



Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2011



A Component Unit of Harford County, Maryland



Harford County Public Schools

102 S. Hickory Avenue | Bel Air, MD 21014

Prepared by the Division of Business Services Finance Department

2010-2011 BOARD OF EDUCATION OF HARFORD COUNTY



PICTURED FROM LEFT TO RIGHT:

Donald R. Osman, Robert L. Frisch, Thomas P. Evans, Robert M. Tomback, Ph.D, Mark M. Wolkow, Leonard D. Wheeler, Ed.D., Francis F. "Rick" Grambo, III, Alysson L. Krchnavy and Caitlin R. Dooling.

Harford County Public Schools
A Component Unit of Harford County, Maryland
102 South Hickory Avenue
Bel Air, Maryland 21014



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Finance Department

Office of Civil Rights Statement for Harford County Public Schools

The Harford County Public School System does not discriminate on the basis of race, color, sex, age, national origin, religion, sexual orientation, or disability in matters affecting employment or in providing access to programs. Inquiries related to the policies of the Board of Education should be directed to the Director of Public Information, 410-588-5203.

Harford County Public Schools

Student Contributors for Pictures:

Student	Grade	School	Page
Autumn Skinner	11	Aberdeen High School	1
Catie Gottschalk	7	Bel Air Middle School	2
Grant MacFarland	12	Havre de Grace High School	11
Daniel Jenkins	4	Joppatowne Elementary School	12
Megan Reinhardt	4	Magnolia Elementary School	27
Hanna Taylor	12	Bel Air High School	55
Mark Niedswicke	8	Southampton Middle School	57
Sophia Tobio	7	Havre de Grace Middle School	64
Trinity Sprague	9	Harford Technical High School	77
Tyler Dameron	10	C Milton Wright High School	80
Marc Badger	10	Fallston High School	80

Cover design by Casey Payne, Public Relations Specialist, HCPS Communications Office.

Cover pictures:

UPPER LEFT Eighteen Fallston High School students scored in the top 20 percent in the National Financial Capability Challenge. The challenge is an awards program designed to increase the financial knowledge and capability of high school students across the United States. It challenges teachers and students alike to teach and learn to their fullest abilities. Top-scoring educators and students receive award certificates, and schools and states with the highest participation can earn special distinction. Senior Ryder Ford received a perfect score and was given a \$50 savings bond. Pictured from left to right below are (back row) Colin Clotworthy, Jason Faust, Ryder Ford, Steve Gutermuth, Zac Gutermuth, and Michael Kundrat; (middle row) Zimuzo Nwaigwe, Dana Packett, Iiley Thompson, Tyler Tracey, Alec Tsirigos, and Andy Weaver; and (front row) Chris Lievendag, Zack Wheeler, Mr. Brian Yeager (teacher), Steve Kauffman, Doug Ziemba, and Taylor Brown.

UPPER RIGHT Six fourth and fifth grade students from Hall's Cross Roads Elementary School participated in the Maryland State Black Saga Competition held at Towson University on March 19, 2011. This was the first year Hall's Cross Roads participated in the Black Saga Competition. Fourth grade students Brittany Madison, Kiana Earl, Kaelyn James and Terel Hubbard joined fifth graders Drake Garner and Christian Allen to form competing teams.

BOTTOM LEFT Students, along with teacher Caroly Kustanbauter from Edgewood High School's Academy of Finance program.

BOTTOM RIGHT In the wake of the this year's disaster in Japan, the students at Forest Lakes Elementary School wanted to have a small part in demonstrating their compassion to the families who have survived the massive devastation caused by the earthquake and tsunami. Partnering with Students Rebuild, DoSomething.org, and the Bezos Family Foundation, they have joined the efforts of children worldwide in the task of making 100,000 paper cranes. The school goal is to make 1,000 cranes. For each crane received, the Bezos Foundation will donate \$2 to Japan's reconstruction efforts with a total financial gift of \$200,000. Cranes are sacred creatures in Japanese culture. According to legend, anyone who folds a thousand paper cranes will be granted a wish by a crane. All cranes received will be woven into an art installation – a symbolic gift from students around the globe.

