



Annual Comprehensive Financial Report

For the fiscal year ending June 30, 2023



A Component Unit of Harford County, Maryland
Prepared by the Division of Business Services Finance Department

A.A. Roberty Building | 102 S. Hickory Avenue Bel Air, Maryland 21014

2022-2023 Board of Education of Harford County



Carol Mueller, Ph. D.
President
Elected Member
Councilmanic District C



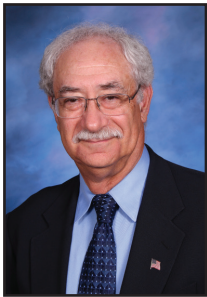
Wade Sewell
Vice President
Elected Member
Councilmanic District B



Dr. Joyce Herold
Appointed Member-at-Large



Patrice J. Ricciardi
Appointed Member-at-Large



Dr. Roy Phillips
Appointed Member-at-Large



Denise E. Perry
Elected Member
Councilmanic District A



Melissa L. Hahn
Elected Member
Councilmanic District D



Carol P. Bruce
Elected Member
Councilmanic District E



Diane M. Alvarez
Elected Member
Councilmanic District F



Noa Blanken
Student Member



Sean W. Bulson, Ed.D.
Secretary-Treasurer
Superintendent of Schools



HARFORD COUNTY

PUBLIC SCHOOLS

.....
Inspire • Prepare • Achieve

Annual Comprehensive Financial Report

For the Fiscal Year ended June 30, 2023

Component Unit of Harford County, Maryland

Prepared by the Division of Business Services
Finance Department

102 South Hickory Avenue
Bel Air, Maryland 21014

Harford County Public Schools Non-Discrimination Statement

The Board of Education of Harford County Public does not discriminate on the basis of age, ancestry/national origin, color, disability, pregnancy, gender identity/expression, marital status, race, religion, sex or sexual orientation in matters affecting employment or in providing access to programs and activities and provides equal access to the Boy Scouts and other designated youth groups.

In accordance with the requirements of Title IX of the Education Amendments of 1972 (20 U.S.C. §1681, et seq.), Harford County Public Schools does not discriminate on the basis of sex in any of its programs or activities or with regard to employment. Inquiries about the application of Title IX, and its implementing regulations to Harford County Public Schools may be referred to Renee McGlothlin, Harford County Public Schools Title IX Coordinator, by mail to 102 S. Hickory Avenue, Bel Air, Maryland 21014, or by telephone to 410-809-6087 or by email to Renee.McGlothlin@hcps.org or the Assistant Secretary for the Office of Civil Rights in the United States Department of Education by mail to 400 Maryland Avenue, SW, Washington, DC 20202 or by telephone 1-800-421-3481, or both.

Harford County Public Schools

Student Contributors for Artwork:

Student	Grade	School	Page
Sophia Tiso	12	North Harford High School	1
Emberlynn Donaldson	3	Deerfield Elementary School	4
Madison Bulls	4	Magnolia Elementary School	4
Lilah McDougall	1	Ring Factory Elementary School	12
Grace Zhang	5	Youth's Benefit Elementary School	14
Hannah Parayil	10	Bel Air High School	14
Sophia Belveal	K	Red Pump Elementary School	28
Allison Huynh	2	Swan Creek School	77
Cassie McVicker	7	Bel Air Middle School	77
Ava Buckheit	11	Patterson Mill Middle/High School	84
Sydney A. Miller	6	Fallston Middle School	87
Olivia Ruocco	11	Harford Technical High School	102
Tara Stone	8	North Harford Middle School	105
Isiah Lindy	9	Harford Academy	105



**Sophia Tiso, Grade 12
North Harford High School
Teacher: Mr. Jason Blevins**

Harford County Public Schools

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Introductory Section



**Emberlynn Donaldson ,Grade 3
Deerfield Elementary School
Teacher: Ms. Deborah Perry**



**Madison Bulls, Grade 4
Magnolia Elementary School
Teacher: Ms. Campbell**

BOARD OF EDUCATION OF HARFORD COUNTY STRATEGIC PLAN

MISSION

Each student will attain academic and personal success in a safe and caring environment that honors the diversity of our students and staff.

CORE VALUES

- We empower each student to achieve academic excellence.
- We create reciprocal relationships with families and members of the community.
- We attract and retain highly skilled personnel.
- We assure an efficient and effective organization.
- We provide a safe and secure environment.



VISION

We will **inspire** and **prepare** each student to **achieve** success in college and career.

LONG TERM GOALS



Prepare every student for success in postsecondary education and career.



Engage families and the community to be partners in the education of our students.



Hire and support highly effective staff who are committed to building their own professional capacity in order to increase student achievement.



Provide safe, secure, and healthy learning environments that are conducive to effective teaching and learning, creativity and innovation.

We believe the strategic plan guides our practice and is the foundation for continuous systemic growth and achievement. Our core values are constant, non-negotiable, and reflect our systemic beliefs. The plan will be reviewed annually by the Board of Education of Harford County. The components of the plan will be reflected in the Harford County Master Plan, the Board of Education Budget, and the respective School Performance and Achievement Plans.

Approved June 26, 2017.

Board of Education of Harford County

The members of the Board as of June 30, 2023, their represented areas, and expiration of their terms are as follows:

<u>Title</u>	<u>Name</u>	<u>Representation</u>	<u>Term Ends</u>
President	Dr. Carol L. Mueller	Councilmanic District C	2026
Vice-President	Wade A. Sewell	Councilmanic District B	2026
Other members	Denise E. Perry	Councilmanic District A	2026
	Melissa L. Hahn	Councilmanic District D	2026
	Carol P. Bruce	Councilmanic District E	2026
	Diane M. Alvarez	Councilmanic District F	2026
	Dr. Joyce Herold	Appointed Member-at-Large	2023
	Dr. Roy Phillips	Appointed Member-at-Large	2023
	Patrice J. Ricciardi	Appointed Member-at-Large	2023
Student member	Noa Blanken	Student Member	2023
Secretary-Treasurer	Sean W. Bulson, Ed.D.	Superintendent of Schools	2026

The Board of Education of Harford County consists of six elected members and three members appointed by the County Executive, subject to the advice and consent of the County Council, by a vote of at least five members of the County Council. Elected members take office the first Monday in December and serve four-year terms. Appointed members serve two-year terms beginning July 1. In addition, there is a high school senior representative to the Board who serves a one-year term. The student is elected by the Harford County Regional Association of Student Councils. For more details please see Maryland Code Ann., Education Art., § 3-6A-01, *et seq.*

Administration as of June 30, 2023

Sean W. Bulson, Ed.D.
Superintendent of Schools

Kimberly H. Neal, Esquire
General Counsel

Eric A. Davis, Ed.D.
Chief of Administration

Benjamin D. Richardson
Assistant Superintendent for Human Resources

Cornell S. Brown, Jr.
Assistant Superintendent for Operations

Eric G. Clark
Director of Budget

Deborah L. Judd, CPA
Assistant Superintendent for Business Services

Bernard P. Hennigan
Director of Student Services

Patti Jo Beard
Executive Director of Facilities Management and Planning and Construction

H. Andrew Moore, II
Director of Information and Technology

Michael L. O'Brien
Executive Director of Middle and High School Performance

Cathy E. Bendis
Director of Transportation

Renee L. Vaught
Executive Director of Elementary Education

John G. Staab, CPA
Director of Finance

Heather L. Kutcher
Executive Director of Curriculum, Instruction and Assessment

Colleen B. Sasdelli
Director of Special Education



**HARFORD COUNTY PUBLIC SCHOOLS
ORGANIZATIONAL CHART OF ADMINISTRATION
FY 2022-2023**

Citizens, Parents, Schools & Community

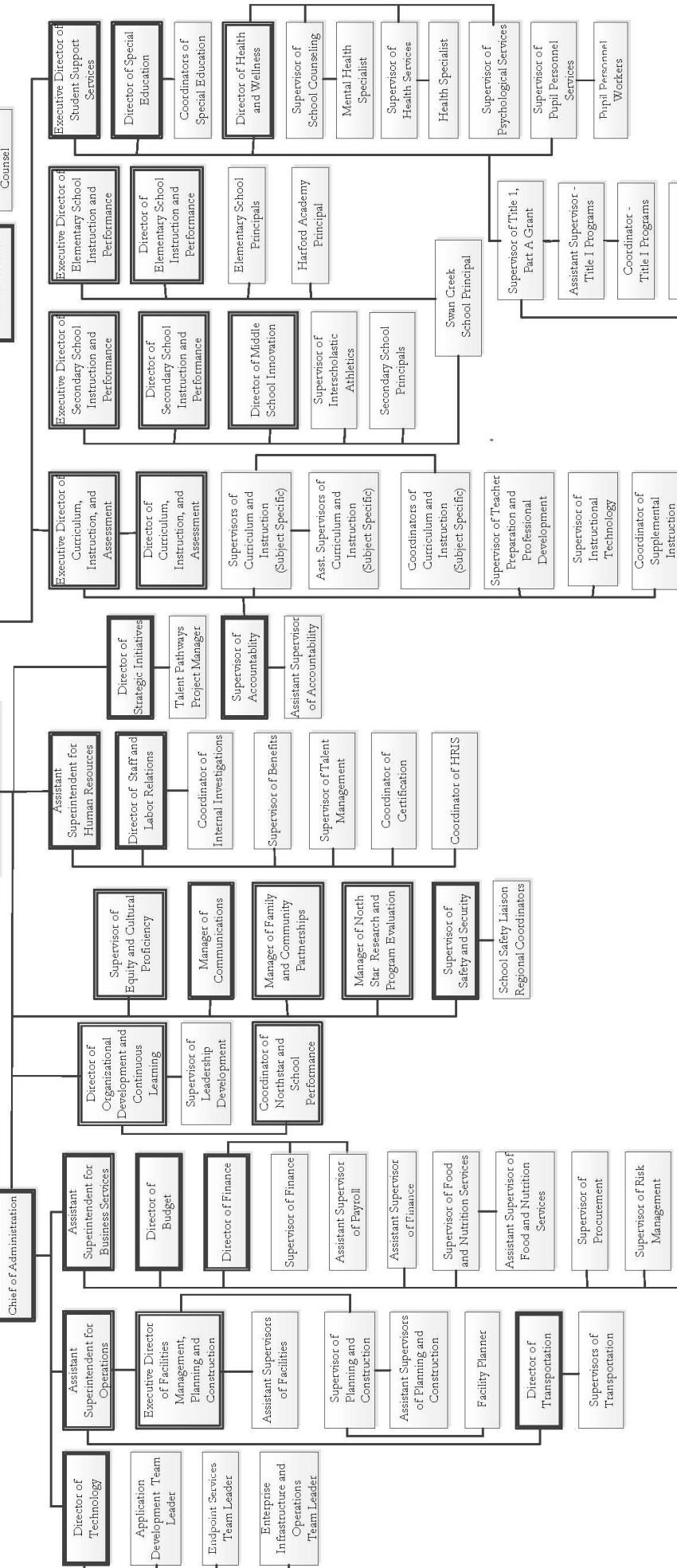
Board of Education

Chief Auditor

Internal Auditor

Deputy General Counsel

General Counsel



Boxes in Bold denote members of Superintendent's Senior Staff

Business Services
Deborah L. Judd, CPA
Assistant Superintendent for Business Services

September 26, 2023

Members of the Board of Education:

The Public School Laws of the State of Maryland require school districts to publish within three months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2023.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

CliftonLarsonAllen, a firm of licensed certified public accountants, has issued an unmodified (“clean”) opinion on Harford County Public Schools (HCPS) financial statements for the fiscal year ended June 30, 2023. The independent public accountants’ report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent public accountants’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

All funds and accounts of HCPS are included in the Annual Comprehensive Financial Report. For financial reporting purposes, HCPS has been defined as a component unit of the Harford County Government. Therefore, HCPS’ financial statements and footnotes will be included in the Annual Comprehensive Financial Report of Harford County.

Profile of the Government

Harford County Public Schools (HCPS) is a fiscally dependent school system with an actual enrollment of 38,037 students in fiscal 2023. HCPS is the 152nd largest school system of the 550 school districts with enrollment of 15,000 or more in the country when ranked by enrollment. This places HCPS in the top twenty-eight percent of school districts with enrollment of 15,000 or more by size¹. There are 24 school districts in the State of Maryland and HCPS is ranked 8th in size.² The student body will be served by a projected 5,625 FTE faculty and staff positions for fiscal 2024. Peak enrollment of 40,212 was reached in 2005, and has since dropped by 2,175 students, or 5.4%.

Citizens in the county have a choice of public or private schools. Harford County has 54 public schools and 56 non-public schools³ located within the county. The number of students attending private schools is unknown. The 2022 population of Harford County was 263,867⁴. According to the U.S. Census Bureau, the school-age population in 2022 was 44,594 of which 34,197 (HCPS enrollment less preschool and prekindergarten), or 77%, attended public schools.

The Board of Education of Harford County consists of six elected members and three members appointed by the County Executive, subject to the advice and consent of the County Council, by a vote of at least five members of the County Council. Elected members take office the first Monday in December and serve four-year terms. Appointed members serve two-year terms beginning July 1. In addition, there is a high school senior representative to the Board who serves a one-year term. The student is elected by the Harford County Regional Association of Student Councils. For more details please see Maryland Code Ann., Education Art., § 3-6A-01, et seq.

County Government Perspective on Local Economy⁵

Local economy: Harford County's convenient location on the I-95 corridor in northeastern Maryland offers easy access to prominent research institutions such as the U.S. Army Aberdeen Proving Ground, Johns Hopkins, and the University of Maryland. Desirable location combined with the County's highly skilled work force and progressive, business-friendly environment serve to provide the draw for a wide variety of companies and industry sectors to Harford County.

Real property taxes remain as one of the County's largest revenue sources. The fiscal year 2023 taxable assessable base resulted in an increase over the fiscal year 2022 assessable base of 3.4%. Properties are reassessed by the State Department of Assessments and Taxation every three years and account for one-third of the more than two million real property accounts in the state. The 2023 assessments are for "Group 2" properties and were based on an evaluation of 89,880 sales that occurred within the group over the last three years. If the reassessment resulted in a property value being adjusted, any increase in value will be phased-in equally over the next three years, while any decrease in value will be fully implemented in fiscal year 2024. For the 2023

¹ U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey," 2019, Table 215.10

² Maryland State Department of Education, Student Publications, "Maryland Public School Enrollment by Race/Ethnicity and Gender and Number of Schools", September 30, 2022, Table 12

³ Maryland State Department of Education, Student Publications, "Nonpublic School Enrollment State of Maryland, September 30, 2022," Table 5

⁴ United States Census Bureau, QuickFacts, Harford County, Maryland, Persons under 5 years / 18 years, V2022

⁵ Excerpts from the Harford County Government Annual Comprehensive Financial Report for the year ended June 30, 2022.

assessment, 96.4% of “Group 2” residential properties saw an increase in property value statewide. In Harford County, residential assessments increased by 17.1% and commercial assessments for Group 2 increased by 10.4% since their last assessment in January of 2020. This is the tenth year of positive assessment growth in Harford County.

Income tax revenue, the other major revenue source in the County, is directly affected by population growth, employment levels, and personal income. Income tax revenue has shown increases beginning in 2012 through 2023 using the modified accrual basis of accounting. The year over year increase for 2020 to 2021, 2021 to 2022, and 2022 to 2023 was 18.2%, 2.9% and 5.2%. Income tax is budgeted at \$311.0 million for fiscal year 2024. The recent growth in income tax revenue is largely due to an improving economy, lower unemployment, inflation, and a change in how pass-thru entities, such as LLCs, make their tax payments.

Long-Term Financial Planning for the School System

The majority of all funding comes from Harford County and the State of Maryland. Ongoing expenses and needs of our students continue to rise, increasing the pressure for funding. Within the next year, federal and state pandemic-related funds will be gone. If funding is not sufficient to support our students’ ongoing needs, HCPS may need to examine ways to reduce expenses. Because most funding received is allocated towards existing programs, contracts and mandates, there are limited resources available to allocate for new initiatives in general education programming.

Requirements within the Blueprint legislation will also affect future funding considerations at both the local and state level.

Blueprint for Maryland’s Future

In 2016, the Maryland General Assembly created the Kirwan Commission on Innovation and Excellence in Education with the charge of making substantive recommendations to the State of Maryland on better preparing students for college or the workforce. From there, the recommendations of this commission were proposed in the form of education reform bills called the ‘Blueprint for Maryland’s Future Act’ (Blueprint). The final recommendations are grouped into five major policy areas: (1) Early Childhood Education; (2) High-quality and Diverse Teachers and Leaders; (3) College and Career Readiness Pathways; (4) More Resources to Ensure All Students Are Successful; and (5) Accountability and Governance.

Funding within the Blueprint builds on the Bridge to Excellence Act of 2002. Foundational funding by the State is maintained with adjustments based on the wealth of the local jurisdiction, along with additional funding provided for economically disadvantaged students, English language learners, and special education students. To ensure increased per pupil funding, the Blueprint specifies the annual target per pupil foundation amounts to be provided each year from FY2023 for the next ten years, and relies on inflation thereafter. Specifically, the target per pupil amount includes costs associated with implementing the Blueprint including the five major policy areas.

According to the Kirwan Commission, the vast majority of money follows the student to the school, and new funds must be spent effectively to improve student outcomes. Ultimately, the Blueprint interweaves funding, accountability, and purposeful mandates to alter the way Maryland school systems plan their budgets, programs, and outcome goals over the next decade. HCPS will continue to monitor this legislation closely.

Relevant Financial Policies

As previously stated, primary funding is provided by the State of Maryland and Harford County Government. The budget is approved by the Board of Education and the Harford County Council in accordance with State laws. The Board has no authority to levy and collect taxes or increase the budget. Formal budgetary integration, including encumbrance accounting, is employed as a management control device during the year for the governmental fund types. Management is authorized to transfer funds within major categories of expenditure, as defined by statute. Transfers between categories of expenditures and supplemental appropriations during the fiscal year require approval of the Board of Education, Harford County Executive, and Harford County Council.

By statute, in order to receive any increase in State basic school aid, each county must appropriate an amount equal to, or greater than, the prior year per pupil appropriation. Referred to as the ‘maintenance of effort’ calculation, it provides that if there is no enrollment growth, county funding will remain the same as that of the prior year in terms of total dollars. Counties often appropriate in excess of the minimum amount stipulated in the law.

Capital projects are funded by Harford County Government and the State of Maryland. The Board of Education has no authority to issue general obligation debt. Funds are budgeted and appropriated on both a project and annual basis. Capital project funds do not lapse at the end of each year and may be expended until completion of the project. Budget transfers between projects require the approval of the Board of Education, Harford County Executive, and the Harford County Council.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Harford County Public Schools for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This was the nineteenth consecutive year that the school system has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a school system must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the services of the entire staff of the Finance Department under the direction of John G. Staab, CPA, Director of Finance, and

the Office of Internal Audit under the direction of Laura J. Tucholski, CPA, CIA, CFE, Internal Auditor, and CliftonLarsonAllen, LLP. Many other offices in the system contributed to provide data for this report, including the artwork published throughout the document. Our appreciation is extended to all who assisted in the timely closing of the school system's financial records and in the preparation of this report. Credit must also be given to the Superintendent and Board of Education for their unfailing support for maintaining the highest standards of professionalism in the management of HCPS' finances.

