations were based on historical results, as a recent experience study was not completed.

Plan Participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 100% of all employees and their dependents who are eligible for early retiree benefits will participate in the retiree medical plan. This assumes that a one-time irrevocable election to participate is made at retirement.

Best estimates of the arithmetic real rates of return including inflation for each major asset class included in the target asset allocation as of June 30, 2024 (see the discussion of the MABE Trust's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Rate of Return Percent</u>
Equity	4.99 %
Fixed Income	2.60 %
Alternative	5.00 %
Commodities	2.45 %
Cash	0.98 %

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The discount rate used to determine the total OPEB liability was 5.48% and 5.77% for the years ended June 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The expected long term rate of return on trust assets, to the extent the net fiduciary position is projected to be sufficient to provide benefits.

Changes of Assumptions. Since the prior valuation, the discount rate was updated from 5.77% to 5.48%. The trend rates were updated to an initial rate of 7.75% (5.00% for Post-65) grading down to an ultimate rate of 4.00%. The initial rate and the grade down period is extended to account for recent inflationary pressures and price increases over the next couple of years. Also, the salary scale was updated to the most recent rates in the Maryland State Pension Valuation.

Change in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Total OPEB Liability - Beginning of Year (Based on 6/30/2022 Measurement Date)	\$ 278,633,325	\$ 98,386,452	\$ 180,246,873
Changes for the Year			
Service Cost	8,992,967	-	8,992,967
Interest Cost	16,103,790	-	16,103,790
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	3,494,147	-	3,494,147
Changes in Assumptions or Other Inputs (Other Changes, Separately Identified if Significant)	(2,456,766)	-	(2,456,766)
Contributions - Employer	-	20,691,036	(20,691,036)
Net Investment Income	-	9,020,723	(9,020,723)
Benefit Payments	(14,691,036)	(14,691,036)	-
Administrative Expense	-	(16,831)	16,831
Net Change in Total OPEB Liability	11,443,102	15,003,892	(3,560,790)
Total OPEB Liability - End of Year (Based on 6/30/2023 Measurement Date)	\$ 290,076,427	\$ 113,390,344	\$ 176,686,083

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

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

The following presents the net OPEB liability of the School System at June 30, 2023, as well as what the School System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.77%) or 1-percentage-point higher (6.77%) than the current discount rate:

	1% Decrease 4.77%	Current Discount Rate 5.77%	1% Increase 6.77%
Net OPEB Liability	<u>\$ 160,192,000</u>	<u>\$ 176,686,083</u>	<u>\$ 137,753,000</u>

The following represents the sensitivity of the net OPEB liability at June 30, 2024:

	1% Decrease 4.48%	Current Discount Rate Rate 5.48%	1% Increase 6.48%
Net OPEB Liability	<u>\$ 152,296,000</u>	<u>\$ 201,684,000</u>	<u>\$ 265,123,000</u>

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

The following presents the net OPEB liability of the School System at June 30, 2023, as well as what the School System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower, or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Medical Trend Rate	1% Increase
Net OPEB Liability	<u>\$ 130,946,000</u>	<u>\$ 176,686,398</u>	<u>\$ 236,060,000</u>

The following represents the sensitivity of the net OPEB liability at June 30 2024:

	1% Decrease	Medical Trend Rate	1% Increase
Net OPEB Liability	<u>\$ 160,192,000</u>	<u>\$ 201,684,000</u>	<u>\$ 252,931,000</u>

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

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

For the year ended June 30, 2024, the School System recognized OPEB expense of \$13,127,000. As of June 30, 2024, the School System 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
Net Difference Between Projected and Actual		
Investment Earnings	\$ 3,656,313	\$ -
Difference Between Expected and Actual		
Experience	28,536,161	81,728,467
Change in Assumptions	45,439,705	43,236,960
Change in Proportion	-	-
Contributions Subsequent to the Measurement Date	20,424,395	-
Total	<u>\$ 98,056,574</u>	<u>\$ 124,965,427</u>
<u>Split of Deferred Outflows / Inflows of Resources</u>		
Governmental Activities	95,879,216	122,190,555
Business-Type Activities	2,177,358	2,774,872
Total	<u>\$ 98,056,574</u>	<u>\$ 124,965,427</u>