Harford County Public Schools

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Introductory Section



Student, Autumn Skinner, Grade 11 at Aberdeen High School, Teacher: Rick Morris

Harford County Public Schools



Student: Catie Gottschalk, Grade 7 at Bel Air Middle School, Teacher Claire Parker

Vision

Harford County Public Schools will be a community of learners in which our public schools, families, public officials, businesses, community organizations, and other citizens work collaboratively to prepare all of our students to succeed academically and socially in a diverse, democratic, change-oriented, and global economy.

Mission

The Mission of Harford County Public Schools is to promote excellence in instructional leadership and teaching and to provide facilities and instructional materials that support teaching and learning for the 21st century. The Harford County Board of Education will support this mission by fostering a climate for deliberate change and monitoring progress through measurable indicators.

Goals

- Ensure a safe, positive learning environment for students and staff in our schools.
- Accelerate student learning and eliminate the achievement gaps.
- Ensure the effective use of all resources focusing on the areas of technology, fiscal and budgetary management, and community partnerships.
- Understanding that all employees contribute to the learning environment, we will maintain a highly qualified workforce.

Board of Education of Harford County

The members of the Board as of June 30, 2010, their represented areas, and the year of expiration of their terms are as follows.

<u>Title</u>	<u>Name</u>	<u>Area</u>	<u>Term Ends</u>
President	Mark M. Wolkow	Abingdon/Edgewood	2011
Vice-President	Leonard D. Wheeler, Ed. D.	Aberdeen	2015
Other members	Robert L. Frisch	Joppa /Edgewood	2015*
	Thomas P. Evans	Fallston	2011
	Francis F. "Rick" Grambo III	North Harford	2015*
	Alysson L. Krchnavy	Bel Air	2015
	Donald R. Osman	Havre de Grace	2011
Student member	Caitlin R. Dooling		2011

* Legislation has changed the composition of the Board from all members appointed by the Governor. The Board will expand by two members with six being elected and three being appointed plus the student member. Elections occurred in November 2010 with those members being seated on July 1, 2011. Two of the elected members were appointed to their seats by the Governor upon resignation of the appointed members.

Administration as of June 30, 2011

Robert M. Tomback, Ph.D.
Superintendent

Patrick P. Spicer, Esquire
General Counsel

Joseph P. Licata
Chief of Administration

William A. Lawrence
Associate Superintendent of Curriculum, Instruction and Assessment