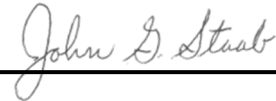
Sincerely,



Sean W. Bulson, Ed.D.
Superintendent



Deborah L. Judd, CPA
Assistant Superintendent for
Business Services



John G. Staab, CPA
Finance Director



**Lilah McDougall, Grade 1
Ring Factory Elementary School
Teacher: Ms. Sharon Boyle**



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Harford County Public Schools
Maryland**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

Financial Section



**Grace Zhang, Grade 5
Youth's Benefit School
Teacher: Ms. Ankita Ranjan**



**Hannah Parayil, Grade 10
Bel Air High School
Teacher: Ms. Becky Will**



INDEPENDENT AUDITORS' REPORT

Members of the Board
Of Education of Harford County
Bel Air, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools (HCPS), a component unit of Harford County, Maryland as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise HCPS' 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, each major fund, and the aggregate remaining fund information of HCPS, as of June 30, 2023, and the respective changes in financial position, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 HCPS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective July 1, 2022, the Board adopted new accounting guidance for subscription-based information technology arrangements (SBITA). The guidance requires SBITAs to recognize a right-to-use software asset and corresponding SBITA liability for all SBITA with terms greater than twelve months. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HCPS' 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 HCPS' 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 HCPS' 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 and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the HCPS' basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information


Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Members of the Board of
Education of Harford County

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023, on our consideration of HCPS' 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 HCPS' 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 HCPS's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 26, 2023

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2023

As Management of Harford County Public Schools (HCPS), we offer readers of the HCPS financial statements this narrative overview and analysis of the financial activities of HCPS for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 8-12 of this report.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current and prior fiscal years is required to be presented in the MD&A.

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

Financial Highlights

- The liabilities and deferred inflows for Harford County Public Schools exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$417.1 million due mainly to the Net OPEB Liability of \$926.9 million. See Exhibit 1.
- On a budgetary basis, the General Fund unrestricted, unassigned fund balance decreased by \$12.4 million to \$30.6 million. See Exhibit 7.
- The General Fund budget increased by \$49.3 million during the year from the originally adopted budget. The entire increase was within the restricted budget as adjustments were made for new grants received during the fiscal year and to adjust for previous unspent monies, or carry-over funds, that are subsequently added to the current year budget. See Exhibit 7.
- The General Fund includes restricted and unrestricted funds. This fund's actual revenues were lower than the final budget by \$13.6 million, or 2.0%. Expenditures were lower than the final budget by \$37.4 million, or 5.5%. These variances were mainly due to unspent restricted funds that will be carried forward to the fiscal year 2024. The surplus of \$23.8 million is due to the withdrawal from the rate stabilization account related to the healthcare settlement, higher-than-anticipated interest income and to spending 98.5% of the operating budget. See Exhibit 7.

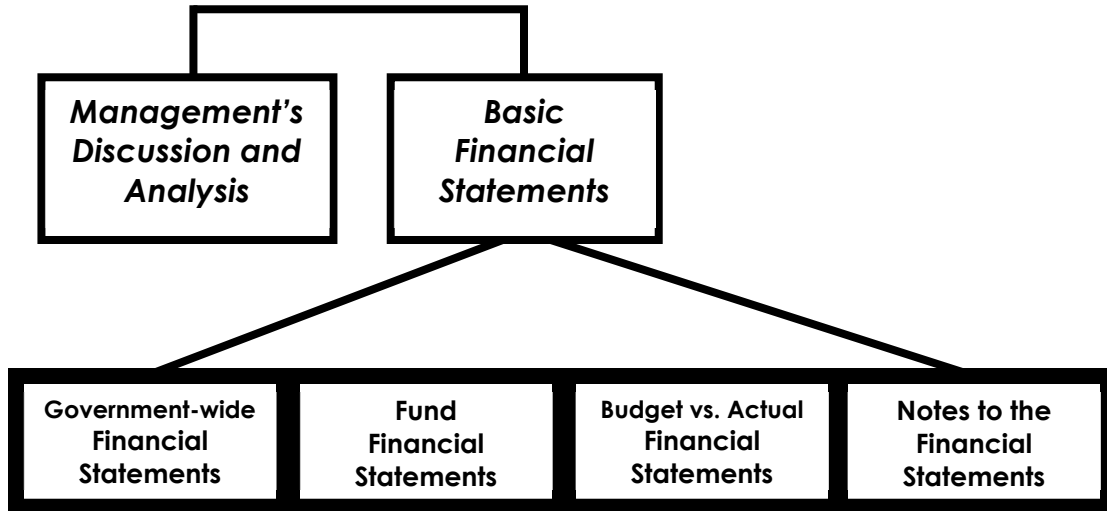
Harford County Public Schools

Management's Discussion and Analysis (MD&A)
June 30, 2023

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Harford County Public Schools basic financial statements.

Basic Financial Statements



The illustration above represents the minimum requirements for the basic external financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. In addition to the MD&A, the government-wide financial statements are the other primary addition to financial reporting under GASB Statement No. 34. The government-wide perspective is designed to provide readers with a complete financial view of the entity known as Harford County Public Schools. The financial presentation of this perspective is similar to a private sector business.

The *statement of net position* presents information on all of the assets and deferred outflows and liabilities and deferred inflows of HCPS with the difference between these reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of HCPS is improving or deteriorating. The *statement of activities* presents information showing how HCPS' net position changed during the most recent fiscal year.

These statements measure the change in total economic resources during the period utilizing the accrual basis of accounting. This means that any change in net assets is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (such as earned but unused employee leave), or for which cash has already been expended (depreciation of buildings and equipment already purchased).

The government-wide perspective is unrelated to budget and accordingly, budget comparisons are not provided.

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Fund financial statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. HCPS uses fund accounting to ensure and demonstrate compliance with finance-related requirements. Funds are in two categories, governmental funds and fiduciary funds. Harford County Public Schools does not operate any enterprise activities that are reported as proprietary funds.

The measurement focus of these statements is current financial resources; therefore, the emphasis is placed on the cash flows of the organization within the reporting period or near future.

Accordingly, the modified accrual basis of accounting that measures these cash flows is used. In the case of Harford County Public Schools, open encumbrances are excluded from expenditures. The State of Maryland's contribution to the teachers retirement system is added to revenues and expenditures, the activity of the self-insurance rate stabilization funds are included in revenues and expenditures, and student activities are included in revenues and expenditures.

Fund financial statements are also unrelated to budget and accordingly, budget comparisons are not provided in the presentation.

Budgetary presentation of individual fund financial information utilizing the current financial resources measurement focus and the budgetary basis of accounting are presented as part of the fund financial statements, as well. In these statements, available cash flows of HCPS itself are measured as well as the commitment to acquire goods or services with that cash. Open encumbrances at year-end are included in the expenditures.

This is the legal basis upon which the budget is adopted so budget comparisons are provided. GASB Statement No. 34 requires that we present the original adopted budget as well as the final budget and discuss the changes between them.

	Government-wide Statements	Fund Statements	Budgetary Fund Statements
Measurement Focus	Economic Resources	Current Financial Resources	Current Financial Resources
Basis of Accounting	Accrual	Modified Accrual	Cash and Commitments
Budget	No	No	Yes

The table above presents the differences in the presentation of the basic financial statements.

Fiduciary responsibility – Retiree Health Plan Trust (Exhibits 8 and 9). HCPS is the trustee, or fiduciary, for its retiree health plan trust. We exclude these activities from Harford County Public Schools' other financial statements because the assets cannot be used to finance HCPS' activities. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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

Harford County Public Schools

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Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information immediately following the notes to the financial statements.

Other supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information immediately following the required supplementary information.

Government-wide Financial Analysis

Net position over time may serve as a useful indicator of a government's financial position. The liabilities and deferred inflows for Harford County Public Schools exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$417.1 million due mainly to the Net OPEB Liability of \$926.9 million. Net position increased by \$23.5 million from June 30, 2022 to June 30, 2023 due mainly to the shift in the deferred inflows and outflows related to OPEB. The unrestricted deficit as of June 30, 2023 of \$1.2 billion is also due mainly to the net OPEB liability.

By far, the largest portion of the net position reflects the net investment in capital assets (i.e., land, buildings, machinery, and equipment). These capital assets are used to provide services to the students and citizens of Harford County and are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these related liabilities. Minimal debt for assets is carried by HCPS. As previously explained, HCPS is fiscally dependent on and nearly all capital debt is carried by the county and state governments.

Current assets increased \$9.4 million due mainly to the increase in cash resulting from excess revenues over expenditures. Capital Assets decreased by \$7.1 million due mainly to depreciation outpacing additions during the fiscal year. The OPEB component of deferred inflows decreased \$170.4 million mainly due to the lower-than-expected claims experience since the prior full actuarial valuation.

Additionally, HCPS is committed by employee agreements to pay employees at retirement twenty-five percent (25%) of their earned but unused sick leave. For administrators, the limit is 300 days, all others are up to 200 days, plus any earned and unused vacation. The long-term portion is the amount we expect to pay beyond June 30, 2023. Of the total \$39.2 million of accrued compensated absences as of June 30, 2023, \$6.4 million is due within one year. The amount attributable to vacation leave is \$7.1 million and \$32.1 million for sick leave. Historically, this liability was funded on a "pay-as-you-go" basis from available current financial resources. This method is expected to continue. In addition to compensated absences, HCPS has obligations under notes payable, leases payable and subscriptions payable for \$20.4 million of which \$5.7 million is due within one year. The remaining long-term liabilities are due to the net pension liability, \$28.6 million, and net OPEB liability, \$926.9 million.

Harford County Public Schools

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HCPS' net position as of June 30, 2023 and 2022, is illustrated in the table below and Exhibit 1.

Harford County Public Schools Net Position

	June 30, 2023	June 30, 2022	\$ Change	% Change
ASSETS				
Current assets	\$ 148,085,198	\$ 138,720,342	\$ 9,364,856	6.75%
Capital assets, net	737,217,036	744,287,112	(7,070,076)	-0.95%
Total assets	<u>885,302,234</u>	<u>883,007,454</u>	<u>2,294,780</u>	<u>0.26%</u>
Deferred outflows related to OPEB	512,373,000	553,390,000	(41,017,000)	-7.41%
Deferred outflows related to pensions	<u>9,591,073</u>	<u>10,834,503</u>	<u>(1,243,430)</u>	<u>-11.48%</u>
Total deferred outflows	521,964,073	564,224,503	(42,260,430)	-7.49%
LIABILITIES				
Current and other liabilities	19,458,131	18,547,180	910,951	4.91%
Noncurrent liabilities	1,015,196,026	896,084,593	119,111,433	13.29%
Total liabilities	<u>1,034,654,157</u>	<u>914,631,773</u>	<u>120,022,384</u>	<u>13.12%</u>
Deferred inflows related to OPEB	787,406,000	961,462,000	(174,056,000)	-18.10%
Deferred inflows related to pensions	<u>2,300,033</u>	<u>11,748,001</u>	<u>(9,447,968)</u>	<u>-80.42%</u>
Total deferred inflows	789,706,033	973,210,001	(183,503,968)	-18.86%
NET POSITION				
Net investment in capital assets	721,177,586	722,933,194	(1,755,608)	-0.24%
Restricted	27,712,910	26,791,842	921,068	3.44%
Unrestricted	<u>(1,165,984,379)</u>	<u>(1,190,334,853)</u>	<u>24,350,474</u>	<u>-2.05%</u>
Total net position	<u>\$ (417,093,883)</u>	<u>\$ (440,609,817)</u>	<u>\$ 23,515,934</u>	<u>-5.34%</u>

Results of operations for HCPS, as a whole, are presented in Exhibit 2, the Statement of Activities. Approximately \$721.9 million in expenses are reported. To the extent possible, revenue directly attributed to the function or program is reported against the appropriate expense. Included in such revenues are charges for services and grants. \$521.6 million in expenses were supported using other general revenue sources not specifically attributed to a function or program.

The Special Revenue Fund, or Food Services Fund, is designed to be self-funded. Allocation of program revenues to expenses produced a surplus for this program due to higher than budgeted reimbursements.

The following table summarizes the government-wide cost of services for each program or function. About 90.9% of the total cost of services are directly related to students' instruction and welfare. Of the remaining 9.1%, or \$65.9 million, \$63.8 million is used for the direct

Harford County Public Schools

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administration of schools and instructional support. It is important to note that in this report format, costs for employee benefits and depreciation on fixed assets are allocated to the appropriate program or function.

Harford County Public Schools Statement of Activities

	<u>June 30, 2023</u>	<u>Total Cost of Services</u>	<u>% Net Cost to Total</u>
Instruction	\$ 485,894,842	\$ 324,013,352	66.68%
Pupil personnel	4,777,849	3,506,011	73.38%
Health services	8,909,374	8,234,871	92.43%
Pupil transportation	53,122,822	36,462,135	68.64%
Operation and maintenance of plant	77,709,410	66,933,752	86.13%
Food services	21,135,567	(1,963,409)	-9.29%
Student activities	4,458,296	4,458,296	100.00%
All others	65,911,754	56,471,077	85.68%
Total	<u>\$ 721,919,914</u>	<u>\$ 498,116,085</u>	<u>69.00%</u>
All others			
Administration	\$ 18,838,904	\$ 16,186,283	85.92%
Mid-level administration	44,944,168	39,518,078	87.93%
Community services	1,605,293	243,327	15.16%
Interest on debt	460,959	460,959	100.00%
Depreciation - unallocated	62,430	62,430	100.00%
Total	<u>\$ 65,911,754</u>	<u>\$ 56,471,077</u>	<u>85.68%</u>

Total revenues increased by \$65.4 million, or approximately 9.6%, over the prior year, as shown in the following table. Charges for services, though a small number, represent a large percentage increase simply due to returning to normal operations. Operating grants represent a \$21.8 million increase in revenues recognized and Local appropriations increased \$30.4 million. Investment earnings have a large percentage increase over the prior year due both to increased interest rates as well as an increase in cash. Student activity revenues and expenses are reflected in the general fund. HCPS is fiscally dependent on local and state aid to fund its daily operations. State aid is largely formula driven based on student population and wealth. Local revenue, provided by the Harford County Government, is dependent upon the economic condition of the County. However, the education statute requires a minimum level of funding equal to the prior year's per pupil contribution times the current year projected enrollment. Most of the operating grant funding is from the state and federal governments. Expenses increased by \$107.9 million, or 17.6%, due mainly to instructional salaries and increased operational expenses due to inflation.

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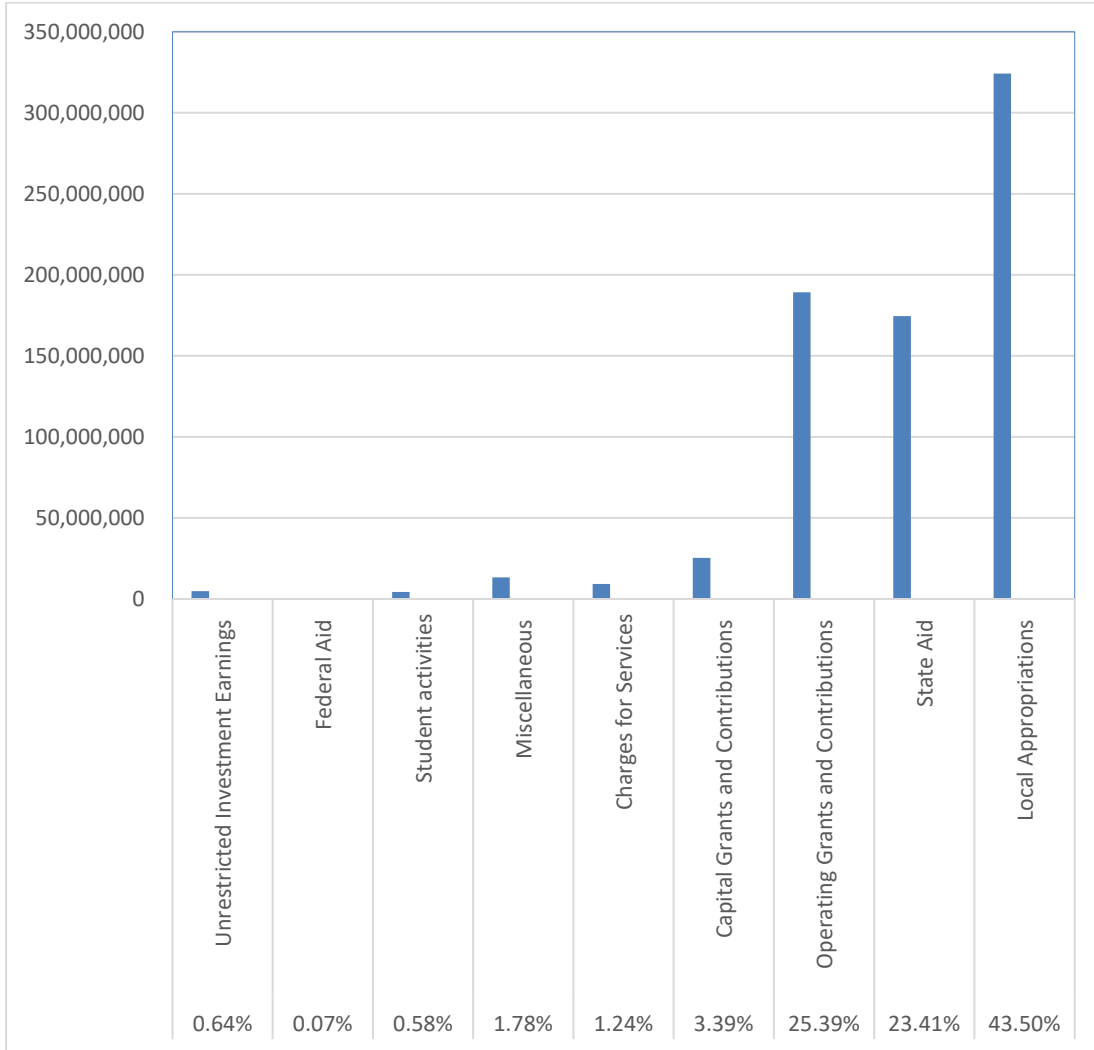
Harford County Public Schools Change in Net Position

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>% Change</u>
Revenues			
Program:			
Charges for services	\$ 9,248,749	\$ 3,295,450	180.65%
Operating grants and contributions	189,263,451	167,471,660	13.01%
Capital grants and contributions	25,291,629	32,591,879	-22.40%
Local appropriations	324,237,657	293,812,984	10.36%
State aid	174,488,752	155,611,170	12.13%
Federal aid	541,642	449,032	20.62%
Student activities	4,345,249	3,492,047	24.43%
Miscellaneous	13,252,460	22,888,146	-42.10%
Investment earnings	4,766,259	453,294	951.47%
Total revenues	<u>745,435,848</u>	<u>680,065,662</u>	<u>9.61%</u>
Expenses			
Instruction	485,894,842	403,794,370	20.33%
Support services:			
Administration	18,838,904	16,075,813	17.19%
Mid-level administration	44,944,168	38,228,978	17.57%
Pupil personnel services	4,777,849	3,486,843	37.03%
Health services	8,909,374	7,367,684	20.93%
Pupil transportation	53,122,822	45,810,704	15.96%
Operation of plant	51,023,211	50,944,897	0.15%
Maintenance of plant and equipment	26,686,199	24,787,628	7.66%
Community services	1,605,293	930,245	72.57%
Food services	21,135,567	18,719,058	12.91%
Student activities	4,458,296	3,269,566	36.36%
Interest on long-term debt	460,959	544,881	-15.40%
Depreciation - unallocated	62,430	62,430	0.00%
Total expenses	<u>721,919,914</u>	<u>614,023,097</u>	<u>17.57%</u>
Change in Net Position	23,515,934	66,042,565	-64.39%
Net position - beginning of year, as restated	<u>(440,609,817)</u>	<u>(506,652,382)</u>	<u>-13.04%</u>
Net position - end of year	<u>\$ (417,093,883)</u>	<u>\$ (440,609,817)</u>	<u>-5.34%</u>