\$20,424,395 is reported as deferred outflows of resources related to OPEB resulting from the School System contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	Governmental Activities	Business-Type Activities	Total
2025	\$ (6,168,926)	\$ (1,739,954)	\$ (7,908,880)
2026	(6,486,022)	(1,829,391)	(8,315,413)
2027	(2,160,995)	(609,512)	(2,770,507)
2028	(5,113,511)	(1,442,272)	(6,555,783)
2029	(4,525,680)	(1,276,474)	(5,802,154)
Thereafter	(12,464,799)	(3,515,712)	(15,980,511)
Total	<u>\$ (36,919,933)</u>	<u>\$ (10,413,315)</u>	<u>\$ (47,333,248)</u>

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 13 COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of business, there are various claims and suits pending against the School System. Management is of the opinion that these matters will not have a material adverse effect on the School System's financial position at June 30, 2024.

School Construction and Major Repairs

As of June 30, 2024, the School System entered into various school construction commitments that will be funded by the state of Maryland or County sources, totaling approximately \$15,948,518 and a portion of these commitments are included in encumbrances.

Encumbrances

As of June 30, 2024, the School System had outstanding purchase orders and contracts of \$21,005,943. These amounts are partially included in assigned fund balance in the appropriate funds.

Current Expense Fund - Unrestricted	\$ 7,152,709
Current Expense Fund - Restricted	5,849,600
Capital Projects Fund	8,003,634
Food Services Fund	-

Grants

The School System is party to various grants with Federal and State agencies, which are subject to program and compliance audits by the grantors or under the Single Audit Act Amendments of 1996. School System officials believe that any audit adjustments resulting from final settlements will be immaterial in relation to the School System's financial resources.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 14 LEASES AND SUBSCRIPTION LIABILITY

Pertinent information regarding the leases and subscription liabilities is present below:

GOVERNMENTAL ACTIVITIES

Date of Issue	Initial Liability	Purpose	Outstanding Liability Balance 6/30/24	Asset Value 6/30/24	Accumulated Amortization 6/30/24
Various	\$ 4,017,872	The School System entered into 12-year bus contracts with various contractors. Monthly payments range from \$727 to \$1,183. These payments are the per vehicle allotment (PVA), which is the School System's payment to use the bus. The lease(s) have an interest rate of 5%.	\$ 1,429,024	\$ 2,825,256	\$ 1,535,155
12/31/2020	294,231	The School System entered into a lease agreement for 2 digital presses. There is one yearly payment made of \$64,724. The lease bears an interest rate of 5%.	61,642	294,231	205,961
11/1/2014	78,895	The School System entered into a lease agreement of lease space from N&R Realty. The monthly payment is \$833. The lease bears an interest rate of 5%.	3,299	78,895	76,265
4/1/2022	131,568	The School System entered into a subscription agreement to lease cloud hosting from Tyler Technologies. The yearly payment is \$46,012. The lease bears an interest rate of 5%. (SBITA)	-	131,568	98,676
7/1/2020	2,318,787	The School System entered into a subscription agreement of lease Vnware from Dell Marketing. The yearly payment is \$510,077. The lease bears an interest rate of 5%. (SBITA)	485,788	2,318,787	1,855,030
9/22/2021	857,248	The School System entered into a subscription agreement to lease firewall hardware from Skyline. The monthly payment is \$17,011. The lease bears an interest rate of 2.35%. (SBITA)	316,964	857,248	538,611
6/30/2021	459,138	The School System entered into a subscription agreement to lease instructional software from Power School Holdings. The yearly payment is \$100,999. The lease bears an interest rate of 5%. (SBITA)	96,190	459,138	275,738
7/1/2022	12,089	The School System entered into a subscription agreement to lease a legal research platform from Thomas Reuters. The monthly payment is \$361. The lease bears an interest rate of 5%. (SBITA)	4,215	12,089	8,059
2/24/2001	1,473,966	The School System entered into a subscription agreement to lease cloud security from Hewlett Packard-Aperture. The annual payment is \$99,601. The lease bears an interest rate of 5%. (SBITA)	94,859	1,473,966	1,376,848
8/1/2023	544,787	The School System entered into a subscription agreement to lease backup cloud services from CDW Government. The annual payment is \$119,840. The lease bears an interest rate of 5%. (SBITA)	424,947	544,787	99,878
Total Governmental Activities			<u>\$ 2,916,926</u>	<u>\$ 8,995,964</u>	<u>\$ 6,070,220</u>