Cornell S. Brown, Jr.
Assistant Superintendent for Operations

Jean A. Mantegna
Assistant Superintendent for Human Resources

James M. Jewell
Assistant Superintendent for Business Services

Edward B. Fields III
Director of Budget

Patti Jo Beard
Executive Director of Facilities Management

Stephen C. Lentowski
Director of Student Services

Linda J. Chamberlin
Executive Director of Elementary School Performance

H. Andrew Moore, II
Director of Information and Technology

Barbara P. Canavan
Executive Director of Middle School Performance

Charles L. Taibi
Director of Transportation

David A. Volrath
Executive Director of High School Performance

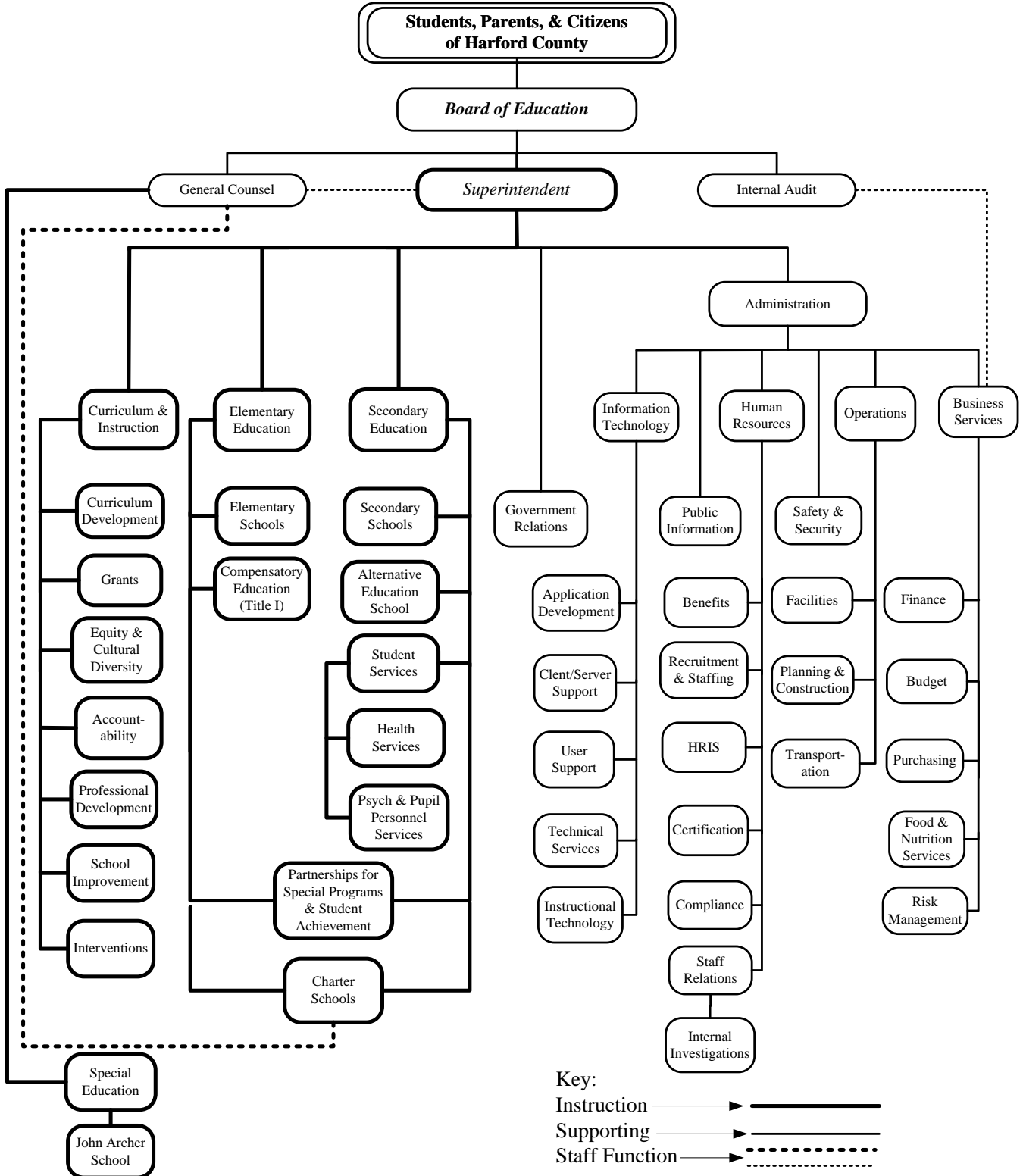
John G. Staab
Director of Finance

Jonathan D. Brown, Ph.D.
Director of Community Engagement, Equity & Cultural Proficiency

Ann-Marie Spakowski
Director of Special Education

Harford County Public Schools

Organization at June 30, 2010





Harford County Public Schools

102 S. Hickory Avenue ♦ Bel Air, MD 21014 410-838-7300 Fax 410-893-2478

Robert M. Tomback, Ph.D., Superintendent of Schools

September 30, 2011

Members of the Board of Education:

The Public School Laws of the State of Maryland require school districts 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, 2011.

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.

SB & Company, LLC, a firm of licensed certified public accountants, have issued an unqualified (“clean”) opinion on Harford County Public Schools (HCPS) financial statements for the fiscal year ended June 30, 2011. 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 complement this letter of transmittal and should be read in conjunction with it.

All funds and accounts of the HCPS are included in the comprehensive annual financial report. For financial reporting purposes, HCPS has been defined as a component unit of the Harford County Government. Therefore, HCPS is included in the comprehensive annual 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 38,394 students in fiscal 2011. HCPS is the 135th largest school system of the 17,817 regular school districts in the country when ranked by enrollment. There are 24 school districts in the State of Maryland. This places HCPS in the top one percent of school districts by size. The student body will be served by a projected 5,440.0 FTE faculty and staff positions for fiscal 2012.