Harford County Public Schools

Management's Discussion and Analysis (MD&A)
June 30, 2023

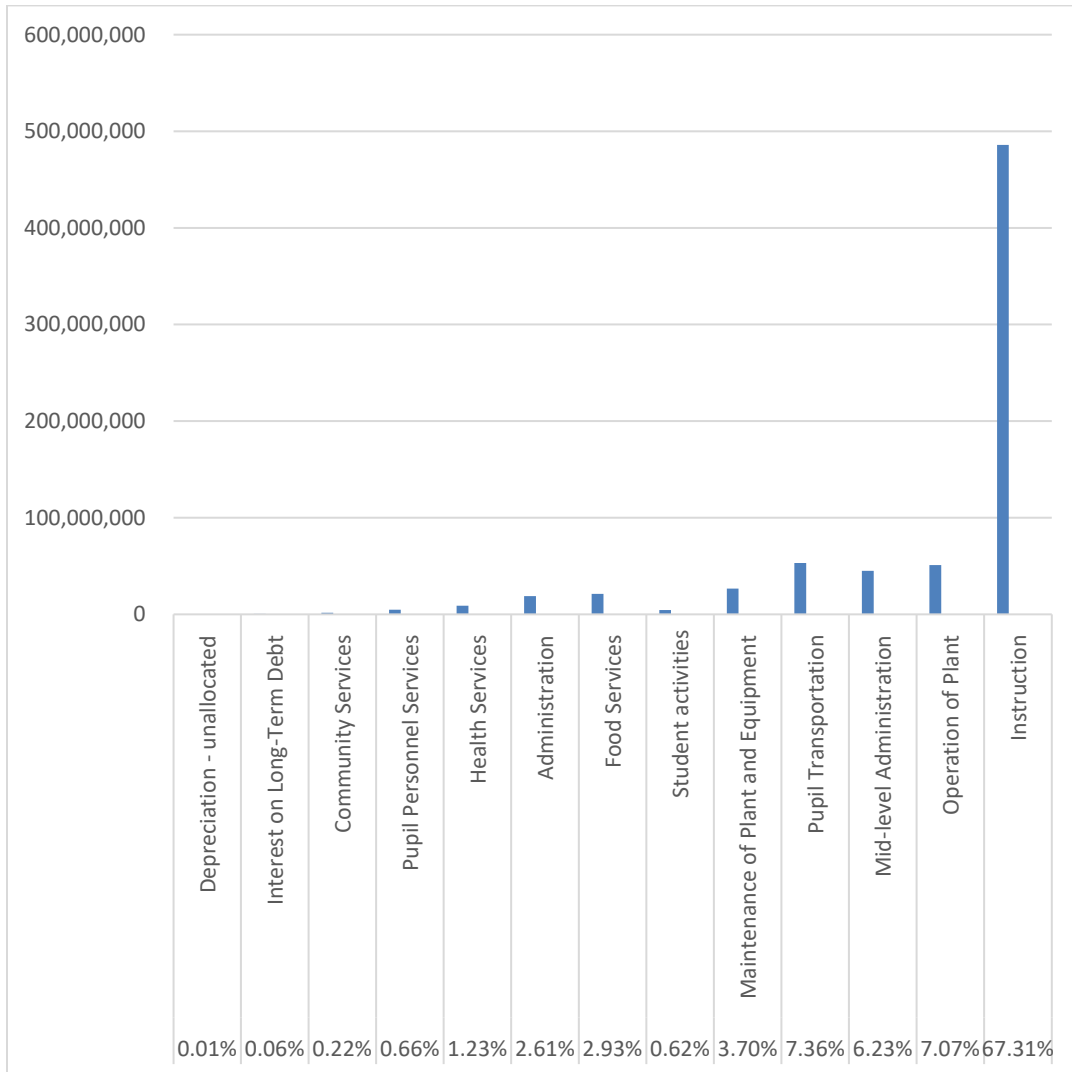
Sources of Revenues for Fiscal Year Ended June 30, 2023



Harford County Public Schools

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Expenses for Fiscal Year Ended June 30, 2023



Harford County Public Schools

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Fund Performance

Funds are self-balancing sets of accounts used to control and manage money for particular purposes. As pointed out earlier, fund information is presented in two ways to satisfy two specific purposes.

Exhibit 3 is the Balance Sheet for the HCPS governmental funds and Exhibit 5 presents those same funds' results of operations.

In the General Fund, revenues and expenditures are, generally, as expected for the year. In the Special Revenue Fund, food services revenues from federal sources decreased to the return to the guidelines associated with the National School Lunch Program. In the Capital Projects Fund, revenues from local sources approximated the same level as last year while revenues decreased from state sources by \$8.0 million.



Sophia Belveal, Grade K
Red Pump Elementary School
Teacher: Mr. Oscar Torres

Harford County Public Schools

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Harford County Public Schools Changes in Fund Balance

	<i>General Fund</i>		<i>Special Revenue Fund</i>		<i>Capital Projects Fund</i>		<i>Total</i>	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenues								
Intergovernmental Revenues								
Local Sources	\$ 324,237,657	\$ 293,812,984	\$ -	\$ -	\$ 20,525,061	\$ 20,085,451	\$ 344,762,718	\$ 313,898,435
State Sources	273,170,443	247,653,087	495,092	394,779	4,356,808	12,402,776	278,022,343	260,450,642
Special State and Federal Programs	66,603,648	73,394,376	-	-	-	-	66,603,648	73,394,376
Federal Sources	541,642	449,032	14,934,391	25,044,890	370,094	-	15,846,127	25,493,922
Earnings on Investments	4,766,259	453,294	50,422	-	-	-	4,816,681	453,294
Charges for Services	-	-	7,568,469	1,674,626	-	-	7,568,469	1,674,626
Student activities	4,345,249	3,492,047	-	-	-	-	4,345,249	3,492,047
Miscellaneous Revenues	14,932,741	24,508,970	50,602	21,593	39,666	103,652	15,023,009	24,634,215
Total revenues	<u>688,597,639</u>	<u>643,763,790</u>	<u>23,098,976</u>	<u>27,135,888</u>	<u>25,291,629</u>	<u>32,591,879</u>	<u>736,988,244</u>	<u>703,491,557</u>
Expenditures								
Administration	12,958,069	12,210,619	-	-	-	-	12,958,069	12,210,619
Mid-Level Administration	31,458,244	29,086,063	-	-	-	-	31,458,244	29,086,063
Instructional Salaries	208,736,916	185,912,700	-	-	-	-	208,736,916	185,912,700
Instructional Textbooks & Materials	7,557,197	7,415,822	-	-	-	-	7,557,197	7,415,822
Other Instructional Costs	6,707,445	3,851,418	-	-	-	-	6,707,445	3,851,418
Special Education	64,910,769	52,923,985	-	-	-	-	64,910,769	52,923,985
Student Personnel Services	2,785,556	2,240,560	-	-	-	-	2,785,556	2,240,560
Health services	5,366,605	4,270,705	-	-	-	-	5,366,605	4,270,705
Pupil transportation	42,168,826	35,717,296	-	-	-	-	42,168,826	35,717,296
Operation of plant	32,768,108	36,224,693	-	-	-	-	32,768,108	36,224,693
Maintenance of plant and equipment	15,555,495	14,101,443	-	-	-	-	15,555,495	14,101,443
Fixed Charges	166,626,432	155,835,153	-	-	-	-	166,626,432	155,835,153
Community services	448,224	263,987	-	-	-	-	448,224	263,987
Special State & Federal Programs	66,419,370	85,436,777	-	-	-	-	66,419,370	85,436,777
Costs of Operations -Food Services	-	-	21,680,941	19,193,739	-	-	21,680,941	19,193,739
Student activities	4,458,296	3,269,566	-	-	-	-	4,458,296	3,269,566
Capital Outlay	858	18,114	-	-	31,038,596	34,078,763	31,039,454	34,096,877
Debt Service								
Principal	7,622,433	7,019,273	-	-	-	-	7,622,433	7,019,273
Interest	460,959	544,881	-	-	-	-	460,959	544,881
Total expenditures	<u>677,009,802</u>	<u>636,343,055</u>	<u>21,680,941</u>	<u>19,193,739</u>	<u>31,038,596</u>	<u>34,078,763</u>	<u>729,729,339</u>	<u>689,615,557</u>
Excess (deficiency) of revenues over expenditures	11,587,837	7,420,735	1,418,035	7,942,149	(5,746,967)	(1,486,884)	7,258,905	13,876,000
Other financing sources (uses):								
Issuance of Notes	-	81,700	-	-	-	-	-	81,700
Issuance of Leases	147,492	28,010,970	-	34,247	-	-	147,492	28,045,217
Issuance of Subscriptions	482,201	-	-	-	-	-	482,201	-
Transfers	(5,250,000)	(17,000,000)	-	-	5,250,000	17,000,000	-	-
Net change in fund balances	6,967,530	18,513,405	1,418,035	7,976,396	(496,967)	15,513,116	7,888,598	42,002,917
Fund Balances - beginning of year	92,115,640	73,602,235	11,047,923	3,071,527	15,743,919	230,803	118,907,482	118,907,482
Fund Balances - end of year	<u>\$ 99,083,170</u>	<u>\$ 92,115,640</u>	<u>\$ 12,465,958</u>	<u>\$ 11,047,923</u>	<u>\$ 15,246,952</u>	<u>\$ 15,743,919</u>	<u>\$ 126,796,080</u>	<u>\$ 160,910,399</u>

Harford County Public Schools

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General Fund Budget and Actual (Exhibit 7)

Budget changes made to the original budget during the fiscal year totaled \$49.3 million, or 7.8%. Most of this change was due to \$43.0 million in carry-over funds related to pandemic-related grants, Medical Assistance and other recurring federal grants. The remaining \$6.0 million pertains to new grant funds received during the fiscal year.

Harford County Public Schools General Fund Changes Made to the Original Budget

	<u>Original Budget</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Change</u>	<u>Final Budget</u>
REVENUE					
Local	\$ 324,237,657	\$ -	\$ -	\$ -	\$ 324,237,657
State	245,827,322	-	-	-	245,827,322
Federal	420,000	-	-	-	420,000
Special state and federal	44,791,653	49,269,493	-	49,269,493	94,061,146
Earnings on investments	50,000	-	-	-	50,000
Other Sources	4,065,500	-	-	-	4,065,500
Prior year's fund balance	9,791,581	-	-	-	9,791,581
Total revenues	<u>\$ 629,183,713</u>	<u>\$ 49,269,493</u>	<u>\$ -</u>	<u>\$ 49,269,493</u>	<u>\$ 678,453,206</u>
EXPENDITURES					
Administration	\$ 14,246,011	\$ 5,976,779	\$ -	\$ 5,976,779	\$ 20,222,790
Mid-Level Administration	32,415,322	1,939,743	-	1,939,743	34,355,065
Instructional Salaries	217,325,052	17,435,469	-	17,435,469	234,760,521
Textbooks	11,633,576	3,934,506	-	3,934,506	15,568,082
Other Instructional Costs	12,222,098	8,655,057	-	8,655,057	20,877,155
Special Education	83,969,810	9,400,160	-	9,400,160	93,369,970
Student Personnel Services	3,061,608	634,375	-	634,375	3,695,983
Student Health Services	5,991,104	983,855	-	983,855	6,974,959
Student Transportation	42,487,733	934,761	-	934,761	43,422,494
Operation of Plant	33,365,101	787,977	-	787,977	34,153,078
Maintenance of Plant	16,286,358	-	(18,274)	(18,274)	16,268,084
Fixed Charges	154,497,500	-	(2,668,589)	(2,668,589)	151,828,911
Community Services	1,005,453	884,538	-	884,538	1,889,991
Capital Outlay	676,987	389,136	-	389,136	1,066,123
Total expenditures	<u>\$ 629,183,713</u>	<u>\$ 51,956,356</u>	<u>\$ (2,686,863)</u>	<u>\$ 49,269,493</u>	<u>\$ 678,453,206</u>

Harford County Public Schools

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It is critical for the reader to understand that local and state revenues account for 96.0% of the total General Fund unrestricted revenue, as reflected in Exhibit 7. The operating revenues of Harford County Public Schools are largely dependent on the economy and legislation.

Other revenues include items such as tuition, facility rental, rebates, Medicare Part D receipts, healthcare settlements, rebates and dividends from MABE's insurance programs. Major receipts in other revenues specifically include the following: \$10.0 million in healthcare settlements, \$0.9 million in Medicare Part D receipts, \$0.9 million in tuition and fees, and \$1.4 million in other miscellaneous revenue.

Capital Assets, Leases and Debt Administration (See Notes 4 and 5)

As of June 30, 2023, HCPS had approximately \$1.1 billion invested in a broad range of capital assets including land (1,900.0 acres), buildings (6.2 million square feet), improvements, furniture, vehicles and other equipment. Capital and lease assets increased approximately \$21.1 million from the same time last year, excluding the effect of depreciation as shown in the table below. Most of this increase pertains to two HVAC projects and one roofing project and one building upgrade project.

Harford County Public Schools Changes to Capital and Lease Assets

	June 30, 2023	June 30, 2022	\$ Change	% Change
Capital Assets:				
Land	\$ 9,672,942	\$ 9,672,942	\$ -	0.00%
Construction in progress	52,859,510	63,257,874	(10,398,364)	-16.44%
School properties	961,035,819	934,235,131	26,800,688	2.87%
Furniture and equipment	59,244,051	55,134,001	4,110,050	7.45%
Subscription-based Information Technology Agreements (SBITAs)	474,642	-	474,642	n/a
Total capital assets	<u>1,083,286,964</u>	<u>1,062,299,948</u>	<u>20,987,016</u>	<u>1.98%</u>
Amortizable lease assets:				
Land improvements	244,651	244,651	-	0.00%
Buildings	377,349	239,356	137,993	57.65%
Furniture and equipment	19,467,745	19,458,246	9,499	0.05%
Total amortizable lease assets	<u>20,089,745</u>	<u>19,942,253</u>	<u>147,492</u>	<u>0.74%</u>
Capital and lease assets	<u>\$ 1,103,376,709</u>	<u>\$ 1,082,242,201</u>	<u>\$ 21,134,508</u>	<u>1.95%</u>

School districts in Maryland are in the uncommon position of owning assets but not the debt associated with those facilities as they are fully fiscally dependent on the state and county governments. Accordingly, HCPS carries no bond rating, but has an approved debt policy for lease transactions. In fiscal year 2022, HCPS refinanced the note for the Administration Building to a lower rate of 1.71%, without extending the term of the debt. Net budgetary savings is approximately \$213,000 between years 2023 and 2030.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2023

Ongoing Challenges

The Blueprint for Maryland's Future, a comprehensive education reform initiative, has posed numerous challenges for Harford County Public Schools (HCPS). One of the primary concerns pertains to the financial burden associated with realizing the program's ambitious goals, which encompass raising teacher salaries, expanding pre-K programs, and offering free high school initiatives like dual enrollment and advanced placement coursework. HCPS grapples with funding constraints that make it arduous to meet these requirements without potentially compromising other vital facets of the education system that are not included in the legislation, such as safety and security and transportation. Moreover, recent changes in Maryland's state assessments, coupled with the stringent accountability requirements within the Blueprint for Maryland's Future, have had a significant financial impact. The transition from the Partnership for Assessment of Readiness for College and Careers (PARCC) to the Maryland Comprehensive Assessment Program (MCAP) exemplifies the need for updated instructional materials, technology, and additional technical support to ensure a seamless transition to computer-based assessments like MCAP, thus further exacerbating the financial burden. Aligning curriculum with new assessment standards necessitates the development or adaptation of teaching materials and instructional resources, often requiring substantial investments. Additionally, teachers frequently require professional development to effectively implement the updated curriculum, a factor that places additional strain on the budget, exemplified by the extensive training required for the Science of Reading. Lastly, the rigorous data tracking requirements imposed by the Blueprint have stretched HCPS's administrative resources in a way that requires additional long-term resource considerations.

HCPS has made several policy changes with respect to benefits provided to retirees. Currently, HCPS is participating in a multi-employer OPEB Investment Trust administered by the Maryland Association of Boards of Education (MABE). We believe this structure is unique in the country. HCPS annually budgets an amount to fund the OPEB Trust. While we have the vehicle to invest OPEB funds, one of the issues will be whether or not the County will fund OPEB contributions to meet our proposed 30-year timeframe to achieve full funding. The current economic climate has been, and is forecast to continue to be, prohibitive to this objective. Meanwhile, the unfunded liability continues to grow. Effective January 1, 2021 retiree healthcare moved to a Medicare Advantage Plan which will continue to result in savings both for the employee and the school system.

Future Challenges

The school system must consider a multitude of factors as it prepares future budgets. In addition to the ongoing challenges above, notable factors influencing future budgets include the following:

- increasing number of homeless students, those newly immigrated to this country, and a growing socioeconomically eligible population require greater services;
- additional legislation requiring increased support for services to address the increasing mental health concerns of students, which is contributing to rising caseloads for HCPS student services staff

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2023

- increasing enrollment of students with severe disabilities requiring additional programming and staffing
- changes in student enrollment as families make housing and educational decisions
- uncertain enrollment figures as families continue to make different educational decisions
- insufficient building capacity to support expansion of pre-k, special education programming and community schools initiatives
- limited capital funding from the state and local governments which provide funding for renovations and additions to existing schools, the construction of new schools and also for other capital items including buses and technology
- the need for competitive salaries in order to attract and retain highly qualified employees for all HCPS positions as well as to meet Maryland Blueprint requirements
- continued projected increases in the cost of employee health and dental benefits and state retirement costs
- the funding cliff as federal stimulus funds diminish over the next two fiscal years

Contacting Harford County Public Schools' Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, and students with a general overview of HCPS finances and to demonstrate its accountability for the money it receives.

If you have questions about this report or wish to request additional financial information, contact Deborah L. Judd, CPA, Assistant Superintendent for Business Services at (410) 588-5321; or by mail at Harford County Public Schools, Business Services, 102 South Hickory Avenue, Bel Air, Maryland 21014.

Harford County Public Schools

STATEMENT OF NET POSITION JUNE 30, 2023

Governmental Activities

ASSETS

Cash and cash equivalents	\$ 29,091,956
Investments	74,086,137
Due from other units of government	22,675,269
Other receivables	20,786,858
Inventory	870,713
Prepaid items	574,265
Capital assets not being depreciated or amortized	62,532,452
Capital assets net of accumulated depreciation and amortization	674,684,584
Total assets	<u>885,302,234</u>

DEFERRED OUTFLOWS

Deferred outflows related to OPEB	512,373,000
Deferred outflows related to pensions	9,591,073
Total deferred outflows	<u>521,964,073</u>

LIABILITIES

Accounts payable	6,211,347
Accrued salaries and wages	1,371,704
Payroll taxes payable	395,201
Unearned revenue	11,479,879
Noncurrent liabilities:	
Due within one year	12,208,356
Due in more than one year	1,002,987,670
Total liabilities	<u>1,034,654,157</u>

DEFERRED INFLOWS

Deferred inflows related to OPEB	787,406,000
Deferred inflows related to pensions	2,300,033
Total deferred inflows	<u>789,706,033</u>

NET POSITION

Net investment in capital assets	721,177,586
Restricted for:	
Food services	12,465,958
Capital projects	15,246,952
Unrestricted	<u>(1,165,984,379)</u>
Total net position	<u>\$ (417,093,883)</u>

The accompanying notes are an integral part of this financial statement.

Harford County Public Schools

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
Instruction:					
Regular education	\$ 362,870,464	\$ 1,414,925	\$ 92,753,425	\$ 15,470,378	\$ (253,231,736)
Special education	123,024,378	-	52,242,762	-	(70,781,616)
Total instruction	<u>485,894,842</u>	<u>1,414,925</u>	<u>144,996,187</u>	<u>15,470,378</u>	<u>(324,013,352)</u>
Support services					
Administration	18,838,904	-	2,479,962	172,659	(16,186,283)
Mid-level administration	44,944,168	-	5,426,090	-	(39,518,078)
Pupil personnel services	4,777,849	-	1,271,838	-	(3,506,011)
Health services	8,909,374	-	674,503	-	(8,234,871)
Pupil transportation	53,122,822	-	16,660,687	-	(36,462,135)
Operation of plant	51,023,211	-	763,504	2,318,158	(47,941,549)
Maintenance of plant and equipment	26,686,199	-	363,562	7,330,434	(18,992,203)
Community services	1,605,293	265,355	1,096,611	-	(243,327)
Food services	21,135,567	7,568,469	15,530,507	-	1,963,409
Student activities	4,458,296	-	-	-	(4,458,296)
Interest on long-term debt	460,959	-	-	-	(460,959)
Depreciation - unallocated	62,430	-	-	-	(62,430)
Total support services	<u>236,025,072</u>	<u>7,833,824</u>	<u>44,267,264</u>	<u>9,821,251</u>	<u>(174,102,733)</u>
Total governmental activities	<u>\$ 721,919,914</u>	<u>\$ 9,248,749</u>	<u>\$ 189,263,451</u>	<u>\$ 25,291,629</u>	<u>(498,116,085)</u>
General revenues:					
Local aid not restricted to specific purposes					324,237,657
State aid not restricted to specific purposes					174,488,752
Federal aid not restricted to specific purposes					541,642
Student activities					4,345,249
Miscellaneous					13,252,460
Investment earnings					4,766,259
Total general revenues					<u>521,632,019</u>
Change in net position					23,515,934
Net position - beginning of year					<u>(440,609,817)</u>
Net position - end of year					<u>\$ (417,093,883)</u>

The accompanying notes are an integral part of this financial statement.

