BOARD OF EDUCATION OF HARFORD COUNTY

INFORMATIONAL REPORT

PRESENTATION OF
Annual Comprehensive Financial Report for the Year Ending June 30, 2026

November 9, 2026

Background Information

Harford County Public Schools (HCPS) is required to have an annual audit by an independent certified public accounting firm as defined in The Education Article Sec5-109. The independent public accounting firm of CliftonLarsonAllen LLP has issued the auditor's report for the fiscal year just ended.

Discussion

The Annual Comprehensive Financial Report for the fiscal year ended June 30, 2026 contains audited financial statements, schedules, exhibits, and footnotes, as well as opinions of the Independent Public Accountants of CliftonLarsonAllen LLP. The financial statements are prepared in accordance with national generally accepted accounting principles. This report is required to be filed with the Maryland State Department of Education (MSDE) by September 30. HCPS did miss the deadline this year due to a delayed year-end close as a result of the second phase of our ERP implementation. We did file our report with MSDE on October 29, 2026. Copies have been submitted to the Board and are available to the community on-line at https://www.hcps.org/departments/docs/BusinessServices/FY25ACFR.pdf

Auditing standards require that, in addition to the opinion they provide, the independent auditors are required to make certain representations to the governing body of public entities concerning the audit report they issue. All of these requirements have been met. An additional year-end report will be subsequently issued, the Single Audit, which pertains to federal financial assistance. The remaining report will be provided to the Board upon issuance.

Superintendent's Recommendation

No action is required.

We'll get you there.

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Harford County Board of Education

Audit Results for June 30, 2025 Financial Statement Audit

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Audit Exit Presentation

Year ended June 30, 2025

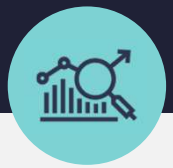
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Agenda

- Audit scope and process
- Audit opinions and communications
- Financial statement highlights
- Engagement finalization
- Industry insights and emerging issues
- Thought leadership and upcoming webinars

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Audit Scope



Report on the organization's financial statements



Internal control/ management letter



Required governance communications letter



Report on internal control over compliance with major program requirements (federal awards)

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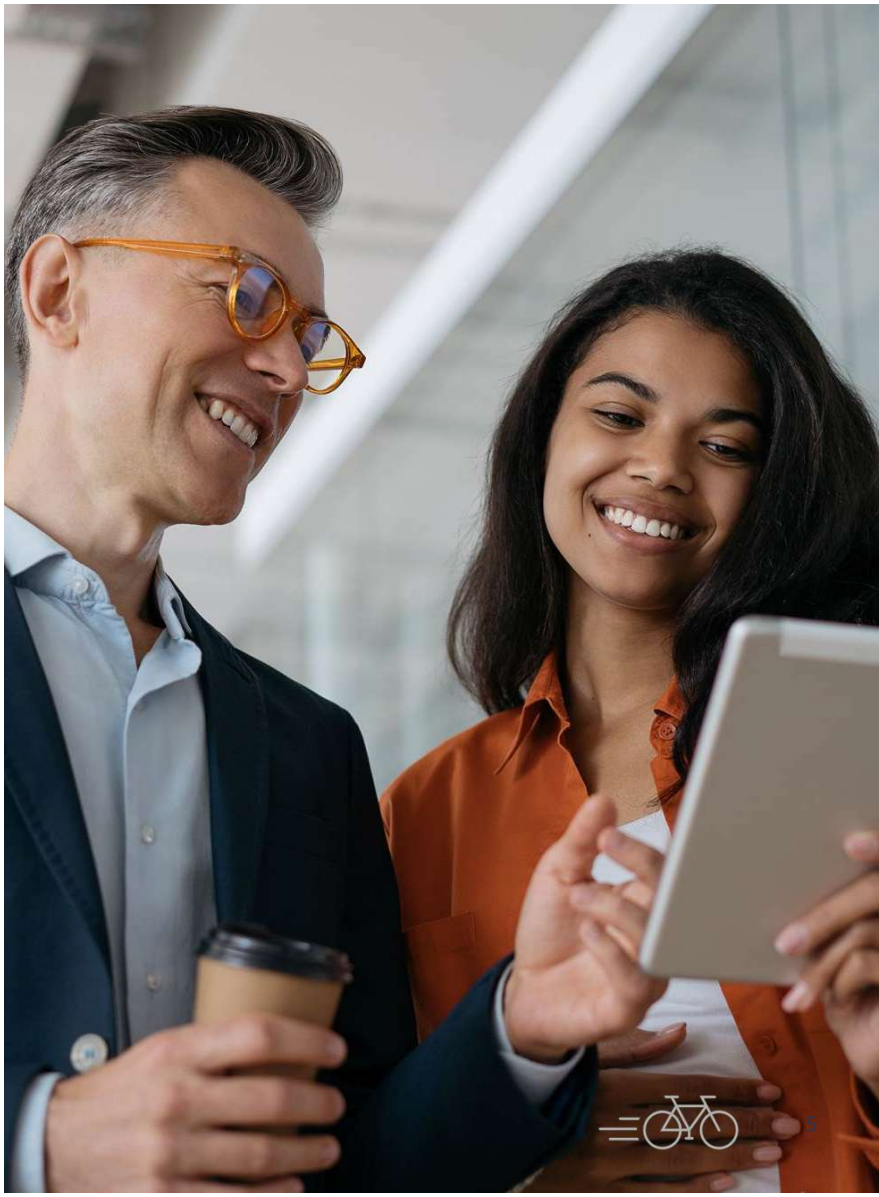
Audit Process