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 15 LEASES AND SUBSCRIPTION LIABILITY (CONTINUED)

BUSINESS -TYPE ACTIVITIES

Date of Issue	Initial Liability	Purpose	Outstanding Liability Balance 6/30/24	Asset Value 6/30/24	Accumulated Amortization 6/30/24
1/5/2023	\$ 193,629	The School System entered into a subscription agreement to lease food service software from EMS LINQ. The annual payment is \$41,170. The lease bears an interest rate of 5%. (SBITA)	\$ 145,987	\$ 193,629	\$ 52,416
Total Business-Type Activities			<u>\$ 145,987</u>	<u>\$ 193,629</u>	<u>\$ 52,416</u>

The future principal and interest lease/subscription payments as of June 30, 2024 were as follows:

GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2025	\$ 1,294,690	\$ 133,134	\$ 1,427,824	2025	\$ 33,871	\$ 7,299	\$ 41,170
2026	485,323	73,200	558,523	2026	35,564	5,606	41,170
2027	369,909	53,154	423,063	2027	37,342	3,828	41,170
2028	305,941	35,084	341,025	2028	39,210	1,960	41,170
2029	134,230	20,395	154,625	2029	-	-	-
203-2034	326,833	32,325	359,158	203-2034	-	-	-
Total	<u>\$ 2,916,926</u>	<u>\$ 347,292</u>	<u>\$ 3,264,218</u>	Total	<u>\$ 145,987</u>	<u>\$ 18,693</u>	<u>\$ 164,680</u>

NOTE 15 DEFINED CONTRIBUTION PLANS

The School System has two defined contribution plans. A 403(b) plan and a 457 deferred compensation plan. Eligible employees are permitted to make contributions up to applicable Internal Revenue Code limits. There are no employer contribution made for either plan. For the year ended June 30, 2024, participant contributions totaled \$908,113 for the 457 plan and \$3,262,889 for the 403(b) plan.

Participants are immediately vested in all contributions and earnings on those contributions. For June 30, 2024 the 457 plan had outstanding loans of \$212,224 and the 403(b) plan had outstanding loans of \$529,616 There were no forfeitures from the plans for fiscal year ended June 30, 2024. The School System had no liability to the Plans at June 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

**WASHINGTON COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
UNRESTRICTED CURRENT EXPENSE FUND (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Local	\$ 109,070,360	\$ 109,070,360	\$ 109,070,360	\$ -
State Maryland	229,981,415	229,981,415	229,706,059	275,356
Federal Government	-	-	-	-
Tuition	95,000	170,000	171,662	(1,662)
Investment Income	500,000	2,200,000	2,325,108	(125,108)
Other	572,465	667,465	1,528,022	(860,557)
Total Revenues	340,219,240	342,089,240	342,801,211	(711,971)
EXPENDITURES				
Administration	8,802,337	8,506,792	7,954,704	552,088
Mid-level Administration	21,095,836	21,631,481	21,417,937	213,544
Instructional Salaries	126,268,312	126,746,002	125,522,719	1,223,283
Instructional Textbooks and Supplies	7,079,000	7,345,109	6,893,564	451,545
Other Instructional Costs	7,014,332	7,833,157	7,395,118	438,039
Special Education	29,718,215	31,253,405	31,243,792	9,613
Student Personnel Services	3,215,360	3,169,060	3,077,624	91,436
Student Health Services	4,588,081	3,982,156	3,700,568	281,588
Student Transportation Services	14,423,563	15,038,612	14,598,816	439,796
Operation of Plant	26,710,919	26,710,919	26,594,847	116,072
Maintenance of Plant	10,290,232	11,840,023	10,723,198	1,116,825
Fixed Charges	78,415,856	77,386,131	76,233,942	1,152,189
Capital Outlay	2,567,197	526,393	978,671	(452,278)
Food Service Transfers	30,000	120,000	58,593	61,407
Total Expenditures	340,219,240	342,089,240	336,394,093	5,695,147
Excess of Revenues Over (Under)				
Expenditures	-	-	6,407,118	(6,407,118)
Net Changes in Fund Balance	\$ -	\$ -	\$ 6,407,118	\$ (6,407,118)