Harford County Public Schools

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 19,759,926	\$ 9,332,030	\$ -	\$ 29,091,956
Investments	74,086,137	-	-	74,086,137
Due from other units of government	14,298,739	893,288	7,483,242	22,675,269
Other receivables	20,602,169	184,689	-	20,786,858
Due from other funds	-	1,954,644	10,991,397	12,946,041
Inventory	272,663	598,050	-	870,713
Prepaid items	574,265	-	-	574,265
Total assets	<u>\$ 129,593,899</u>	<u>\$ 12,962,701</u>	<u>\$ 18,474,639</u>	<u>\$ 161,031,239</u>
LIABILITIES				
Accounts payable	\$ 3,225,940	\$ 211,401	\$ 2,774,006	\$ 6,211,347
Accrued salaries and wages	1,371,704	-	-	1,371,704
Payroll taxes payable	395,201	-	-	395,201
Due to other funds	12,946,041	-	-	12,946,041
Unearned revenue	10,740,856	285,342	453,681	11,479,879
Compensated absences payable	1,830,987	-	-	1,830,987
Total liabilities	<u>30,510,729</u>	<u>496,743</u>	<u>3,227,687</u>	<u>34,235,159</u>
FUND BALANCES				
Non-spendable	846,928	598,050	-	1,444,978
Restricted	-	11,867,908	15,246,952	27,114,860
Assigned	72,746,039	-	-	72,746,039
Unassigned	25,490,203	-	-	25,490,203
Total fund balances	<u>99,083,170</u>	<u>12,465,958</u>	<u>15,246,952</u>	<u>126,796,080</u>
Total liabilities and fund balances	<u>\$ 129,593,899</u>	<u>\$ 12,962,701</u>	<u>\$ 18,474,639</u>	<u>\$ 161,031,239</u>

The accompanying notes are an integral part of this financial statement.

Harford County Public Schools

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023**

Total fund balances - governmental funds (Exhibit 3)	\$ 126,796,080
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$1,103,376,709 and the accumulated depreciation is \$366,159,673.</p>	737,217,036
<p>Long-term liabilities are not due and payable from current resources and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of compensated absences payable (\$37,405,531), obligations under leases (\$7,822,116), finance purchase obligations (\$5,217,627), notes payable - direct borrowing (\$7,183,821) and subscriptions payable (\$225,702), net OPEB liability (\$926,948,000) and net pension liability (\$28,562,242).</p>	(1,013,365,039)
Deferred outflows related to OPEB.	512,373,000
Deferred outflows related to pensions.	9,591,073
Deferred inflows related to OPEB.	(787,406,000)
Deferred inflows related to pensions.	(2,300,033)
Total net position - governmental activities (Exhibit 1)	<u>\$ (417,093,883)</u>

The accompanying notes are an integral part of this financial statement.

Harford County Public Schools

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Intergovernmental revenues:				
Local sources	\$ 324,237,657	\$ -	\$ 20,525,061	\$ 344,762,718
State sources	273,170,443	495,092	4,356,808	278,022,343
Special state and federal programs	66,603,648	-	-	66,603,648
Federal sources	541,642	14,934,391	370,094	15,846,127
Earnings on investments	4,766,259	50,422	-	4,816,681
Charges for services	-	7,568,469	-	7,568,469
Student activities	4,345,249	-	-	4,345,249
Miscellaneous	14,932,741	50,602	39,666	15,023,009
Total revenues	<u>688,597,639</u>	<u>23,098,976</u>	<u>25,291,629</u>	<u>736,988,244</u>
Expenditures				
Current:				
Administrative services	12,958,069	-	-	12,958,069
Mid-level administrative services	31,458,244	-	-	31,458,244
Instructional salaries	208,736,916	-	-	208,736,916
Instructional textbooks and supplies	7,557,197	-	-	7,557,197
Other instructional costs	6,707,445	-	-	6,707,445
Special education	64,910,769	-	-	64,910,769
Student personnel services	2,785,556	-	-	2,785,556
Health services	5,366,605	-	-	5,366,605
Pupil transportation services	42,168,826	-	-	42,168,826
Operation of plant	32,768,108	-	-	32,768,108
Maintenance of plant and equipment	15,555,495	-	-	15,555,495
Fixed charges	166,626,432	-	-	166,626,432
Community services	448,224	-	-	448,224
Special state and federal programs	66,419,370	-	-	66,419,370
Costs of operation - food services	-	21,680,941	-	21,680,941
Student activities	4,458,296	-	-	4,458,296
Capital outlay	858	-	31,038,596	31,039,454
Debt service:				
Principal	7,622,433	-	-	7,622,433
Interest	460,959	-	-	460,959
Total expenditures	<u>677,009,802</u>	<u>21,680,941</u>	<u>31,038,596</u>	<u>729,729,339</u>
Excess (deficiency) of revenues over expenditures	11,587,837	1,418,035	(5,746,967)	7,258,905
Other financing sources (uses):				
Issuance of leases	147,492	-	-	147,492
Issuance of subscriptions	482,201	-	-	482,201
Transfers	(5,250,000)	-	5,250,000	-
Net change in fund balances	6,967,530	1,418,035	(496,967)	7,888,598
Fund balances - beginning of year	92,115,640	11,047,923	15,743,919	118,907,482
Fund balances - end of year	<u>\$ 99,083,170</u>	<u>\$ 12,465,958</u>	<u>\$ 15,246,952</u>	<u>\$ 126,796,080</u>

The accompanying notes are an integral part of this financial statement.

Harford County Public Schools

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Total net change in fund balances - governmental funds (Exhibit 5)	\$ 7,888,598
Amounts reported for governmental activities in the statement of activities are 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 as depreciation expense. This is the amount by which capitalized capital outlay (\$22,338,783) is exceeded by depreciation and amortization expense (\$29,374,904) and loss on disposal of assets (\$33,955).	(7,070,076)
Leases and notes payable provide current financial resources to governmental funds but increases long-term liabilities in the statement of net position. Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, the net effect of borrowings and repayments on leases was (\$5,576,010), finance purchase obligations (\$696,098), notes payable - direct borrowing was (\$946,334) and subscriptions was \$225,702.	6,992,740
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year) This year, vacation and sick leave earned exceeded the amounts used by \$3,048,606.	(3,048,606)
OPEB costs reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	18,351,000
Pension costs reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	402,278
Change in net position of governmental activities (Exhibit 2)	<u><u>\$ 23,515,934</u></u>

The accompanying notes are an integral part of this financial statement.

Harford County Public Schools

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2023

	Unrestricted			Restricted			Variance - Positive (Negative)	Actual (non-GAAP)	Variance - Positive (Negative)
	Original Budget	Final Budget	Actual (non-GAAP)	Original Budget	Final Budget	Actual (non-GAAP)			
Revenues									
Intergovernmental revenues:									
Local	\$ 324,237,657	\$ 324,237,657	\$ 324,237,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State	245,827,322	245,827,322	246,257,530	430,208	-	-	-	-	-
Federal	420,000	420,000	541,642	121,642	-	-	-	-	-
Special state and federal	-	-	-	-	94,061,146	65,480,459	(28,580,687)	-	-
Earnings on investments	50,000	50,000	3,616,297	3,566,297	-	-	-	-	-
Other sources	4,065,500	4,065,500	14,932,741	10,867,241	-	-	-	-	-
Prior year fund balance	4,791,581	4,791,581	4,791,581	-	-	-	-	-	-
Total revenues	\$ 579,392,060	\$ 579,392,060	\$ 594,377,448	\$ 14,985,388	\$ 99,061,146	\$ 70,480,459	\$ (28,580,687)		
Expenditures									
Current:									
Administrative services	\$ 13,355,516	\$ 13,355,516	\$ 12,842,196	\$ 513,320	\$ 6,867,274	\$ 1,347,647	\$ 5,519,627		
Mid-level administration	31,723,270	31,723,270	31,402,762	320,508	2,631,795	1,972,858	658,937		
Instructional salaries	207,152,061	210,152,061	208,736,916	1,415,145	24,608,460	18,885,431	5,723,029		
Instructional textbooks and supplies	7,994,009	8,894,009	8,243,137	650,872	6,674,073	5,116,194	1,557,879		
Other instructional costs	8,708,827	8,708,827	7,212,449	1,496,378	12,168,328	5,534,733	6,633,595		
Special education	64,408,698	64,908,698	64,863,202	45,496	28,461,272	22,503,927	5,957,345		
Student personnel services	2,826,864	2,826,864	2,782,085	44,779	869,119	771,522	97,597		
Student health services	5,248,041	5,448,041	5,346,327	101,714	1,526,918	999,915	527,003		
Student transportation	41,136,424	42,136,424	42,136,092	332	1,286,070	1,065,315	220,755		
Operation of plant	31,989,802	34,989,802	34,167,922	821,880	(836,724)	(949,260)	112,536		
Maintenance of plant	15,574,294	15,574,294	15,401,052	1,73,242	693,790	320,600	373,190		
Fixed charges	148,065,237	139,385,237	136,323,785	3,061,452	12,443,674	11,627,199	816,475		
Community services	563,828	563,828	448,224	115,604	1,326,163	944,670	381,493		
Capital outlay	645,189	725,189	696,956	28,233	340,934	339,708	1,226		
Total expenditures	\$ 579,392,060	\$ 579,392,060	\$ 570,603,105	\$ 8,788,955	\$ 99,061,146	\$ 70,480,459	\$ 28,580,687		
Excess of revenues over expenditures			23,774,343						
Transfer to capital projects fund			(5,250,000)						
Excess of revenues over expenditures and transfer			18,524,343						
Total fund balance - beginning of year			64,393,311						
Prior year fund balance recognized as revenue above			(9,791,581)						
Total fund balance - end of year			73,126,073						
Fund balance -end of year - nonspendable			(846,928)						
- assigned			(41,681,642)						
Fund balance - end of year - unassigned			\$ 30,597,503						

The accompanying notes are an integral part of this financial statement.

Harford County Public Schools

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023

	<u>Retiree Health Plan Trust</u>
Assets	
Investments held in MABE Trust	\$ 74,514,953
Total assets	<u>74,514,953</u>
Liabilities	<u>-</u>
Total liabilities	<u>-</u>
Net position restricted for OPEB	<u><u>\$ 74,514,953</u></u>

The accompanying notes are an integral part of this financial statement.

Harford County Public Schools

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**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Retiree Health Plan Trust</u>
Additions	
Contributions	\$ 25,225,000
Investment earnings	
Net increase in fair value of investments	6,090,212
Less custodial fees	<u>(198,505)</u>
Net investment results	<u>5,891,707</u>
Total additions	<u>31,116,707</u>
Deductions	
Benefit payments	23,225,000
Administrative expenses	<u>13,442</u>
Total deductions	<u>23,238,442</u>
Change in net position	7,878,265
Net position - beginning of year	<u>66,636,688</u>
Net position - end of year	<u><u>\$ 74,514,953</u></u>

The accompanying notes are an integral part of this financial statement.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Education of Harford County (the Board) is a body politic and corporate established by the Public School Laws of Maryland. For financial reporting purposes, the Board (alternatively referred to herein as Harford County Public Schools) is a component unit of Harford County, Maryland (the County) by virtue of the County’s responsibility for levying taxes and incurring debt for the benefit of the Board, as well as its budgetary control over the Board. Accordingly, the financial statements of the Board are included in the financial statements of the County.

The accounting policies of Harford County Public Schools conform to accounting principles generally accepted in the United States of America. Accordingly, the Board applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of significant accounting policies employed by the Board.

Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of Harford County Public Schools as a whole. The activities of the General Fund (Current Expense Fund), Special Revenue Fund (Food Service Fund) and Capital Projects Fund (School Construction Fund) have been presented as governmental activities in the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Local appropriations, state and federal aid and other items which are not classified as program revenues are presented as general revenues of the Board. The Board has no internal service funds and inter-fund services provided and used are negligible and are not eliminated in the process of consolidation.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. All individual governmental funds are considered to be major funds and are reported as separate columns in the governmental fund financial statements. The Board has no proprietary funds.

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to certain compensated absences are recognized when the obligations are expected to be liquidated with expendable available resources.

Local appropriations and state and federal aid associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria have been met. Expenditure driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met.

Inter-fund balances account for expenditures paid in the general fund for other funds through a common system. Reimbursements are made periodically as revenues are received.

The Retiree Health Plan Trust Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Governmental Funds

Current Expense Fund (General Fund) - The general fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. Special state and federal programs are included in the restricted portion of this fund.

Food Service Fund (Special Revenue Fund) – The food service fund is used to account for the operations of the cafeterias and production facilities which provide for the preparation and sale of meals primarily to students. As a special revenue fund, the proceeds of specific revenue sources (other than major capital projects) are legally restricted to expenditures for specified purposes.

A substantial portion of its revenues are derived from other governments and it is not intended to be self-sustaining from food sales. The Board exercises the appropriate budgetary and accounting control through use of an annual budget prepared by the Department of Food and Nutrition and the Budget Office, which is reviewed and monitored by management during the fiscal year. There is no legal requirement for an approved budget.

School Construction Fund (Capital Projects Fund) – The school construction fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Board reports the following funds in the fund financial statements:

Fiduciary Funds

Retiree Health Plan Trust Fund – This fund was established to prefund other postemployment benefits (OPEB) that the Board provides to retirees of the Board and their dependents. It consists of contributions of the Board to establish a reserve to pay health and welfare benefits of future retirees. Contributions to the Trust qualify as contributions and are reported as additions using the economic resource measurement focus and the accrual basis of accounting, under which expenses (deduction) are recorded when the liability is incurred or the benefits are paid.

Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents

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

Due From Other Units of Government and Other Receivables

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

Accounts receivables are not collateralized but are primarily with other governmental units and related agencies. These entities rarely default on their obligations and management of the Board considers all amounts collectible as of June 30, 2023. Therefore, no valuation allowance is provided against the amounts due.

Inventory

Inventory in the general fund consists of supplies maintained in the distribution center and is recorded at cost. Inventory in the food service fund consists of expendable food and supplies held for consumption and is recorded at cost. The cost is recorded as an asset at the time individual inventory items are purchased. As inventory is consumed, the cost is charged to expenditures.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position or Equity (continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported as governmental activities in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$5,000 and a useful life of at least two years. Capital assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated acquisition value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment are depreciated using the straight-line method over estimated useful lives of 20-50 years for buildings, improvements and infrastructure, and 5-20 years for furniture and equipment.

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

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

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

Compensated Absences

As of June 30, 2023, annual and sick leave earned, applicable to governmental fund types, but not taken by Board employees, was \$39,236,518. This amount is based on vested accumulated leave as of June 30, 2023, for employees eligible to receive annual leave benefits at retirement. Sick leave is accrued for employees with at least ten years of service and calculated at 25% of their annual daily rate up to a maximum ranging from 200 to 300 days. An accrual in the amount of \$1,830,987 was made in the General Fund for the year ended June 30, 2023. This amount was an estimate of the accumulated annual and sick leave which is due and payable as of June 30, 2023

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position or Equity (continued)

as it will be paid to retirees during the first month of the fiscal year ending June 30, 2024. The remaining liability for accumulated annual and sick leave earned in the amount of \$37,405,531 is reported as a noncurrent liability in the government-wide financial statements.

Pensions

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

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

Deferred Outflows/Inflows of Resources

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

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Fund, and Capital Projects Fund. Encumbrances outstanding at year-end are reported as assignments of fund balances since they do not constitute expenditures or liabilities.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position or Equity (continued)

Net Position and Fund Balance

The difference between fund assets and deferred outflows and liabilities and deferred inflows is “Net Position” on the government-wide and fiduciary fund statements and “Fund Balance” on governmental fund statements. Net Position is classified as “Net investment in capital assets,” legally “Restricted” for a specific purpose, or “Unrestricted” and available for appropriation for general purposes. When both restricted and unrestricted resources are available for use, it is the Board’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the governmental fund financial statements, non-spendable and restricted fund balance represent amounts that are legally restricted by outside parties for use for a specific purpose or are otherwise not available for appropriation. Assigned fund balance represents the portion of fund balance that reflects the Board’s intended use of resources.

Use of Estimates in Preparing Financial Statements

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

Implementation of New Accounting Principles

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This standard requires the recognition of certain SBITA assets and liabilities that previously were classified as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a model for SBITA accounting based on the foundational principle that SBITAs are financings of the right to use an underlying subscription (intangible) asset.

The Board has adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
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NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

Budgetary compliance is measured using the budgetary basis of accounting, the purpose of which is to demonstrate compliance with the legal requirements of Harford County, the State of Maryland, and special federal and state programs.

The budgetary basis differs from GAAP, which is used for the fund financial statements, in that encumbrances, which represent commitments to purchase goods and services, are treated as expenditures of the current period rather than assignments of the fund balance, portions of the prior year’s fund balance are included as revenues and retirement payments made on the Board’s behalf by the State of Maryland are excluded from revenues and expenditures. Revenue and expenditures from student activities are not budgeted and therefore are excluded. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (non-GAAP basis) and Actual-General Fund is presented using the budgetary basis of accounting. By state law, major categories of expenditures may not exceed budgeted amounts. The state-mandated categories of expenditures include Administration, Mid-level Administration, Instructional Salaries, Textbooks and Instructional Supplies, Other Instructional Costs, Special Education, Pupil Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, Community Services and Capital Outlay.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (continued)

The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

Operating Budget (General Fund)

- 1) Early each fiscal year, budget questionnaires are distributed to principals and staff members. These questionnaires and supporting documents are due in the office of the Director of Budget at the beginning of October.
- 2) The Board may, at its discretion, discuss and establish its priorities for the operating budget at the regular monthly meetings in October and November.
- 3) No later than the regular monthly meeting in January, the Superintendent of Schools will present the recommended operating budget to the Board and the general public.
- 4) In January, the Board will hold a special meeting for the purpose of providing for a public hearing on the Superintendent’s recommended operating budget.
- 5) No later than the regular monthly meeting in February, the Board will adopt an operating budget and submit the adopted operating budget to the County Executive.
- 6) After approval or adjustment by the County Council, the final operating budget is approved by the Board in June.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
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NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (continued)

Operating Budget (General Fund) (continued)

- 7) Budgets are normally adopted on a basis consistent with GAAP except for the inclusion of portions of the prior year’s fund balance as revenues, the inclusion of encumbrances as expenditures, the inclusion of revenues and expenditures of student activities and the exclusion of retirement payments made on the Board’s behalf by the State of Maryland as revenues and expenditures. Budget comparisons presented are on a non-GAAP budgetary basis.
- 8) Transfers may be made within the major categories by the Board of Education without the approval of the County Council as budgetary control is at the major category level.
- 9) Requests approved by the Board of Education for transfers between major categories must be submitted to the County Council for approval or denial. No action within thirty (30) days of submission constitutes approval.

The expenditures under special state and federal programs may exceed budgeted amounts. The grants included in this category are not part of budget categories subject to the spending limitations of the operating budget. Expenditures under these programs are limited to the amounts of the respective grants.