RISK-BASED APPROACH

Internal controls

Revenue recognition

Significant estimates



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AUDIT OPINIONS

Financial statement

Financial statement audit opinion is **unmodified**.

Federal awards

Federal awards audit is in process.



AUDIT RESULTS

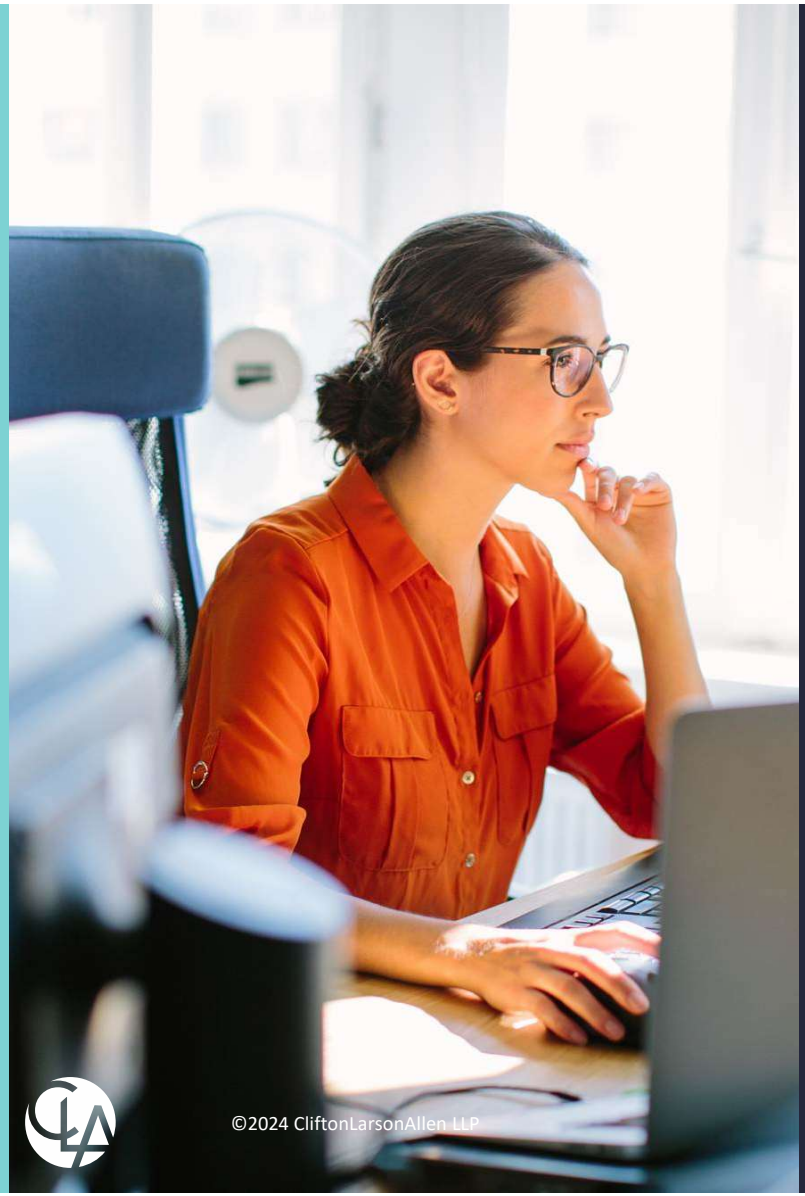
Financial statement

One material weaknesses noted related to prior year depreciation. No significant deficiencies noted.