*The School System does not complete an annual budget for the restricted portion of the Current Expense Fund.

WASHINGTON COUNTY BOARD OF EDUCATION

SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS

YEAR ENDED JUNE 30, 2024

	2017	2018	2019	2020	2021	2022	2023	2024
TOTAL OPEB LIABILITY								
Service Cost	\$ 7,943,000	\$ 8,379,863	\$ 6,863,015	\$ 8,233,749	\$ 9,436,460	\$ 7,478,578	\$ 8,992,967	\$ 8,847,681
Interest	14,681,000	16,370,275	17,123,084	15,557,733	14,434,482	13,909,986	16,103,790	16,885,324
Changes of Benefit Terms	-	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	3,092,000	-	(77,616,007)	(27,147,099)	(23,880,183)	29,057,957	3,494,147	6,006,239
Changes of Assumptions or Other Inputs	(25,134,000)	(3,300,186)	31,393,017	31,506,966	(44,670,926)	6,546,788	(2,456,766)	22,322,225
Benefit Payments	(9,107,020)	(9,809,436)	(10,493,958)	(10,224,179)	(11,528,785)	(12,802,872)	(14,691,036)	(14,424,395)
Net Change in Total OPEB Liability	(8,525,020)	11,640,516	(32,730,849)	17,927,170	(56,208,952)	44,190,437	11,443,102	39,637,074
Total OPEB Liability - Beginning	302,340,000	293,815,003	305,455,519	272,724,670	290,651,840	234,442,888	278,633,325	290,076,427
TOTAL OPEB LIABILITY - ENDING	\$ 293,814,980	\$ 305,455,519	\$ 272,724,670	\$ 290,651,840	\$ 234,442,888	\$ 278,633,325	\$ 290,076,427	\$ 329,713,501
PLAN FIDUCIARY NET POSITION								
Contributions-Employer	\$ 13,884,583	\$ 13,971,146	\$ 14,716,200	\$ 17,546,185	\$ 17,436,952	\$ 19,291,401	\$ 20,691,036	\$ 20,424,395
Net Investment Income	6,509,385	4,206,475	4,724,786	2,457,658	19,910,121	(15,019,872)	9,020,408	8,655,992
Benefit Payments	(9,107,020)	(9,809,436)	(10,493,958)	(11,679,053)	(11,528,785)	(12,802,872)	(14,691,036)	(14,424,395)
Admin Expense	-	-	-	-	(16,144)	(16,245)	(16,831)	(16,562)
Net Change in Plan Fiduciary Net Position	11,286,948	8,368,185	8,947,028	8,324,790	25,802,144	(8,547,588)	15,003,577	14,639,430
Plan Fiduciary Net Position - Beginning	44,204,912	55,491,863	63,860,048	72,807,076	81,131,866	106,934,040	98,386,452	113,390,029
PLAN FIDUCIARY NET POSITION - ENDING	55,491,860	63,860,048	72,807,076	81,131,866	106,934,010	98,386,452	113,390,029	128,029,459
School System's Net OPEB Liability - Ending	\$ 238,323,120	\$ 241,595,471	\$ 199,917,594	\$ 209,519,974	\$ 127,508,878	\$ 180,246,873	\$ 176,686,398	\$ 201,684,042
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	18.89%	20.91%	26.70%	27.91%	45.61%	35.31%	39.09%	38.83%
Covered Payroll	158,319,076	158,314,895	160,838,194	164,729,874	165,086,208	165,875,945	170,852,000	205,646,837
School System's net OPEB Liability as a Percentage of Covered Payroll	150.53%	152.60%	124.30%	127.19%	77.24%	108.66%	103.41%	98.07%