Food Service Fund Budget (Special Revenue Fund)

The Food Service Fund Budget is not a legally adopted budget; therefore, a budget to actual presentation is not included in the basic financial statements. The comparison of the Food Services Fund Budget to actual revenues and expenditures is presented as a supplementary schedule to these financial statements. Revenue from federal sources in the Food Service Fund includes \$1,701,829 of donated commodities from the United States Department of Agriculture.

Capital Budget - School Construction Fund (Capital Projects Fund)

Annual budgetary comparisons to actual expenditures are not presented in the financial statements for the Capital Projects Fund.

School construction is budgeted on a project basis with funds primarily provided by Harford County and the State of Maryland. State funds are approved by the state’s interagency committee.

Reconciliation of Budgetary Data

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - General Fund is prepared on a legally prescribed budgetary basis of accounting which differs from GAAP. The purpose of the budgetary basis of accounting is to demonstrate compliance with the legal requirements of Harford County, the State of Maryland and special federal and state programs.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (continued)

The differences between the two methods are set forth below:

Revenues (non-GAAP budgetary basis - unrestricted and restricted)	\$ 664,857,907
Prior year fund balance	(9,791,581)
Revenues adjusted by restricted encumbrances of expenditure driven grants	1,123,189
Pension contributions made directly by the State of Maryland	26,912,913
Interest earned on rate stabilization deposit	1,149,962
Student activities	4,345,249
Revenues (GAAP basis)	\$ 688,597,639
Expenditures (non-GAAP budgetary basis - unrestricted and restricted)	\$ 641,083,564
Net effect of encumbrances	434,670
Changes in value of rate stabilization fund	3,490,666
Pension contributions made directly by the State of Maryland	26,912,913
Student activities	4,458,296
Leases, notes and subscriptions payable increase	629,693
Expenditures (GAAP basis)	\$ 677,009,802

The unassigned fund balances in the current expense fund (general fund) are reconciled as follows:

Unassigned Fund Balance (non-GAAP budgetary basis)	\$ 30,597,503
Cumulative effect of:	
Revenues adjusted by encumbrances of expenditure driven grants	(5,107,300)
Unassigned fund balance (GAAP basis)	\$ 25,490,203

The assigned fund balances in the current expense fund (general fund) are reconciled as follows:

Assigned Fund Balance (non-GAAP budgetary basis)	\$ 41,681,642
Encumbrances	8,792,237
Rate stabilization fund balance	19,655,437
Student activities	2,616,723
Assigned Fund Balance (GAAP basis)	\$ 72,746,039

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 – CASH AND INVESTMENTS

Cash on Hand

At year end, cash on hand for petty cash and change funds was \$72.

Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Board may not be able to recover the deposits. The Annotated Code of Maryland requires that funds on deposit with a financial institution be fully secured by deposit insurance, surety bonds, obligations of the United States or its agencies, obligations of the State of Maryland or any of its agencies, or obligations of a county, other governmental authority, or municipal corporation in the State of Maryland. As of June 30, 2023, all of the Board’s deposits were either covered by FDIC insurance or collateral held by the financial institution in the Board’s name. As of June 30, 2023, the carrying amount of the Board’s deposits was \$8,752,270 and the bank balance was \$10,610,743.

Investments

Statutes authorize the Board to invest in obligations of the United States Government, federal government agency obligations, secured time deposits in Maryland banks, bankers’ acceptances, the Maryland Local Government Investment Pool (MLGIP), money market mutual funds, commercial paper and repurchase agreements secured by direct government or agency obligations.

The Board is a participant in the MLGIP, which is under the administration of the State Treasurer. The MLGIP was created as part of the Annotated Code of Maryland and is rated AAAM by Standard and Poors, their highest rating for money market funds. Unit value is computed using the amortized cost method and the pool maintains \$1.00 per unit constant value. The pool is a Rule 2a7 like pool, which is not registered with the Securities and Exchange Commission, but generally operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. The Board has no unfunded commitments nor significant terms or conditions for redemption. The investment objectives of the Pool are to preserve the capital value of the dollars invested, to provide a competitive rate of return and to provide a readily available source of daily liquidity. The amortized cost of the pool is the same as the value of the pool shares.

As of June 30, 2023, the Board's investment balances were as follows:

	Total Governmental Funds	Total Fiduciary Funds	Total
Maryland Local Government Investment Pool	\$ 74,086,137	\$ -	\$ 74,086,137
MABE Trust	-	74,514,953	74,514,953
Total Investments	\$ 74,086,137	\$ 74,514,953	\$ 148,601,090

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 – CASH AND INVESTMENTS (continued)

Interest Rate Risk

Fair value fluctuates with interest rates and increasing interest rates could cause fair value to decline below original cost. To limit the Board’s exposure to interest rate risk arising from increasing interest rates, the Board’s investment policy limits the term of investment maturities, except in the fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. The Board’s management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Board from having to sell investments below original cost for that purpose. The investments as of June 30, 2023, complied with the Board’s investment policy as of that date.

Investment income includes the following for the year ended June 30, 2023:

Net interest and dividends	\$ 4,816,681
Less: Restricted net investment income	<u>50,422</u>
Total Net Investment Income Per Statement of Activities	<u><u>\$ 4,766,259</u></u>

Credit Risk

In order to control credit risk, State statutes authorize the Board to invest in obligations of the United States government, federal government agency obligations, secured time deposits in Maryland banks, bankers’ acceptances, the MLGIP, money market mutual funds, commercial paper and repurchase agreements secured by direct government or agency obligations.

Concentration of Credit Risk

In accordance with its investment policy, with the exception of U.S. Treasury securities, repurchase agreements, U.S. government agencies and MLGIP, no more than 50% of the Board’s total investment portfolio is to be invested in a single security type. With the exception of overnight repurchase agreements with the Board’s lead bank and the MLGIP, no more than 50% of the Board’s portfolio may be invested in a single institution.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the Board will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The Board’s investment policy states that all investments must be fully collateralized. As of June 30, 2023, all of the Board’s investments were insured or registered, were held by the custodian in the Board’s name or were invested in MLGIP.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 – CASH AND INVESTMENTS (continued)

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

Cash on hand	\$ 72
Carrying amount of deposits	8,752,270
Carrying amount of sweep accounts	20,339,614
Carrying amount of investments	148,601,090
Total cash and investments	177,693,046
Less: Amounts in fiduciary funds	74,514,953
Total Cash and Investments per Statement of Net Position	\$ 103,178,093
Cash and cash equivalents	\$ 29,091,956
Investments	74,086,137
Total Cash and Investments per Statement of Net Position	\$ 103,178,093

Investment in External Investment Pool

The Board has funds designated for Other Postemployment Benefits (OPEB) that are held by Maryland Association of Boards 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 Maryland counties: Allegany, Caroline, Cecil, Charles, Harford, Kent, Prince George’s, St. Mary’s and Washington.

The investments of the MABE Trust are stated at fair value and are managed by Fidelity Brokerage Services, LLC and consist of money market funds, U.S. government and agency fixed income and asset backed securities, equity securities, mutual funds and exchange traded funds and corporate and corporate asset backed securities. 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 of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs. Although all of the investments of the MABE Trust are considered Level 1 and Level 2, the Board’s membership investment in the MABE Trust is considered Level 2. As of June 30, 2023, the pooled net position of the MABE Trust was \$616,539,843 in total, of which the Board’s allocated investment balance was \$74,514,953. The Board may terminate its membership in the MABE Trust and withdraw its allocated investment balance by providing written notice six months prior to the intended date of withdrawal.

The MABE Trust is audited annually by an independent CPA firm. For the current year Cohen & Company of Hunt Valley, Maryland performed this service. 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, MD 21401-1112.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2023, were as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>June 30, 2023</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 9,672,942	\$ -	\$ -	\$ 9,672,942
Construction in progress	63,257,874	16,223,861	(26,622,225)	52,859,510
Total nondepreciable capital assets	<u>72,930,816</u>	<u>16,223,861</u>	<u>(26,622,225)</u>	<u>62,532,452</u>
Depreciable capital assets:				
Land improvements	20,151,474	186,121	1,111,250	21,448,845
Buildings	914,083,657	320,343	25,182,974	939,586,974
Furniture and equipment	55,134,001	4,986,324	(876,274)	59,244,051
Total depreciable capital assets	<u>989,369,132</u>	<u>5,492,788</u>	<u>25,417,950</u>	<u>1,020,279,870</u>
Amortizable lease assets:				
Land improvements	244,651	-	-	244,651
Buildings	239,356	137,993	-	377,349
Furniture and equipment	19,458,246	9,499	-	19,467,745
Total amortizable lease assets	<u>19,942,253</u>	<u>147,492</u>	<u>-</u>	<u>20,089,745</u>
Amortizable SBITA assets:				
SBITAs	-	474,642	-	474,642
Total SBITA assets	<u>-</u>	<u>474,642</u>	<u>-</u>	<u>474,642</u>
Less capital asset accumulated depreciation for:				
Land improvements	12,238,984	866,526	-	13,105,510
Buildings	278,423,913	20,705,048	-	299,128,961
Furniture and equipment	42,794,076	2,645,980	(1,170,320)	44,269,736
Total capital asset accumulated depreciation	<u>333,456,973</u>	<u>24,217,554</u>	<u>(1,170,320)</u>	<u>356,504,207</u>
Less lease asset accumulated amortization for:				
Land improvements	122,326	122,325	-	244,651
Buildings	33,244	125,783	-	159,027
Furniture and equipment	4,342,546	4,677,644	-	9,020,190
Total lease asset accumulated amortization	<u>4,498,116</u>	<u>4,925,752</u>	<u>-</u>	<u>9,423,868</u>
Less SBITA asset accumulated amortization for:				
SBITAs	-	231,598	-	231,598
Total SBITA asset accumulated amortization	<u>-</u>	<u>231,598</u>	<u>-</u>	<u>231,598</u>
Governmental activities, capital and lease assets, net	<u>\$744,287,112</u>	<u>\$ (7,036,121)</u>	<u>\$ (33,955)</u>	<u>\$ 737,217,036</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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NOTE 4 - CAPITAL ASSETS (continued)

Depreciation and amortization expense for the year ended June 30, 2023, was charged to governmental functions on the Statement of Activities as follows:

Depreciation not allocated to specific functions	\$ 62,430
Administration	477,346
Mid-level administration	1,288
Instruction	17,158,059
Special education	51,970
Transportation	1,108,351
Operations	3,843,864
Maintenance	6,546,586
Food Service	125,010
Total	<u>\$ 29,374,904</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - CAPITAL ASSETS (continued)

The Board has active school construction projects as of June 30, 2023, as follows:

Project:	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Joppatowne High	\$ 37,966,203	\$ 65,891
Bakerfield Elementary Roof	1,972,950	11,628
Abingdon Elementary Central Plant	1,726,999	639,360
Joppatowne High TV Studio	100,000	64,000
Swan Creek School HVAC	516,075	1,572,339
Homestead Wakefield Elementary	4,424,907	64,810,796
Swan Creek School Roof	3,580,745	98,961
Fountain Green Elementary Fire Alarm System	254,027	13,049
Bel Air Middle Fire Alarm System	552,741	27,861
Meadowvale Elementary Paving and ADA Improvements	43,957	9,003
Hickory Annex Paving and ADA Improvements	28,985	8,175
Old Havre de Grace High Parking Lot Lighting	190,550	14,900
Halls Cross Roads Elementary Chiller	23,000	502,626
Dublin Elementary Paving and ADA Improvements	20,691	92,707
George D.Lisby Elementary Paving and ADA Improvements	31,746	82,028
Oracle ERP	943,000	6,400,000
Fountain Green Elementary Flooring	61,864	74,621
Bel Air Middle Media Flooring	20,000	9,806
Churchville Elementary HVAC	39,150	20,130
Bakerfield Elementary Chiller	76,747	349,206
Meadowvale Elementary Chiller	31,100	499,600
Forest Hill Annex Print Shop Improvements	204,382	136,097
Havre de Grace Elementary Roof	36,581	3,682
Fallston Middle Gutters	13,110	202,910
Total	<u>\$ 52,859,510</u>	<u>\$ 75,709,376</u>

These projects are primarily funded through capital grants from Harford County and the State of Maryland. Contracts are not entered into with contractors until such funding is obtained.

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 5 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Balance as of July 1, 2022	Increases	Reductions	Balance as of June 30, 2023	Due Within One Year
Finance purchase obligations	\$ 5,913,725	\$ -	\$ 696,098	\$ 5,217,627	\$ 708,002
Notes payable - direct borrowings	8,130,155	-	946,334	7,183,821	965,517
Leases payable	13,398,125	147,492	5,723,501	7,822,116	3,891,640
Subscriptions payable	-	482,201	256,499	225,702	222,331
Compensated absences	35,622,606	10,579,165	6,965,253	39,236,518	6,420,866
Net OPEB liability	812,260,000	114,688,000	-	926,948,000	-
Net pension liability	20,759,982	7,802,260	-	28,562,242	-
Total Governmental Activities	\$ 896,084,593	\$ 133,699,118	\$ 14,587,685	\$ 1,015,196,026	\$ 12,208,356

Compensated Absences

Compensated absences and net pension liability have typically been liquidated by the General Fund in prior years. The net OPEB liability is expected to be liquidated by the General Fund going forward.

Finance Purchase Obligations

The Board entered into a special financing arrangement (note payable) in the amount of \$11,400,223 to construct the administration building, which was completed in January 2006. The agreement is for a period of twenty-five years. The debt was refinanced on March 1, 2022 at a rate of 1.71%. The term of the debt was not extended.

Notes Payable – Direct Borrowings

The Board entered into a contract to install energy efficient enhancements to existing buildings. Payments continue through January 2030 at a discount rate of 2.02%. The Board's outstanding note from the direct borrowing contains a provision that in the event of default, outstanding amounts become immediately due if the Board is unable to make payment.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - LONG-TERM LIABILITIES (continued)

The future minimum obligations and the net present value of these payments as of June 30, 2023 were as follows:

Years Ending June 30,	Finance Purchase Obligations Amount	Notes Payable - Direct Borrowing Amount
2024	\$ 797,223	\$ 1,105,571
2025	797,223	1,105,571
2026	797,223	1,105,571
2027	797,223	1,105,571
2028	797,223	1,105,571
2029-2032	1,594,446	2,211,143
Total minimum note payments	<u>5,580,561</u>	<u>7,738,998</u>
Less: amount representing interest	362,934	555,177
Present value of minimum note payments	<u><u>\$ 5,217,627</u></u>	<u><u>\$ 7,183,821</u></u>

Leases

The Board leases certain equipment and properties for storage and other uses under long-term leases. The terms of the leases range from 3 years to 10 years with discount rates ranging from 1.2% to 2.64%.

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

Land Improvements	\$ 244,651
Buildings	377,349
Furniture and equipment	19,467,745
Gross asset value	<u>20,089,745</u>
Less: accumulated amortization	9,423,868
Net Book Value	<u><u>\$ 10,665,877</u></u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - LONG-TERM LIABILITIES (continued)

The future minimum lease obligations and the net present value of these minimum payments as of June 30, 2023, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2024	\$ 3,993,983
2025	2,857,804
2026	939,959
2027	188,744
2028	833
Total minimum lease payments	<u>7,981,323</u>
Less: amount representing interest	<u>159,207</u>
Present value of minimum lease payments	<u><u>\$ 7,822,116</u></u>

Subscription-Based Information Technology Arrangements

The Board entered into subscription based-information technology arrangements (SBITAs) for software subscriptions and seat licenses. The terms of the SBITA arrangements range from 2 years to 3 years expiring in 2024 with discount rates ranging from 1.2% to 2.10%.

The future minimum subscription obligations and the net present value of these minimum payments as of June 30, 2023, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2024	\$ 225,099
2025	3,442
Total minimum lease payments	<u>228,541</u>
Less: amount representing interest	<u>2,839</u>
Present value of minimum lease payments	<u><u>\$ 225,702</u></u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - FUND BALANCE

Fund balance as of June 30, 2023, consisted of the following:

	General Fund	Food Services Fund	Capital Projects Fund
Non-spendable for:			
Inventory	\$ 272,663	\$ 598,050	\$ -
Prepaid expense	574,265	-	-
Total non-spendable	<u>846,928</u>	<u>598,050</u>	<u>-</u>
Restricted for:			
Food Services	-	11,867,908	-
Capital Projects	-	-	15,246,952
Total restricted	<u>-</u>	<u>11,867,908</u>	<u>15,246,952</u>
Assigned to:			
Purchases on order for:			
Contracted Services	2,888,239	-	-
Supplies and materials	4,297,536	-	-
Other charges	62,656	-	-
Equipment and other	1,543,806	-	-
Total purchases on order	<u>8,792,237</u>	<u>-</u>	<u>-</u>
Fiscal year 2024 unrestricted expenditures	15,000,000	-	-
Fiscal year 2024 transfer to capital projects fund	20,681,642	-	-
Fiscal year 2024 grant expenditures	1,000,000	-	-
Rate stabilization	19,655,437	-	-
Student activities	2,616,723	-	-
Emergency fuel reserve	1,000,000	-	-
Future lease payments for devices	4,000,000	-	-
Total assigned	<u>72,746,039</u>	<u>-</u>	<u>-</u>
Unassigned	<u>25,490,203</u>	<u>-</u>	<u>-</u>
Total fund balances	<u><u>\$ 99,083,170</u></u>	<u><u>\$ 12,465,958</u></u>	<u><u>\$ 15,246,952</u></u>

Non-spendable fund balance reports resources that cannot be spent because of their form or due to legal or contractual requirements. Restricted fund balance reports resources that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state or local legislation. Restrictions may be changed only with the consent of the resource providers. Committed fund balance reports resources with self-imposed limitation approved by the Board to the end of the period. Formal action is required to remove or modify a constraint reflected in the committed fund balance. There were no committed fund balances as of June 30, 2023. Assigned fund balance records the portion of fund balance that reflects the Board's intended use of resources. For assigned fund balance, the Board's upper-level management is

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
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NOTE 6 – FUND BALANCE (continued)

authorized to assign amounts to a specific purpose and is the highest level of decision-making for assigned fund balance. Unlike committed fund balance, formal action is not required to impose, remove, or modify assigned fund balance. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Fund, and Capital Projects Fund. Purchases on order at year-end are reported as assignments of fund balances for the General Fund since they do not constitute expenditures or liabilities. For Special Revenue and Capital Projects Funds encumbrances outstanding are reported as part of the restricted fund balance since those resources will be used to liquidate the outstanding encumbrances. Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Board considers restricted funds to have been spent first. When an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balances are available, the Board considers amounts to have been spent first out of restricted funds, followed by committed funds, then assigned funds, and finally, unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

NOTE 7 - PENSION PLANS

General Information about the Pension Plan

Plan description

Teachers employed by the Board are provided with pensions through the Teachers Pension System of the State of Maryland (TPS)—a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). Certain employees of the Board are provided with pensions through the Employees Retirement System of the State of Maryland (ERS)—a cost-sharing multiple-employer defined benefit pension plan administered by the MSRPS. The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of TPS and ERS to the MSRPS Board of Trustees. MSRPS issues a publicly available financial report available at <https://sra.maryland.gov/annual-financial-reports>.

Benefits provided

A member of either the TPS or ERS is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member’s Average Final Compensation (AFC) multiplied by the number of years of accumulated creditable service.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
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NOTE 7 - PENSION PLANS (continued)

General Information about the Pension Plan (continued)

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

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

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

Early Service Retirement

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

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
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NOTE 7 - PENSION PLANS (continued)

General Information about the Pension Plan (continued)

attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

Disability and Death Benefits

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

Contributions (ERS)

The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The Board's contractually required contribution rate for ERS for the year ended June 30, 2023, was approximately \$3.5 million, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to ERS from the Board were approximately \$3.5 million for the year ended June 30, 2023.

Contributions (TPS)

The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The State of Maryland is responsible for the net pension liability of TPS. The Board's required contribution is for the normal cost and does not include any contribution for past service cost. As such, the State of Maryland is responsible for 100% of the net pension liability related to TPS and qualifies as a special funding situation. The State of Maryland's contribution on behalf of the Board for the year ended June 30, 2023, was approximately \$26.9 million. The Board's contractually required contribution rate for TPS for the year ended June 30, 2023, was approximately \$13.9 million, actuarially determined as an amount that, when combined with the State of Maryland and employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (state only).