Federal awards

Federal award audit is in process.

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Management Letter Recommendations Oral Comments

Information Technology

- Various oral comments regarding IT general and application controls

Revenue and Expense Reporting

- Passed adjusting journal entries related to the timing of recording revenue and expenses

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Auditors Required Communication

- We have performed an audit of the financial statements in accordance with Generally Accepted Auditing Standards (GAAS)
  - Purpose of an audit is to:
    - Obtain reasonable (not absolute) assurance about whether the financial statements are free from material misstatement
    - Assess accounting principles used and significant estimates made by management
    - Evaluate the overall financial statement presentation

- Auditors' Opinion on Financial Statements
  - Unmodified opinion

- Significant Accounting Polices
  - The Board's significant accounting policies are described in Note 1 to the financial statements and are in accordance with generally accepted accounting principles and consistent with industry practices and standards.
  - GASB 101 and 102 were adopted during FY25

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Auditors Required Communication (Continued)

- Significant Management Judgments & Estimates
  - OPEB Liabilities and related amounts
- One corrected misstatement
  - Correction of error for prior year depreciation
- Two uncorrected misstatements
  - FY24 invoices not accrued for FY24
  - Unearned revenue recorded for internal grant
- No disagreements with management

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Auditors Required Communication (Continued)

- Management was cooperative and professional during the audit process
- Management did not consult with other accountants on the application of GAAP or GASB
- No major issues were discussed with management prior to us being selected as the auditors

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GASB Standards



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GASB 101 Compensated Absences



Effective date

Implemented for the June 30, 2025 financial statements

Updated framework

- Revaluate leave policies
- Liability must include any accumulated leave that is unused or used but unpaid
- Footnote disclosures will be enhanced

Examples include

- Sick leave not paid at termination
- Parental leave
- Military leave and jury duty that has commenced

CLA can help by evaluating the standard related to compensated absences and assisting with or evaluating in financial statement disclosures

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GASB 102 Certain Risk Disclosures

Effective date

Implemented for the June 30, 2025 financial statements

Increased footnote disclosures surrounding risk:

- Limitations on raising revenues
- Concentrations related to tax revenue or vendors
- Debt or mandated spending — especially unfunded mandates
- Impact of major employer leaving the community
- Collective bargaining agreements

CLA can help by assisting with or evaluating financial statement disclosure updates



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Emerging Issues

Changes for the Year

GASB No. 101, Compensated Absences

- Required adjustments to how the liability amount for compensated absences is calculated.
- No material impact and management was not required to restate the opening balance.

GASB No. 102. Certain Risk Disclosures

- Requires disclosure in the financial statements for concentrations or constraints that could have a substantial impact on the entity.
- No risk disclosures noted that required disclosures.

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GASB 103 Financial Reporting Module

Effective date
June 30, 2026

Impacts financial statement presentation

Updated disclosure guidance for:

- MD&A consistency
- Clearer definition of unusual or infrequent items
- Presentation of proprietary fund statements
- Major component unit information
- Budgetary comparison information

CLA can help by assisting with or evaluating financial statement disclosure updates



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Future GASB – Classification of Nonfinancial Assets

Likely effective date
June 30, 2026

Will clarify how nonfinancial assets are presented in financials:

- Capital assets
- Leased assets
- Subscription assets
- Intangible assets

CLA can help by
assisting with or evaluating financial statement disclosure updates



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Insights

Stay informed and
prepare for what's next.

The **Four Essential Elements** of the CLA Promise

Our Purpose

CLA exists to create opportunities — for our clients, our people, and our communities.

Our Promise

We promise to know you and help you.

Our Family Culture

We're one family, working together to create opportunities.

Our Strategic Advantages

Deep industry specialization

Seamless, integrated capabilities

Premier resource for private business and owners

Inspired careers

Driven by **Our Values**

Curious

We care, we listen, we get to know you

Collaborative

We help you seamlessly, bringing innovative teams to the table

Transparent

We communicate clearly and authentically

Inclusive

We embrace all voices and create opportunities for you in an energetic and inspiring environment

Reliable

We respond in hours, not days; we follow through, protect our client data, and produce quality results

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Find support at *every* turn

Benefit from guidance on all aspects of your business.



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Questions and Feedback

We appreciate the opportunity to serve you and welcome any feedback relative to our performance and to the engagement.

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