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For recording the net OPEB Liability in the School System's statement of net position., the measurement period year-end is one year prior to the fiscal year-end.

*The School System adopted GASB 75 on a prospective basis in 2017; therefore, only eight years is presented in the above schedule.

N/A - Information not available

Notes to Schedule

Benefit Changes: None

Changes of Assumptions:

FY 2024 measurement date changes:

The discount rate was updated from 5.77% to 5.48%.

The trend rates were updated to an initial rate of 7.75% (5.00% for Post-65) grading down to an ultimate rate of 4.00%.

The initial rate and the grade down period is extended to account for recent inflationary pressures and price increases over the next couple of years.

Salary scale was updated to the most recent rates in the Maryland State Pension Valuation.

FY 2023 measurement date changes:

The discount rate was updated from 5.71% to 5.77%.

FY 2022 measurement date changes:

The discount rate was updated from 5.88% to 5.71%.

FY 2021 measurement date changes:

The discount rate was updated from 4.88% to 5.88%.

The retirement and termination rates were updated to June 30, 2021 Maryland State Retirement and Pension System Actuarial valuation.

The trend rates were reset to an initial rate of 7.0% grading down by .25% per year to an ultimate rate of 4.00%

FY 2020 measurement date changes:

The mortality projection scale was updated to MP-2021 to reflect the Society of Actuaries' recent mortality study

FY 2019 measurement date changes

The discount rate was updated from 5.64% to 4.88% .

The discount rate was updated from 5.58% to 5.64%.

**WASHINGTON COUNTY BOARD OF EDUCATION
SCHEDULE OF THE SCHOOL SYSTEM'S OPEB CONTRIBUTIONS
YEAR ENDED JUNE 30, 2024**

	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially Determined Contribution	\$ 13,884,583	\$ 13,971,146	\$ 19,399,000	\$ 17,015,000	\$ 22,213,753	\$ 15,739,140	\$ 20,883,654	\$ 20,653,577
Contributions in Relation to the Actuarially								
Determined Contribution	13,884,583	13,971,146	14,716,200	17,546,185	17,436,952	19,291,401	20,691,036	20,424,395
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,682,800</u>	<u>\$ (531,185)</u>	<u>\$ 4,776,801</u>	<u>\$ (3,552,261)</u>	<u>\$ 192,618</u>	<u>\$ 229,182</u>
Covered Payroll	158,319,076	\$ 158,314,895	\$ 160,838,194	\$ 164,729,874	\$ 165,086,208	\$ 165,875,945	\$ 170,852,000	\$ 205,646,837
Contributions as a Percentage of								
Covered Payroll	8.77%	8.82%	9.15%	10.65%	10.56%	11.63%	12.11%	9.93%

The School System adopted GASB 75 on a prospective basis in 2017; therefore, only eight years are presented in the above schedule.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Experience/Assumptions Gains and Losses
Remaining Amortization Period	13.4 Years
Asset Valuation Method	Market Value of Assets
Inflation	2.70%
Healthcare Cost Trend Rates	Trend Rates Ranging from 7.75% to 4.0%, Reduced by .30% Each Year Until Reaching the Ultimate Trend Rate of 4.0%.
Investment Rate of Return	5.48%, net of OPEB Plan Investment Expense, Including Inflation
Mortality	Pub-2010 Mortality Table With Generational Scale MP-2021

**WASHINGTON COUNTY BOARD OF EDUCATION
SCHEDULE OF THE SCHOOL SYSTEM'S INVESTMENT RETURNS FOR THE OPEB PLAN
YEAR ENDED JUNE 30, 2024**

	2017	2018	2019	2020	2021	2022	2023	2024
Annual Money-Weighted Rate of Return, net of Investment Expense	3.32 %	7.55 %	7.52 %	2.91 %	24.52 %	(13.35)%	8.78 %	7.62 %

The School System adopted GASB 75 on a prospective basis in 2017; therefore, only eight years are presented in the above schedule.