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 - PENSION PLANS (continued)

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

As of June 30, 2023, the Board reported a liability of approximately \$28.6 million for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board’s proportion of the ERS net pension liability was based on a projection of the Board’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. As of June 30, 2023, the Board’s proportion for ERS was 0.14%, which was substantially the same as its proportion measured as of June 30, 2022. For the year ended June 30, 2023, the Board recognized pension expense for ERS of approximately \$4.2 million. As of June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Board contributions subsequent to measurement date	\$ 3,476,891	\$ -
Changes in actuarial assumptions	3,082,968	254,245
Differences in expected vs. actual experience	-	1,981,140
Net difference between projected and actual earnings on pension plan investments	36,727	-
Changes in proportion	2,994,487	64,183
Changes in proportionate share of contributions	-	465
Total	<u>\$ 9,591,073</u>	<u>\$ 2,300,033</u>

The \$3,476,891 reported as deferred outflows of resources related to ERS resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the ERS net pension liability during the year ended June 30, 2024.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 - PENSION PLANS (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows as of June 30, 2023:

<u>Year Ending June 30,</u>	<u>Amortization of Pension Expense</u>
2023	\$ 911,245
2024	615,761
2025	25,328
2026	2,321,743
2027	(59,928)
Total	<u>\$ 3,814,149</u>

As of June 30, 2023, the State of Maryland’s proportionate share of the TPS net pension liability associated with the Board is approximately \$247,246,463. The TPS net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. State of Maryland’s proportionate share of the TPS net pension liability associated with the Board was based on a projection of the state’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined.

For the year ended June 30, 2023, the Board recognized pension expense of \$26.9 million and revenue of \$26.9 million in the General Fund for support provided by the State. In the Statement of Activities, the Board recognized pension expense of \$35.4 million and revenue of \$35.4 for support provided by the State. Due to the special funding situation related to the Teachers Retirement and Pension Systems, the Board did not report deferred outflows of resources and deferred inflows of resources related to the Teachers Retirement and Pension Systems.

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% general, 2.75% wage
Salary Increases	2.75% to 11.25%
Investment Rate of Return	6.80%

Mortality rates were based on Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 - PENSION PLANS (continued)

The economic and demographic actuarial assumptions used in the June 30, 2022 valuation were adopted by the System’s Board of Trustees based upon review of the System’s experience study for the period 2014-2018, after completion of the June 30, 2018 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2019. As a result, an investment return assumption of 6.80% and an inflation assumption of 2.25% were used in the June 30, 2022 valuation.

Rate of Return

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-range expected rate of return by weighting the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System’s investment consultant(s) and actuary(s). For each major asset class that is included in the System’s target asset allocation, these best estimates are summarized in the following table:

Asset Class:	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Public Equity	34%	6.00%
Private Equity	16%	8.40%
Rate Sensitive	21%	1.20%
Credit Opportunity	8%	4.90%
Real Assets	15%	5.20%
Absolute Return	6%	3.50%
Total	<u>100%</u>	

The above was the System’s Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2022.

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was -2.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
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NOTE 7 - PENSION PLANS (continued)

Discount Rate

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

Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The Board's proportionate share of the ERS net pension liability calculated using the discount rate of 6.80% is \$28,562,242. Additionally, the Board's proportionate share of the ERS net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (5.80%) is \$30,699,454 or 1-percentage-point higher (7.80%) is \$11,137,544.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately-issued MSRPS financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.sra.maryland.gov/annual-financial-reports>.

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

Plan administration

The Board administers a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for retirees of the Board and their dependents.

In December 2007, the Board created the Retiree Benefit Trust of the Board of Education of Harford County (Benefit Trust) in order to facilitate the funding or partial funding of the actuarially calculated OPEB liability. The Benefit Trust established a trust account with, and became a member of, the Maryland Association of Boards of Education Pooled OPEB Investment Trust (MABE Trust). It is a member owned trust that provides the Board and the other nine-member boards a structure to pool assets to reduce investment costs and share administrative expenses. The Board reserves the right to establish and amend the provisions of its relationship with the

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

MABE 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 notice to the Trustees of the MABE Trust.

The MABE Trust was established to pool assets of its member Boards of Education for investment purposes only. Each member of the MABE Trust is required to designate a member trustee. The member trustees of the MABE Trust shall ensure that the MABE Trust keep such records as are necessary in order to maintain a separation of the assets of the MABE Trust from the assets of trusts maintained by other governmental employers. Assets of the member trusts are reported in their respective financial statements using the economic resources measurement focus and the accrual basis of accounting, under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, if available.

The MABE Trust issues a publicly available audited GAAP-basis report that includes financial statements and required supplementary information for the MABE Trust. This report may be obtained by writing to the Trust Administrator, Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401-1112, or calling 410-841-5414.

Plan Membership

As of June 30, 2023, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	3,060
Inactive plan members entitled to but not yet receiving benefit payments	80
Active plan members	5,307
Total plan members	8,447

Benefits provided and contributions

The Board provides medical, dental and life insurance benefits to eligible employees upon retirement. The employer’s contributions are financed on a pay-as-you-go basis, and the future payment of these benefits is contingent upon the annual approval of the operating budget. Details of the postemployment benefits provided are as follows:

Medical Benefits

Retirees are eligible for continued membership in one of the school system’s group medical plans. Dependent children can be covered until the child reaches age 26. Spouses are also covered. Surviving spouses can stay in the plan but must pay the full cost to participate. All plans include prescription drug coverage. The full Board contribution is either 85%, 90% or 95% of medical insurance premiums, based on the plan chosen by the retiree. The medical benefits paid by the Board for the year ended June 30, 2023 was \$23,750,906.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

Dental Benefits

Retirees are eligible for continued membership in one of the school system’s group dental plans. Coverage is the same as described above for medical benefits. The full Board contribution is 90% of dental insurance premiums, based on the plan chosen by the retiree. The dental benefits paid by the Board for the year ended June 30, 2023 was \$1,400,835.

Life Insurance Benefits

The full Board contribution is 90% of the life insurance premiums. The amount of insurance coverage is reduced to \$20,000 upon retirement and \$10,000 five years after retirement. The life insurance benefits paid by the Board for the year ended June 30, 2023 was \$73,259.

Whether the Board pays the full contribution rate for medical, dental and life insurance benefits depends upon the retiree’s hire date and their number of years of service as follows:

<i>Year of Service</i>	<i>Participants Hired Prior to 7/1/2006</i>	<i>Participants Hired After 7/1/2006</i>
0 - 9	None	None
10 - 19	Full Board Contribution*	1/3 of Full Board Contribution*
20 - 29	Full Board Contribution*	2/3 of Full Board Contribution*
30 or more	Full Board Contribution*	Full Board Contribution*

*Upon eligibility for Medicare (usually at age 65 or if eligible due to disability), retiree’s and/or their Medicare-eligible dependents are required to convert to coverage which supplements Medicare.

Net OPEB Liability of the Board

The components of the net OPEB liability of the Board as of June 30, 2023, were as follows:

Total OPEB liability	\$1,001,463,000
Plan fiduciary net position	74,515,000
Board's net OPEB liability	<u>\$ 926,948,000</u>

Plan fiduciary net position as a percentage of the total OPEB liability 7.44%

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

Change in the Net OPEB Liability of the Board for the year ended June 30, 2023 was as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2022	\$ 878,897,000	\$ 66,637,000	\$ 812,260,000
Changes for the year:			
Service cost	32,230,000	-	32,230,000
Interest	31,847,000	-	31,847,000
Differences between expected and actual experience	28,722,000	-	28,722,000
Changes of assumptions	52,992,000	-	52,992,000
Benefit payments	(23,225,000)	(23,225,000)	-
Contributions from the employer	-	25,225,000	(25,225,000)
Net investment income	-	5,891,000	(5,891,000)
Administrative expense	-	(13,000)	13,000
Net changes	<u>122,566,000</u>	<u>7,878,000</u>	<u>114,688,000</u>
Balance as of June 30, 2023	<u>\$1,001,463,000</u>	<u>\$ 74,515,000</u>	<u>\$ 926,948,000</u>

Actuarial Methods and Assumptions

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

Significant valuation methods and assumptions are as follows:

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry age normal cost method
Asset Method	Fair market value
Actuarial Assumptions:	
Discount Rate	3.65%
Expected Return on Assets	6.74%
Salary Increases	4.65%
General Inflation	2.30%
Healthcare Cost Trend Rates:	
Medical and prescription - pre-65	7.96% initial year and 4.50% final year of valuation (not applicable to Life)
Medical and prescription - post-65	6.94% initial year and 4.50% final year of valuation (not applicable to Life)
Dental	5.00%
Mortality Rates:	
Active Participants	Pub-2010, "Teachers" Classification, Healthy Annuitant Mortality Table, projected using Scale MP-2018, sex-distinct
Current Retirees	Pub-2010, "Teachers" Classification, Healthy Annuitant Mortality Table, projected using Scale MP-2018, sex-distinct, 105% Male and 110% Female
Surviving Spouses	Pub-2010, "Teachers" Classification, Survivor Beneficiary Mortality Table, projected using Scale MP-2018, sex-distinct, 105% Male and 110% Female

The financial accounting valuation reflects the following assumption changes:

The discount rate increased from 3.54% as of June 30, 2022 to 3.65% as of June 30, 2023.

The expected rate of return on assets increased from 6.72% as of June 30, 2022 to 6.74% as of June 30, 2023.

General inflation decreased from 2.40% to 2.30%.

A change in assumed medical trend rates to reflect the most recently available information.

Updated assumed medical claims rates to reflect the most recently available information.

The actuarial value of assets was determined using fair value of assets. The trust is assumed to earn 6.74% interest and contributions are assumed to be made in the middle of the year.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

Investments

Investment policy

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 spans.

The following was the Board’s adopted asset allocation policy as of June 30, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	53.45%
Fixed Income	42.39%
Cash	4.16%
Total	<u>100.00%</u>

Rate of Return

For the year ended June 30, 2023, the total rate of return, net of investment expense, was 8.77%. The total rate of return represents a hypothetical return on the capital balance invested in the Trust during the entire year. Actual returns may vary due to the timing of capital contributions and redemptions.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, (see the discussion of the MABE Trust’s investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	4.89%
Fixed Income	3.27%
Cash	0.98%

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

Discount Rate

The discount rate used to measure the Harford County Public Schools Post-Employment Benefits Other than Pension Plan (the “Plan”) total OPEB liability was 3.65% at the end of the measurement period as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Harford County Public Schools contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan’s fiduciary net position was projected not to be available to make all projected future benefit payments of current Plan members for more than 3 years after June 30, 2023. Future benefits payments beyond 3 years were discounted using the tax exempt general obligation municipal bonds rated AA or better rate at June 30, 2023, of 3.65%. The long-term expected rate of return on the Plan investments at 6.74% was blended with the index rate of 3.65% (3.54% in fiscal 2022) for tax exempt general obligation municipal bonds rated AA or better in the Bond Buyer 20-Bond Index as published by the Bond Buyer at June 30, 2023, to arrive at a discount rate of 3.65% (3.54% in fiscal 2022) used to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Board, as well as what the Board’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65%) or 1-percentage-point higher (4.65%) than the current discount rate:

	1% Decrease <u>2.65%</u>	Discount Rate <u>3.65%</u>	1% Increase <u>4.65%</u>
Net OPEB liability	\$ 1,114,314,000	\$ 926,948,000	\$ 778,923,000

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Board, as well as what the Board’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Trend Rate	1% Increase
Net OPEB liability	\$ 764,798,000	\$ 926,948,000	\$ 1,140,664,000

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

Deferred Outflows/Inflows

The following table illustrates deferred inflows and outflows as of June 30, 2023 under GASB 75:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected vs. actual experience	\$ 117,039,000	\$ 390,260,000
Net difference between projected and actual earnings on OPEB Trust investments	-	397,146,000
Changes in actuarial assumptions	395,334,000	-
Total	\$ 512,373,000	\$ 787,406,000

Amortization of Deferred Inflows/Outflows

Year Ending June 30,	Amortization
2024	\$ (52,626,000)
2025	(52,874,000)
2026	(50,795,000)
2027	(59,238,000)
2028	(46,758,000)
Total thereafter	(12,742,000)
Total	\$ (275,033,000)

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
.....

NOTE 9 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Board participates in the MABE Group Insurance Pool and the Worker’s Compensation Self Insurance Fund.

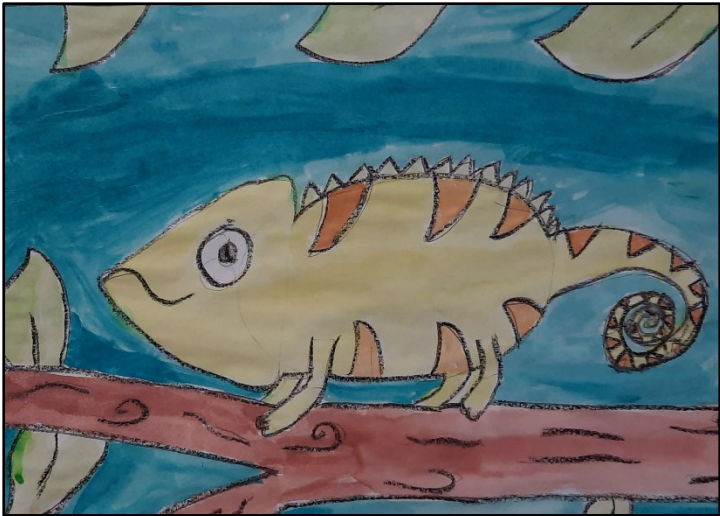
These public entity risk pools are self-insurance funds for the various member Maryland Boards of Education to minimize the cost of insurance and related administrative expenses.

Coverage is provided up to specified limits and the Board pays an annual premium for the coverage provided. In addition to general liability insurance, the Group Insurance Pool also provides coverage for property liability and automobile liability. Coverage above these limits is provided by third party insurance carriers. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - CONTINGENCIES AND COMMITMENTS

The Board has been named as defendant in several lawsuits in the normal course of business, the outcomes of which are uncertain. It is anticipated by the Board that an adverse decision on any or all of these suits would not have a material adverse effect on these financial statements.

Required Supplementary Information



**Allison Huynh, Grade 2
Swan Creek School
Teacher: Ms. Michele Poet**



**Cassie McVicker, Grade 7
Bel Air Middle School
Teacher: Ms. Jennifer Byrne**

**HARFORD COUNTY PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
FOR OTHER POST-EMPLOYMENT BENEFITS PLAN
June 30, 2023**

Schedule of Changes in the Net OPEB Liability and Related Ratios
Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total OPEB liability	\$ 32,230	\$ 46,446	\$ 40,146	\$ 38,997	\$ 57,082	\$ 33,423	\$ 32,230			
Service cost	31,847	23,508	56,875	64,540	57,234	36,491	30,624			
Interest										
Changes of benefit terms	28,722	(1,352)	(650,070)	768	185,569	(37,372)	7,859			
Differences between expected and actual experience	52,992	(220,992)	313,865	(84,364)	(376,837)	429,422	(135,516)			
Changes of assumptions	(23,225)	(21,090)	(25,454)	(33,549)	(28,251)	(23,812)	(24,085)			
Benefit payments	122,566	(173,480)	(264,638)	(13,608)	(105,203)	438,152	(88,888)			
Net change in total OPEB liability	878,897	1,052,377	1,317,015	1,330,623	1,435,826	997,674	1,086,562			
Total OPEB liability—beginning	\$ 1,001,463	\$ 878,897	\$ 1,052,377	\$ 1,317,015	\$ 1,330,623	\$ 1,435,826	\$ 997,674			
Total OPEB liability—ending (a)										
Plan fiduciary net position	\$ 25,225	\$ 23,090	\$ 26,954	\$ 34,367	\$ 29,612	\$ 25,248	\$ 27,139			
Contributions—employer	5,891	(10,078)	14,262	2,415	3,631	3,416	4,551			
Net investment income	(23,225)	(21,090)	(25,454)	(33,549)	(28,251)	(23,812)	(24,085)			
Benefit payments										
Administrative expense	7,878	(8,091)	15,749	3,219	4,979	4,838	6,000			
Net change in plan fiduciary net position	66,637	74,728	58,979	55,760	50,781	45,943	39,943			
Plan fiduciary net position—beginning	\$ 74,515	\$ 66,637	\$ 74,728	\$ 58,979	\$ 55,760	\$ 50,781	\$ 45,943			
Plan fiduciary net position—ending (b)	\$ 926,948	\$ 812,260	\$ 977,649	\$ 1,258,036	\$ 1,274,863	\$ 1,385,045	\$ 951,731			
Board's net OPEB liability—ending (a) - (b)	7.44%	7.58%	7.10%	4.48%	4.19%	3.54%	4.61%			
Plan fiduciary net position as a percentage of the total OPEB liability	\$ 387,206	\$ 344,940	\$ 311,247	\$ 294,313	\$ 290,813	\$ 281,948	\$ 272,319			
Covered employee payroll *	239.39%	235.48%	314.11%	427.45%	438.38%	491.24%	349.49%			
Board's net OPEB liability as a percentage of covered employee payroll										

Information for FYE 2016
and earlier is not available

* - OPEB contributions are not based on a measure of pay.

**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR OTHER POST-EMPLOYMENT BENEFITS PLAN
 June 30, 2023**

Schedule of Board Contributions
 Last 10 Fiscal Years
 (Dollar amounts in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 23,225	\$ 21,090	\$ 25,454	\$ 33,549	\$ 28,251	\$ 23,612	\$ 69,997			
Contributions in relation to the actuarially determined contribution	25,225	23,090	26,954	34,367	29,612	25,248	24,018			
Contribution deficiency (excess)	\$ (2,000)	\$ (2,000)	\$ (1,500)	\$ (818)	\$ (1,361)	\$ (1,636)	\$ 45,979			
Covered employee payroll	\$ 387,206	\$ 344,940	\$ 311,247	\$ 294,313	\$ 290,813	\$ 281,948	\$ 272,319			
Contribution as a percentage of covered employee payroll	6.51%	6.69%	8.66%	11.68%	10.18%	8.95%	8.82%			

Information for FYE 2016 and earlier is not available

Notes to Schedule:

Valuation Date: Because the contribution policy of the Harford County Public Schools is to contribute amounts as they become due, the actuarially determined contribution shown above have been set equal to the benefit payments that were paid during the applicable measurement period.

There were no significant changes to assumptions or benefit terms.

**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR OTHER POST-EMPLOYMENT BENEFITS PLAN
 June 30, 2023**

.....

Schedule of Investment Returns
 Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment	8.77%	-13.50%	24.16%	2.91%	7.13%	7.40%	11.29%			
										Information for FYE 2016 and earlier is not available

**HARFORD COUNTY PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
FOR PENSIONS
June 30, 2023**

**Schedule of Proportionate Share of Net Pension Liability
Last 10 Fiscal Years**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<u>Employees' Retirement and Pension System:</u>										
Board's proportion of the net pension liability	0.14%	0.14%	0.13%	0.13%	0.12%	0.11%	0.12%	0.13%	0.12%	0.12%
Board's proportionate share of the net pension liability	\$ 28,562,242	\$ 20,759,980	\$ 28,736,364	\$ 26,004,130	\$ 24,760,092	\$ 23,543,713	\$ 27,660,977	\$ 26,420,243	\$ 20,760,817	
Board's covered payroll	\$ 30,787,979	\$ 30,130,490	\$ 29,432,878	\$ 29,085,789	\$ 27,807,535	\$ 27,438,053	\$ 27,058,838	\$ 27,773,344	\$ 27,627,479	
Board's proportionate share of the net pension liability as a percentage of its covered payroll	92.77%	68.90%	97.63%	89.40%	89.04%	85.81%	102.23%	95.13%	75.15%	
Plan fiduciary/net position as a percentage of the total pension liability	71.75%	76.76%	66.29%	67.80%	68.36%	66.71%	62.97%	66.26%	69.53%	Information for FYE 2014 is not available
<u>Teacher's Retirement and Pension System:</u>										
Board's proportion of the net pension liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Board's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability of the Board	\$ 247,246,463	\$ 187,560,008	\$ 299,559,332	\$ 270,076,439	\$ 277,587,636	\$ 295,072,229	\$ 322,486,680	\$ 288,471,061	\$ 222,273,040	
Total	\$ 247,246,463	\$ 187,560,008	\$ 299,559,332	\$ 270,076,439	\$ 277,587,636	\$ 295,072,229	\$ 322,486,680	\$ 288,471,061	\$ 222,273,040	
Board's covered payroll	\$ 314,152,019	\$ 281,116,864	\$ 264,880,159	\$ 261,727,394	\$ 254,140,491	\$ 244,880,874	\$ 238,829,254	\$ 234,740,821	\$ 238,324,978	
Board's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Plan fiduciary/net position as a percentage of the total pension liability	79.47%	85.40%	73.84%	75.42%	73.35%	71.41%	67.95%	70.76%	69.53%	

**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR PENSIONS
 June 30, 2023**

**Schedule of Contributions
 Last 10 Fiscal Years**

Employees' Retirement and Pension System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,476,891	\$ 3,257,995	\$ 3,049,206	\$ 2,726,056	\$ 2,588,989	\$ 2,353,181	\$ 2,216,065	\$ 2,283,877	\$ 2,679,603	\$ 2,726,147
Contributions in relation to the contractually required contribution	(3,476,891)	(3,257,995)	(3,049,206)	(2,726,056)	(2,588,989)	(2,353,181)	(2,216,065)	(2,283,877)	(2,679,603)	(2,726,147)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 30,776,292	\$ 30,787,979	\$ 30,130,490	\$ 29,432,878	\$ 29,085,789	\$ 27,807,835	\$ 27,438,053	\$ 27,058,838	\$ 27,773,344	\$ 27,627,479
Contributions as a percentage of covered payroll	11.30%	10.58%	10.12%	9.26%	8.90%	8.46%	8.08%	8.44%	9.65%	9.87%

Teachers Retirement and Pension System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 10,768,128	\$ 10,826,496	\$ 10,728,740	\$ 10,358,564	\$ 10,127,776	\$ 9,454,776	\$ 10,309,396	\$ 8,966,816	\$ 7,009,102
Contributions in relation to the contractually required contribution	(10,768,128)	(10,826,496)	(10,728,740)	(10,358,564)	(10,127,776)	(9,454,776)	(10,309,396)	(8,966,816)	(7,009,102)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 356,429,225	\$ 314,152,019	\$ 281,116,864	\$ 261,727,394	\$ 254,140,491	\$ 244,880,874	\$ 238,829,254	\$ 234,739,821	\$ 238,324,978
Contributions as a percentage of covered payroll	3.02%	3.45%	3.82%	3.96%	3.99%	3.86%	4.32%	3.82%	2.94%

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
State of Maryland Retirement and Pension System

NOTE 1 - CHANGES IN BENEFIT TERMS

There were no benefit changes during the years 2015 through 2022

NOTE 2 - CHANGES IN ASSUMPTIONS

- Inflation assumptions changed as follows:
 - 6/30/2022 2.25%
 - 6/30/2021 2.25%
 - 6/30/2020 2.60%
 - 6/30/2019 2.60%
 - 6/30/2018 2.60%
 - 6/30/2017 2.65%
 - 6/30/2016 2.70%
 - 6/30/2015 2.70%

- Investment return assumption changed as follows:
 - 6/30/2022 6.80%
 - 6/30/2021 6.80%
 - 6/30/2020 7.40%
 - 6/30/2019 7.40%
 - 6/30/2018 7.50%
 - 6/30/2017 7.50%
 - 6/30/2016 7.55%
 - 6/30/2015 7.65%

Other Supplementary Information



**Ava Buckheit , Grade 11
Patterson Mill High School
Teacher: Ms. Alison Filicko**

Harford County Public Schools

**FOOD SERVICES FUND
(SPECIAL REVENUE FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE COMPARED TO BUDGET (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	Variance - Positive (Negative)
Revenues			
Cafeteria sales	\$ 7,982,444	\$ 7,568,469	\$ (413,975)
<u>Federal Aid</u>			
Summer Food Program	706,864	180,947	(525,917)
School Lunch Program	6,379,827	9,019,415	2,639,588
School Breakfast Program	2,340,599	2,668,354	327,755
Fresh Fruits and Vegetables Program	-	66,591	66,591
Child and Adult Care Food Program	-	411,968	411,968
Supplemental Nutrition Assistance Program - Pandemic EBT	-	3,135	3,135
U.S.D.A. Commodities	1,171,218	1,701,829	530,611
Supply Chain Assistance Funds	-	882,153	882,153
Total federal aid	10,598,508	14,934,392	4,335,884
<u>State Aid</u>			
Child Feeding Program	441,386	495,091	53,705
Total state aid	441,386	495,091	53,705
Interest earned	-	50,422	50,422
Miscellaneous revenue	181,030	50,602	(130,428)
Total revenues	<u>\$ 19,203,368</u>	<u>\$ 23,098,976</u>	<u>\$ 3,895,608</u>
Expenditures			
Salaries and wages	6,385,371	7,328,707	(943,336)
Contracted services	513,000	511,659	1,341
Supplies and materials	7,538,824	8,384,016	(845,192)
Other charges	3,436,724	3,387,521	49,203
Furniture and equipment	158,231	563,375	(405,144)
U.S.D.A. commodities	1,171,218	1,719,486	(548,268)
Total expenditures	<u>\$ 19,203,368</u>	<u>21,894,764</u>	<u>\$ (2,691,396)</u>
Excess of revenues over expenditures		1,204,212	
Total fund balance - beginning of year		11,017,218	
Fund balance - end of year - nonspendable		<u>(598,050)</u>	
Fund balance - end of year - assigned		<u>\$ 11,623,380</u>	

Harford County Public Schools

**SCHOOL CONSTRUCTION FUND
(CAPITAL PROJECTS FUND)
SCHEDULE OF EXPENDITURES BY PROJECT
FOR THE YEAR ENDED JUNE 30, 2023**

Abingdon Elementary Central Plant	\$ 1,630,296
Aberdeen High North	46,605
Athletic and Recreational - Athletic Fields	20,825
Athletic and Recreational - Playgrounds	8,750
Athletic and Recreational - Swimming Pools	39,438
Bakerfield Elementary Chiller	76,747
Bakerfield Elementary Roof	1,701,764
Bel Air Middle Roof	133,800
Chuchville Elementary Hvac	39,150
Educational Facilities	141,941
Educational Facilities - Career & Tech Education	128,000
Educational Facilities - Special Education	950,513
Facilities Master Plan	172,659
Facilities Repairs	37,242
Facilities Repairs - ADA	50,835
Facilities Repairs - Bleachers	3,422
Facilities Repairs - Floors	234,774
Facilities Repairs - Forest Hill Annex	204,382
Facilities Repairs - Partitions	2,178
Facilities Repairs - Roofs	81,809
Fleet Replacement - Buses	1,144,699
Fleet Replacement - Vehicles and Equipment	919,515
George D. Lisby Elementary HVAC	103,427
Harford Technical High Renovations	3,212,047
Havre de Grace High Modernization	(82,299)
Homestead Wakefield Elementary	4,324,996
HVAC Major Repairs	133,298
HVAC Major Repairs - Halls Cross Roads Elementary Chiller	23,150
Joppatowne High Renovations	4,507,735
Life, Health, Safety - Emergency Systems	824,391
Life, Health, Safety - Water & Backflow	105,360
Meadowvale Elementary Chiller	31,100
North Bend Elementary Central Plant and Fire Alarm	40,264
Relocatables	521,445
Roye Williams Elementary HVAC	179,724
Security Measures	1,204,274
Site Improvements - Fencing	29,330
Site Improvements - Old Havre de Grace High	313,486
Site Improvements - Paving -New	52,437
Site Improvements - Paving-Overlay & Maintenance	1,278,141
Site Improvements - Septic Facilities	104,453
Site Improvements - Stormwater, Erosion, Sediment	10,909
Swan Creek School HVAC	423,021
Swan Creek School Roof	2,755,712
Swimming Pools	11,380
Technology Infrastructure	2,137,891
Technology Infrastructure - ERP	1,023,008
Youth's Benefit Elementary Replacement	572
	<u>\$ 31,038,596</u>

Statistical Section

This part of HCPS' Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Board's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the Board's financial performance and well-being have changed over time.</i>	88 - 91
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Board's financial activities take place.</i>	92 - 93
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Board's financial report relates to the services it provides and activities it performs.</i>	94 - 101

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year after June 30, 2011 and from the Independent Auditors' Report, Financial Statements and Supplementary Information for the relevant year prior to that.



Sydney A. Miller, Grade 6
Fallston Middle School
Teacher: Ms. Meredith Parkinson

Harford County Public Schools

**Net Position by Component Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)**

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental activities										
Net investment in capital assets	\$725,402	\$722,933	\$709,605	\$675,956	\$645,696	\$629,198	\$619,802	\$614,347	\$598,747	\$584,119
Restricted for food services	12,466	11,048	3,072	994	2,850	2,706	2,899	3,071	2,975	2,802
Restricted for capital projects	15,247	15,744	231	317	592	2,008	1,719	2,128	2,403	3,778
Unrestricted	(1,170,209)	(1,190,335)	(1,219,560)	(1,233,332)	(1,161,655)	(1,052,658)	(321,964)	(284,642)	(254,861)	(205,029)
Total governmental activities net position	<u>(\$417,094)</u>	<u>(\$440,610)</u>	<u>(\$506,652)</u>	<u>(\$556,065)</u>	<u>(\$512,517)</u>	<u>(\$418,746)</u>	<u>\$302,456</u>	<u>\$334,904</u>	<u>\$349,264</u>	<u>\$385,670</u>

Harford County Public Schools

Changes in Net Position Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Functions/Programs										
Expenses										
Governmental activities:										
Instruction:										
Regular education	\$362,871	\$306,156	\$333,646	\$332,351	\$334,553	\$314,366	\$285,968	\$274,701	\$277,887	\$283,661
Special education	123,024	97,638	106,377	115,704	111,397	103,091	91,260	91,118	88,484	90,529
Total Instruction	485,895	403,794	440,023	448,055	445,950	417,457	377,228	365,819	366,371	374,190
Support services:										
Administration	18,839	16,076	16,845	17,817	17,526	16,901	15,417	15,231	15,195	15,626
Mid-level administration	44,944	38,229	41,841	44,235	45,439	43,367	40,276	37,941	38,139	37,467
Pupil personnel services	4,778	3,487	4,708	4,849	3,194	2,819	2,525	2,531	2,424	2,501
Health services	8,910	7,368	7,567	8,242	8,335	7,461	6,163	6,218	6,292	5,843
Pupil transportation	53,123	45,811	36,584	42,251	45,150	42,605	40,243	38,695	38,827	39,504
Operation of plant	51,023	50,945	44,645	48,824	50,567	48,637	45,834	42,618	45,870	47,158
Maintenance of plant and equipment	26,686	24,788	24,656	24,605	25,787	24,352	20,797	21,275	19,509	19,022
Community services	1,605	930	387	865	728	594	578	565	532	530
Food services	21,136	18,719	11,583	19,068	20,912	19,765	18,260	17,883	16,719	16,731
Student activities*	4,458	3,269	1,426	-	-	-	-	-	-	-
Interest on long-term debt	461	545	227	246	264	282	299	315	328	328
Depreciation - unallocated	62	62	64	75	75	75	77	77	77	81
Total Support Services	236,025	210,229	190,533	211,077	217,977	206,858	190,469	183,349	183,912	184,791
Total governmental activities	721,920	614,023	630,556	659,132	663,927	624,315	567,697	549,168	550,283	558,981
Program revenues										
Charges for services:										
Regular education	1,415	1,563	294	1,275	1,726	1,603	1,753	1,468	1,450	1,327
Community services	266	57	27	441	445	455	465	436	428	414
Food services	7,568	1,675	20	5,460	7,911	7,407	7,123	7,142	7,103	6,928
Operating grants and contributions	189,263	167,472	163,092	145,236	127,856	125,265	126,498	123,982	125,875	124,007
Capital grants and contributions	25,292	32,592	59,445	55,004	40,965	29,732	23,168	33,011	32,295	25,115
Total governmental activities program revenues	223,804	203,359	222,878	207,416	178,903	164,462	159,007	166,039	167,151	157,791
Total governmental net expense	(498,116)	(410,664)	(407,678)	(451,716)	(485,024)	(459,853)	(408,690)	(383,129)	(383,132)	(401,190)
General Revenues and Other Changes in Net Position										
General revenues:										
Local appropriations	324,238	293,813	276,928	256,466	245,816	238,716	233,534	228,209	223,667	221,301
State Aid	174,489	155,611	150,152	145,571	141,640	139,327	137,763	136,328	137,404	137,722
Federal Aid	542	449	853	472	590	409	392	423	434	336
Student activities*	4,345	3,492	1,412	-	-	-	-	-	-	-
Miscellaneous	13,252	22,888	25,177	5,166	2,433	2,672	4,371	3,753	5,370	5,723
Investment earnings	4,766	453	47	494	774	515	182	56	13	18
Total general revenues	521,632	476,706	454,569	408,169	391,253	381,639	376,242	368,769	366,888	365,100
Change in Net Position	23,516	66,042	46,891	(43,547)	(93,771)	(78,214)	(32,448)	(14,360)	(16,244)	(36,090)
Net position - beginning of year	(440,610)	(506,652)	(556,064)	(512,517)	(418,746)	302,456	\$334,904	\$349,264	\$385,671	421,761
Adjustment to Restate Beginning Net Position	-	-	2,521	-	-	(642,988)	-	-	(20,163)	-
Net position - beginning of year, as Restated	(440,610)	(506,652)	(553,543)	(512,517)	(418,746)	(340,532)	334,904	349,264	365,508	421,761
Net position - end of year	(\$417,094)	(\$440,610)	(\$506,652)	(\$556,064)	(\$512,517)	(\$418,746)	\$302,456	\$334,904	\$349,264	\$385,671

* Prior to FY 2021 student activities were reported as agency funds and were not included in the entity-wide statements.

Harford County Public Schools

**Fund Balances of Governmental Funds Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General fund										
Non Spendable	\$847	\$166	\$133	\$147	\$162	\$139	\$199	\$ 24.00	\$ -	\$ -
Assigned	72,746	55,194	53,627	25,988	17,293	24,443	23,988	21,784	17,370	18,320
Unassigned	25,490	36,755	19,842	3,691	3,028	3,760	10,418	8,304	6,408	3,072
Total general fund	<u>\$99,083</u>	<u>\$92,115</u>	<u>\$73,602</u>	<u>\$29,826</u>	<u>\$20,483</u>	<u>\$28,342</u>	<u>\$34,605</u>	<u>\$30,112</u>	<u>\$23,778</u>	<u>\$21,392</u>
All other governmental funds										
Non Spendable -										
Special Revenue Fund	\$598	\$569	\$563	\$540	\$387	\$352	\$373	\$31	\$105	\$142
Restricted - reported in:										
Special revenue fund	11,868	10,479	2,508	454	2,463	2,354	2,525	3,040	2,871	2,660
Capital projects fund	15,247	15,744	231	317	592	2,008	1,720	2,128	2,403	3,778
Unassigned - Capital projects fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$27,713</u>	<u>\$26,792</u>	<u>\$3,302</u>	<u>\$1,311</u>	<u>\$3,442</u>	<u>\$4,714</u>	<u>\$4,618</u>	<u>\$5,199</u>	<u>\$5,379</u>	<u>\$6,580</u>

Harford County Public Schools

**Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)**

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues										
Intergovernmental revenues										
Local sources	\$344,763	\$313,898	\$320,336	\$305,047	\$267,242	\$256,649	\$252,664	\$250,885	\$240,351	\$229,680
State sources	278,022	260,451	262,266	246,637	248,066	236,683	228,318	230,588	238,723	233,251
Special state and federal programs	66,604	73,394	47,814	35,315	31,042	29,727	30,327	29,931	31,020	30,562
Federal sources	15,846	25,494	13,337	9,386	10,202	9,870	9,806	9,588	8,942	8,483
Earnings on investments	4,817	453	47	514	811	521	182	56	13	18
Charges for services	7,568	1,675	20	5,460	7,911	7,407	7,123	7,142	7,103	6,929
Student activities*	4,345	3,492	1,412	-	-	-	-	-	-	-
Miscellaneous revenues	15,023	24,634	26,368	7,269	4,882	5,244	6,828	6,618	7,887	13,968
Total revenues	736,988	703,491	671,600	609,628	570,156	546,101	535,248	534,808	534,039	522,891
Expenditures										
Current										
Administrative services	12,958	12,211	10,967	10,524	9,987	10,342	10,069	9,356	9,464	9,775
Mid-level administrative services	31,458	29,086	27,366	25,177	26,121	26,079	25,699	24,910	24,569	24,356
Instructional salaries	208,737	185,913	180,349	167,556	167,799	161,840	158,061	154,869	153,388	156,873
Instructional textbooks and supplies	7,557	7,416	5,411	5,659	5,689	6,527	6,625	6,598	7,101	6,849
Other instructional costs	6,708	3,851	1,925	2,576	3,116	5,452	4,336	2,795	3,340	2,392
Special education	64,911	52,924	49,045	46,188	43,628	42,541	40,700	40,672	40,714	40,088
Student personnel services	2,786	2,240	2,187	2,072	1,790	1,745	1,715	1,692	1,645	1,642
Health services	5,367	4,271	4,054	4,050	3,939	3,774	3,356	3,272	3,359	3,207
Pupil transportation services	42,169	35,717	27,043	30,514	32,223	31,552	30,808	29,201	30,113	30,300
Operation of plant	32,768	36,225	26,778	25,640	26,788	27,493	28,174	26,773	28,128	30,273
Maintenance of plant and equipment	15,556	14,101	14,022	12,298	12,745	13,605	12,986	12,562	12,707	12,110
Fixed charges	166,626	155,835	158,679	161,469	152,731	142,127	136,560	134,133	136,099	134,256
Community services	448	264	78	433	519	505	496	470	444	456
Special state and federal programs	66,419	85,437	47,814	35,315	31,042	29,727	30,327	29,931	31,020	30,562
Costs of operations - food services	21,681	19,194	10,851	16,830	17,925	17,558	17,244	16,726	15,968	15,431
Student activities*	4,458	3,269	1,426	-	-	-	-	-	-	-
Capital outlay	31,039	34,097	59,535	55,290	42,421	30,577	24,181	33,796	34,059	29,255
Debt service:										
Principal	7,622	7,019	597	578	560	542	525	508	371	-
Interest	461	545	227	246	264	282	299	315	328	328
Total expenditures	729,729	689,615	628,354	602,415	579,287	552,268	531,336	528,579	532,817	528,153
Excess (deficit) of revenues over expenditures	7,259	13,876	43,246	7,213	(9,131)	(6,167)	3,912	6,229	1,222	(5,262)
Other financing sources (uses)										
Leases	148	82	-	-	-	-	-	-	-	-
Subscriptions	482	28,045	-	-	-	-	-	-	-	-
Net change in fund balances	\$7,889	\$42,003	\$43,246	\$7,213	(\$9,131)	(\$6,167)	\$3,912	\$6,229	\$1,222	(\$5,262)

* Prior to FY 2021 student activities were reported as agency funds and were not included in the entity-wide statements.