WASHINGTON COUNTY BOARD OF EDUCATION
SCHEDULE OF THE SCHOOL SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
YEAR ENDED JUNE 30, 2024

<u>Employee Retirement and Pension System</u>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
School System's Proportion of the net Pension Liability	0.0811 %	0.0885 %	0.0848 %	0.0737 %	0.0875 %	0.0898 %	0.0923 %	0.1003 %	0.0988 %	0.1053 %
School System's Proportionate Share of the net Pension Liability	\$ 14,395,785	\$ 18,386,392	\$ 20,007,483	\$ 15,951,949	\$ 18,360,969	\$ 18,526,969	\$ 20,859,450	\$ 15,047,274	\$ 19,773,792	\$ 24,261,120
School System's Covered Payroll	N/A	\$ 19,299,035	\$ 19,748,847	\$ 19,393,397	\$ 20,385,666	\$ 20,603,127	\$ 21,026,643	\$ 21,349,817	\$ 23,596,566	\$ 24,523,294
School System's Proportionate Share of the net Pension Liability as a Percentage of its Covered Payroll	N/A	95.27%	101.31%	82.25%	90.07%	89.92%	99.20%	70.48%	83.80%	98.93%
Plan Fiduciary net Position as a Percentage of the Total Pension Liability	71.87 %	68.78 %	65.79 %	69.38 %	71.18 %	72.34 %	70.72 %	81.84 %	76.27 %	69.58 %
<u>Teacher's Retirement and Pension System</u>										
School System's Proportion of the net Pension Liability	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %
State's Proportionate Share of the net Pension Liability	\$ 131,873,740	\$ 164,126,551	\$ 197,254,642	\$ 174,161,097	\$ 172,486,537	\$ 161,969,534	\$ 177,794,499	\$ 110,420,501	\$ 149,545,420	\$ 146,915,168
School System's Covered Payroll	\$ 135,148,647	\$ 137,189,948	\$ 138,921,228	\$ 140,452,528	\$ 140,868,952	\$ 143,236,689	\$ 153,128,551	\$ 158,189,031	\$ 166,913,109	\$ 174,764,416
School System's Proportionate Share of the net Pension Liability as a Percentage of its Covered Payroll	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Plan Fiduciary net Position as a Percentage of the Total Pension Liability	69.53 %	70.76 %	67.95 %	71.41 %	73.35 %	75.43 %	73.84 %	85.40 %	79.47 %	76.83 %
Total School System's Contribution	\$ 5,017,296	\$ 5,768,524	\$ 5,888,821	\$ 6,278,258	\$ 6,203,704	\$ 8,356,744	\$ 8,601,323	\$ 8,784,498	\$ 10,632,865	\$ 11,054,423

Notes:

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For MSRPS, the measurement period year-end is one year prior to the fiscal year-end.

N/A - Information not available

**WASHINGTON COUNTY BOARD OF EDUCATION
SCHEDULE OF THE SCHOOL SYSTEM'S PENSION CONTRIBUTIONS
EMPLOYEE RETIREMENT AND PENSION SYSTEM
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
YEAR ENDED JUNE 30, 2024**