Harford County Public Schools
**Enrollment by Grade Last Ten Years
as of September 30**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Elementary School:										
Prekindergarten	1,092	988	781	1,006	947	901	837	809	763	768
Kindergarten	2,735	2,763	2,584	2,809	2,605	2,646	2,651	2,587	2,648	2,819
Grade 1	2,853	2,709	2,737	2,700	2,696	2,694	2,605	2,704	2,831	2,787
2	2,773	2,746	2,601	2,747	2,737	2,694	2,724	2,875	2,788	2,830
3	2,798	2,657	2,655	2,825	2,720	2,797	2,920	2,822	2,829	2,751
4	2,672	2,723	2,772	2,812	2,865	2,982	2,847	2,859	2,775	2,851
5	2,808	2,807	2,752	2,945	3,050	2,871	2,893	2,799	2,874	2,861
Total Elementary School	<u>17,731</u>	<u>17,393</u>	<u>16,882</u>	<u>17,844</u>	<u>17,620</u>	<u>17,585</u>	<u>17,477</u>	<u>17,455</u>	<u>17,508</u>	<u>17,667</u>
Middle School:										
Grade 6	2,812	2,783	2,902	3,087	2,946	2,915	2,780	2,875	2,807	2,892
7	2,779	2,923	3,024	2,992	2,963	2,818	2,890	2,813	2,910	2,752
8	<u>2,935</u>	<u>3,092</u>	<u>3,019</u>	<u>3,040</u>	<u>2,871</u>	<u>2,930</u>	<u>2,832</u>	<u>2,948</u>	<u>2,711</u>	<u>2,930</u>
Total Middle School	<u>8,526</u>	<u>8,798</u>	<u>8,945</u>	<u>9,119</u>	<u>8,780</u>	<u>8,663</u>	<u>8,502</u>	<u>8,636</u>	<u>8,428</u>	<u>8,574</u>
High School:										
Grade 9	3,421	3,559	3,209	3,203	3,221	3,171	3,267	2,974	3,196	3,030
10	2,990	2,819	2,874	2,823	2,774	2,931	2,696	2,918	2,755	2,896
11	2,692	2,625	2,743	2,602	2,787	2,597	2,769	2,638	2,800	2,812
12	<u>2,536</u>	<u>2,594</u>	<u>2,544</u>	<u>2,715</u>	<u>2,523</u>	<u>2,711</u>	<u>2,589</u>	<u>2,700</u>	<u>2,737</u>	<u>2,821</u>
Total High School	<u>11,639</u>	<u>11,597</u>	<u>11,370</u>	<u>11,343</u>	<u>11,305</u>	<u>11,410</u>	<u>11,321</u>	<u>11,230</u>	<u>11,488</u>	<u>11,559</u>
Special Education	<u>141</u>	<u>132</u>	<u>136</u>	<u>123</u>	<u>121</u>	<u>122</u>	<u>126</u>	<u>127</u>	<u>119</u>	<u>113</u>
Total Enrollment	<u>38,037</u>	<u>37,920</u>	<u>37,333</u>	<u>38,429</u>	<u>37,826</u>	<u>37,780</u>	<u>37,426</u>	<u>37,448</u>	<u>37,543</u>	<u>37,913</u>

Source: Monthly Report on Enrollment at September 30.

Note: September 30 is the State's official enrollment date for the school year.

Harford County Public Schools

Operating Indicators by Function

Fiscal Year	Per Pupil Expenditures ¹		Number of School Bus Riders ²	Food Services ³	
	Dollars	State Rank		Breakfasts Served	Lunches Served
2023	Not available		31,139	1,339,119	3,354,308
2022	15,526	23	31,006	1,493,292	3,761,106
2021 ⁵	14,463	22	31,382	2,793,483	Meal Kits Served
2020 ⁴	13,552	22	33,248	967,000	2,182,334
2019	13,457	20	32,540	1,405,746	3,244,101
2018	13,005	20	32,558	1,431,954	3,238,451
2017	12,770	21	32,421	1,488,108	3,301,809
2016	12,508	23	32,535	1,517,703	3,296,515
2015	12,481	20	32,944	1,484,007	3,385,988
2014	12,443	19	32,760	1,346,713	3,381,641

¹ Maryland State Department of Education, Selected Financial Data, Part 3 - Analysis of Costs, Table 2: "Cost per Pupil Belonging for Current Expenses," for relevant year

² HCPS Department of Transportation

³ HCPS Department of Food and Nutrition Services

⁴ Mandatory school closure determined by State Superintendent of Schools effective March 16, 2020 through end of school year

⁵ Meal Kits Served during school closure included breakfasts and lunches daily.

Harford County Public Schools

Capital Asset Statistics by Function

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Instructional Buildings										
Elementary Schools	33	33	33	33	33	33	33	33	33	33
Middle Schools ¹	9	9	9	9	9	9	9	9	9	9
High Schools ¹	10	10	10	10	10	10	10	10	10	10
Special Needs School	1	1	1	1	1	1	1	1	1	1
Alternative Education Ctr	1	1	1	1	1	1	1	1	1	1
Harford Glen Environmental Center	1	1	1	1	1	1	1	1	1	1
Total	55	55	55	55	55	55	55	55	55	55
Support Buildings										
Central Administration Building	1	1	1	1	1	1	1	1	1	1
Transportation/Facilities Operations Ctr	1	1	1	1	1	1	1	1	1	1
Food Services/Warehouse Facility	1	1	1	1	1	1	1	1	1	1
Total	3	3	3	3	3	3	3	3	3	3

¹ Two of our facilities are combination Middle and High Schools; Patterson Mill Middle/High School and Havre de Grace Middle/High School. The gross square foot of the facility is divided evenly between the middle and high school in this chart.
 Source: HCPS Planning and Construction Office

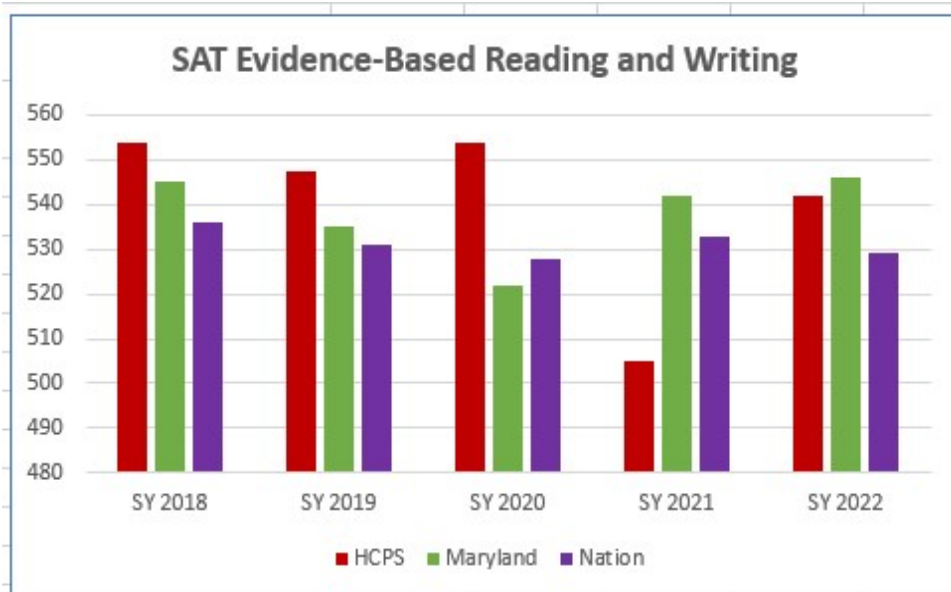
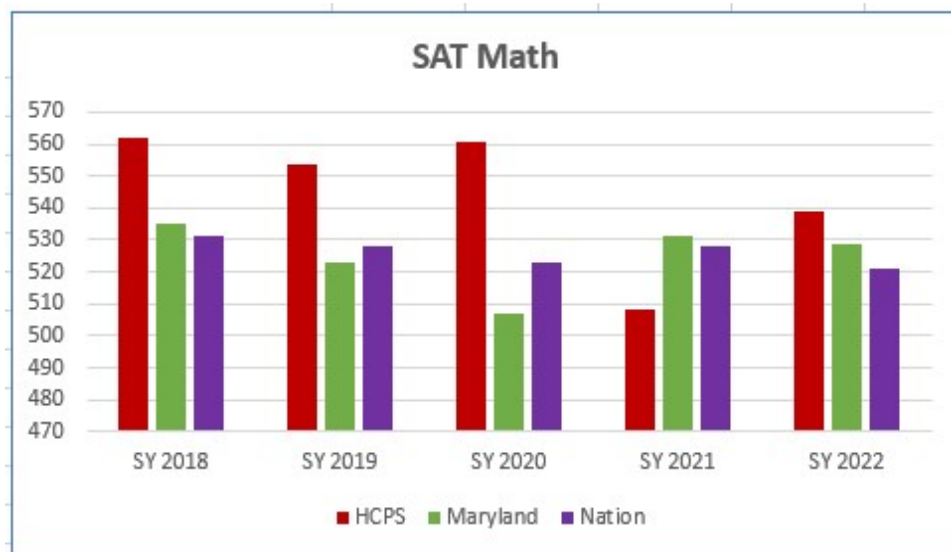
Harford County Public Schools

Student Academic Performance 2022 Assessment Results

SAT

Average Scores

	Harford	State	Nation
Mathematics	539	529	521
Evidence-Based Reading and Writing	542	546	529



Source: The Office of Accountability

Harford County Public Schools

**Facilities Information
as of June 30, 2023**

	Gross Square Feet	Acres	Year Constructed	Age in Years
Central Offices				
102 S. Hickory	73,122	0.77	2005	18
Hickory Annex	39,930	7.83	various	n/a
Forest Hill Annex	32,183	4.20	1980	n/a
Woodbridge Center Land	-	12.00	n/a	n/a
Box Hill South Land	-	17.86	n/a	n/a
Campus Hills Land	-	31.15	n/a	n/a
Harford Glen Environmental Center	31,647	284.90	1998	n/a
Harford Academy	63,984	26.78	1971	52
Swan Creek School	107,087	6.13	1965	58
High Schools				
1 Aberdeen High	230,134	47.30	2004	19
2 Bel Air High	262,454	31.09	2009	14
3 C. Milton Wright High	220,910	69.50	1980	43
4 Edgewood High	268,354	44.32	2010	13
5 Fallston High	233,500	49.44	1977	46
6 Harford Technical High	218,225	26.78	1978	45
7 Havre de Grace High ¹	125,056	30.08	2020	3
8 Joppatowne High	184,070	69.33	1972	51
9 North Harford High	245,238	73.45	1950	73
10 Patterson Mill High ¹	132,500	38.68	2007	16
Middle Schools				
11 Aberdeen Middle	196,800	43.82	1973	50
12 Bel Air Middle	164,900	49.52	1961	62
13 Edgewood Middle	166,530	34.83	1965	58
14 Fallston Middle	130,284	49.44	1993	30
Havre de Grace Middle ¹	125,056	30.08	2020	3
15 Magnolia Middle	149,100	43.05	1979	44
Patterson Mill Middle ¹	132,500	38.68	2007	16
16 North Harford Middle	173,728	40.00	1976	47
17 Southampton Middle	188,134	35.99	1970	53
Elementary Schools				
18 Abingdon Elementary	91,229	28.70	1992	31
19 Bakerfield Elementary	65,691	10.00	1961	62
20 Bel Air Elementary	49,748	6.25	1984	39
21 Church Creek Elementary	85,801	20.51	1994	29
22 Churchville Elementary	52,360	6.46	1931	92
23 Darlington Elementary	24,237	7.89	1938	85
24 Deerfield Elementary	103,200	20.73	2010	13
25 Dublin Elementary	44,385	24.69	1941	82
26 Edgewood Elementary	67,341	34.44	1969	54
27 Emmorton Elementary	63,000	10.57	1994	29
28 Forest Hill Elementary	64,722	8.44	2000	23
29 Forest Lakes Elementary	68,971	20.67	1997	26
30 Fountain Green Elementary	60,000	12.77	1993	30
31 George D. Lisby Elementary	56,295	20.01	1968	55
32 Hall's Cross Roads Elementary	63,082	12.73	1943	80
33 Havre de Grace Elementary	65,085	11.22	1949	74
34 Hickory Elementary	77,958	23.04	1950	73
35 Homestead-Wakefield Elementary ²	115,458	11.57	1958	65
36 Jarrattville Elementary	61,275	32.43	1962	61
37 Joppatowne Elementary	89,985	16.87	1965	58
38 Magnolia Elementary	59,900	43.05	1975	48
39 Meadowdale Elementary	69,000	13.26	1959	64
40 Norrisville Elementary	37,417	15.00	1967	56
41 North Bend Elementary	60,221	18.23	1991	32
42 North Harford Elementary	49,703	20.00	1984	39
43 Old Post Rd. Elementary	112,417	46.00	1956	67
44 Prospect Mill Elementary	75,538	26.77	1973	50
45 Red Pump Elementary	100,549	23.52	2011	12
46 Ring Factory Elementary	59,132	34.02	1990	33
47 Riverside Elementary	55,711	13.18	1968	55
48 Royce Williams Elementary	78,126	28.36	1953	70
49 William S. James Elementary	58,500	15.00	1976	47
50 Youth's Benefit Elementary	149,694	26.18	2017	6
Total	6,231,157			1,899.55

Notes

¹ Two of our facilities are combination Middle and High Schools; Patterson Mill Middle/High School and Havre de Grace Middle/High School. The gross square foot of the facility is divided evenly between the middle and high school in this chart.
² Homestead Wakefield Elementary square footage consist of 3 buildings; Wakefield (primary), Homestead (intermediate), and Kindergarten Annex. Homestead Wakefield Replacement Elementary School is currently under construction. The Wakefield building and Kindergarten annex have been demolished (-62,830 square foot). The students are in 3 modular buildings (38,786 square foot) located next to the Homestead building.
 Source: Educational Facilities Master Plan 2017

HARFORD COUNTY, MARYLAND
Principal Employers
Current Fiscal Year and Ten Years Ago

Table 11

Fiscal Year 2023			
	Number of Employees ⁽¹⁾	Rank	Percentage of Total County Employment
U.S. Army Aberdeen Proving Ground	21,000	1	22.80%
Harford County Public Schools	5,625	2	6.11%
UM Upper Chesapeake Medical Center	3,305	3	3.59%
Harford County Government	1,541	4	1.67%
Harford Community College	1,428	5	1.55%
Amazon Sorting Center MTN2	1,400	6	1.52%
Klein's Shoprite of Maryland	1,200	7	1.30%
Kohl's E-Fulfillment Center	954	8	1.04%
Rite Aid Mid-Atlantic Customer Distribution Center	900	9	0.98%
Frito Lay, Inc.	810	10	0.88%
Total	<u>38,163</u>		<u>41.44%</u>
Total County Employment ⁽²⁾	<u>92,106</u>		<u>100%</u>
Fiscal Year 2014			
	Number of Employees ⁽¹⁾	Rank	Percentage of Total County Employment
U.S. Army Aberdeen Proving Ground	16,221	1	19.00%
Harford County Public Schools	5,256	2	6.16%
Upper Chesapeake Health System	3,129	3	3.66%
Harford County Government	1,605	4	1.88%
Rite Aid Mid-Atlantic Customer Support Center	1,167	5	1.37%
Harford Community College	1,029	6	1.21%
Kohl's Distribution Center	905	7	1.06%
Jacobs Technology	865	8	1.01%
Kleins Shop Rite	800	9	0.94%
Wegmans Food Markets	499	10	0.58%
Total	<u>31,476</u>		<u>36.87%</u>
Total County Employment ⁽³⁾	<u>85,379</u>		<u>100%</u>

Source:

- (1) Office of Economic Development, Harford County, Maryland
- (2) Maryland Department of Commerce (Harford County Brief Economic Facts 2023)
- (3) U.S. Census Bureau, Center for Economic Studies, June 2013

Harford County Public Schools

Full-time Equivalent Employees by Function
Fiscal 2013 - 2022

State Category	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Administration	121	115	116	112	117	117	117	120	120	120
Mid-Level - Office of the Principal	283	278	270	264	287	287	290	289	294	294
Mid-Level - Admin & Supervision	67	64	56	54	55	63	62	62	56	56
Instructional Salaries	2,783	2,663	2,563	2,499	2,565	2,600	2,645	2,675	2,705	2,696
Special Education	1,270	1,162	1,091	1,061	1,004	1,024	1,021	1,044	1,040	1,046
Student Services	31	37	35	25	21	30	26	25	20	21
Health Services	73	71	70	70	70	73	72	73	73	72
Transportation	234	226	190	186	188	188	217	217	217	217
Operation of Plant	362	339	339	340	338	340	340	337	345	345
Maintenance of Plant	117	117	117	114	128	126	126	125	126	126
Community Services	2	2	2	2	1	1	1	1	1	1
Totals¹	5,343	5,074	4,849	4,727	4,774	4,849	4,917	4,968	4,997	4,994

Information supplied by HCPS Budget Office from the MSDE Budget Certification Reports.

Data includes employee count from the Unrestricted and Restricted Funds, referred to as the Current Expense Fund.

¹FTE equivalents by state category are rounded to the whole number; totals by year represent the number of FTEs in total and may not equal the sum of each category due to rounding.

Harford County Public Schools

Schedule of Ratio of Total Debt Service to Non Capital Expenditures (accrual basis of accounting)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Principal & Interest	\$ 8,083,392	\$ 7,564,154	\$ 823,882	\$ 823,882	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 698,803	\$ 327,544
Total Expenditures	729,729,339	689,615,557	628,354,568	602,415,169	579,287,488	552,268,371	531,336,264	528,578,856	532,816,898	528,153,229
Less capitalized net activity	(7,070,076)	23,364,496	32,368,470	32,160,141	19,126,533	8,853,636	5,454,544	15,075,210	13,748,105	6,370,716
Net expenditures	<u>\$736,799,415</u>	<u>\$666,251,061</u>	<u>\$595,986,098</u>	<u>\$570,255,028</u>	<u>\$560,160,955</u>	<u>\$543,414,735</u>	<u>\$525,881,720</u>	<u>\$513,503,646</u>	<u>\$519,068,793</u>	<u>\$521,782,513</u>
Ratio of Principal & Interest to Net Expenditures	1.10%	1.14%	0.14%	0.14%	0.15%	0.15%	0.16%	0.16%	0.13%	0.06%

Harford County Public Schools

**Ratios of Outstanding Debt
(modified accrual basis of accounting)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Leases, Notes Payable, and Subscriptions (1)	\$20,449,266	\$27,442,005	\$6,334,360	\$6,931,521	\$7,509,774	\$8,069,717	\$8,611,929	\$9,136,971	\$9,645,389	\$10,016,647
Personal Income (000's) (2)	20,002,217	18,594,352	17,403,924	16,289,708	15,246,872	14,684,465	14,163,408	13,596,701	13,109,054	12,642,596
Percentage of Personal Income	0.10%	0.15%	0.04%	0.04%	0.05%	0.05%	0.06%	0.07%	0.07%	0.08%
Population (2)	264,578	262,977	259,118	256,805	255,594	253,884	251,948	250,448	249,690	249,415
Per Capita Student Enrollment	\$ 77.29	\$ 104.35	\$ 24.45	\$ 26.99	\$ 29.38	\$ 31.79	\$ 34.18	\$ 36.48	\$ 38.63	\$ 40.16
Ratio of Principal Balance to Student Enrollment	\$ 38,037	\$ 37,920	\$ 37,333	\$ 38,429	\$ 37,826	\$ 37,780	\$ 37,426	\$ 37,448	\$ 37,543	\$ 37,913
	\$ 537.62	\$ 723.68	\$ 169.67	\$ 180.37	\$ 198.53	\$ 213.60	\$ 230.11	\$ 243.99	\$ 256.92	\$ 264.20

(1) - Implemented GASB 87 – Leases in 2022; Implemented Subscriptions in 2023

(2) Personal income and population data provided by Harford County Government

Enrollment Source: Monthly Report on Enrollment at September 30.

Compliance Section



**Olivia Ruocco, Grade 11
Harford Technical High School
Teacher: Ms. Laura Prevas**



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

Members of the Board
Board of Education of Harford County
Bel Air, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools (HCPS), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise HCPS' basic financial statements, and have issued our report thereon dated September 26, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Baltimore, Maryland
September 26, 2023



Tara Stone, Grade 8
North Harford Middle School
Teacher: Ms. April Hann



Isiah Lindy, Grade 9
Harford Academy
Teacher: Ms. Marcy Johnson