Employee Retirement and Pension System

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually Required Contribution	\$ 1,864,791	\$ 1,651,954	\$ 1,501,485	\$ 1,745,013	\$ 1,844,557	\$ 1,978,818	\$ 2,210,130	\$ 2,255,527	\$ 2,569,261	\$ 2,796,482
Contributions in Relation to the Contractually Required Contribution	(1,864,791)	(1,651,954)	(1,501,485)	(1,745,013)	(1,844,557)	(1,978,818)	(2,210,130)	(2,255,527)	(2,569,261)	(2,796,482)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ 3,303,908</u>	<u>\$ 3,002,970</u>	<u>\$ 3,490,026</u>	<u>\$ 3,689,114</u>	<u>\$ 3,957,636</u>	<u>\$ 4,420,260</u>	<u>\$ 4,511,054</u>	<u>\$ 5,138,522</u>	<u>\$ 5,592,964</u>
School System's Covered Payroll	\$ 19,299,035	\$ 19,748,847	\$ 19,393,397	\$ 20,385,666	\$ 20,603,127	\$ 21,026,643	\$ 21,349,817	\$ 23,596,566	\$ 24,523,294	\$ 26,703,510
Contributions as a Percentage of Covered Payroll	9.66%	8.36%	7.74%	8.56%	8.95%	9.41%	10.35%	9.56%	10.48%	10.47%

Teachers Retirement and Pension System

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually Required Contribution	\$ 3,152,505	\$ 4,116,570	\$ 4,387,336	\$ 4,533,245	\$ 4,359,147	\$ 6,377,926	\$ 6,391,193	\$ 6,528,971	\$ 8,063,604	\$ 8,257,941
Contributions in Relation to the Contractually Required Contribution	(3,152,505)	(4,116,570)	(4,387,336)	(4,533,245)	(4,359,147)	(6,377,926)	(6,391,193)	(6,528,971)	(8,063,604)	(8,257,941)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's Covered Payroll	\$ 135,148,647	\$ 137,189,948	\$ 138,921,228	\$ 140,452,528	\$ 140,868,952	\$ 143,236,689	\$ 153,128,551	\$ 158,189,031	\$ 166,913,109	\$ 174,764,416
Contributions as a Percentage of Covered Payroll	2.33%	3.00%	3.16%	3.23%	3.09%	4.45%	4.17%	4.13%	4.83%	4.73%

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

NOTE 1 RECONCILIATION OF BUDGETARY BASIS TO GAAP

Actual results of operations are presented in the budgetary comparison schedule on the budgetary basis of accounting, in order to provide a meaningful comparison of actual results with budgetary estimates. Under the budgetary basis, encumbrances are recorded as the equivalent of expenditures, as opposed to only an assignment of fund balance as on GAAP basis. With respect to capital leases, the School System recognizes the annual debt service requirements as a current expense for budgetary purposes. Capital lease proceeds and the retirement contributions made by the State on behalf of the School System, and donations of fixed assets received are not recognized as revenue and current expense on budget basis.

	Revenues and Other Financing Sources	Expenditures, Encumbrances, and Transfers	Current Year Effect on Fund Balance
Unrestricted Current Expense Fund Budgetary Basis	342,801,212	336,394,093	6,407,119
			-
Budget to GAAP Reconciliation			-
Prior year encumbrances expended during current year	-	7,636,411	(7,636,411)
Retirement contribution made by the state on behalf of the School System	16,047,203	16,047,203	-
On-behalf Contributions for Student Health Services	405,060	405,060	-
Proceeds from sale of fixed assets	(139,558)	-	(139,558)
Lease financing proceeds	-	727,614	(727,614)
Current Year Encumbrances Outstanding - June 30, 2024	-	(6,569,811)	6,569,811
Revenues from Restricted Current Expense Fund	61,635,745	-	61,635,745
Expenditures from Restricted Current Expense Fund		60,078,550	(60,078,550)
School Activity Fund	3,980,418	3,837,389	143,029
Fringe Benefit Fund	721,208	645,287	75,921
Transfers out to Other Funds Included in Budgetary Expenses	-	(1,266,154)	1,266,154
	82,650,076	81,541,549	1,108,527
Current Expense Fund - GAAP Basis	425,451,288	417,935,642	7,515,646