Currently Harford County has 53 public schools along with 48 non public schools located within the County. Citizens in the County have a choice of public or private schools. 38,394 students attend public schools. The number of students attending private schools is unknown. The

estimated population (as of June 30, 2010) from the County Office of Planning and Zoning was 248,610. According to the Bureau of Census, the school age population in 2000 was 45,189 of which 38,394 or 85% attended public schools. School enrollment was 35,963 in 1994 and reached a peak in 2002 of 40,264 and has declined slightly to 38,394. Through the recent military Base Realignment and Closure (BRAC) process, the County workforce and population is estimated to increase in excess of 10%, which will result in increased population for the public school system.

Considerable construction and renovation funding has been approved for the enhancement and upgrading of the school system buildings. Replacement buildings for Edgewood High School and Deerfield Elementary School opened at the beginning of the current school year in August 2010. The new Red Pump Elementary School will be the 54th school and is slated to open in August 2011.

Local economy

Harford County has been, and continues to be, fiscally sound, thanks to conservative fiscal management. The County is effectively dealing with the pressures brought on by declining County revenues caused, in part, by Maryland's State budget deficit as well as the global economic crisis.

Over the last three years Harford County, and the nation, have faced the most serious economic challenges in several generations. The County has managed these challenges by recognizing problems early on and moving aggressively to mitigate the effects. Problems were first detected early in fiscal year 2009 when it appeared projected revenues might fall short. Management immediately initiated several belt tightening measures. County operating departments, the Board of Education, Harford Community College, the Libraries and most of the other outside agencies were asked to return up to 5 percent of their Fiscal Year 2009 budgets; or at least enough to avoid layoffs.

The revenue outlook for fiscal year 2010 appeared even bleaker. As the fiscal year 2011 budget process began the revenue outlook remained sketchy. Because of layoffs, reduced hiring and staffing changes brought about by the retirement incentive; there has been a reduction in the County government workforce, resulting in estimated salary costs approximately \$3 million less in fiscal year 2011's budget than in 2010. Both in terms of staffing and overall spending the size of government were cut. These changes allowed the 2011 budget to include a \$0.02 reduction to the Property Tax rate, as well as no layoffs or furlough days.

The County's largest revenue source remains real property tax in spite of recent declines in the real estate market. The taxable assessable base for the County continues to show increases in value but due to the economy and slow housing sales, the growth rate has decreased from double digit rates to an expected 1.7 percent growth rate for fiscal year 2011. The growth in the assessable base is expected to remain slow for the next several years. In fiscal year 2010 real property tax represented 55.8 percent of general fund budgeted revenue. With the fiscal year 2011 budget the County's property tax rate decreased \$0.02 but actual 2011 property tax revenues are expected to show a slight increase, 1.88 percent and to again be 55.8 percent of general fund budgeted revenues.

Income tax revenue, the second largest revenue source in the County, which is directly affected by population growth, employment levels and personal income, had shown steady growth until fiscal year 2008. Starting in fiscal year 2008 through 2010 income tax has been declining and this is expected to continue into fiscal year 2011. The drop in revenues is largely due to the slowdown in the overall economy, which is projected to continue through the early part of fiscal year 2011, as the credit crunch, carryover capital losses, high unemployment and the continued decrease in consumer spending combine to limit the growth of taxable income. In fiscal year 2010 income tax represented 34.8 percent of general fund budgeted revenue. In fiscal year 2011 income tax revenues are expected to decline (3.67 percent) and make-up 32.9 percent of general fund budgeted revenues.

The County must also contend with reductions in revenues tied to the State and affected by the State of Maryland's budget shortfalls. The most significant revenue reduction will be Highway User Tax revenue. The State's fiscal year 2011 budget projects a 96.2 percent decrease in the amount of Highway User Tax revenue that will be shared with the counties; nearly \$10.0 million will be lost to Harford County.

Long-term financial planning

In 2002 the State legislature enacted the Bridge to Excellence in Public Schools Act. This law initiated major changes in the State financing of local schools in an effort to achieve both funding equity and adequacy between Maryland's 24 school districts. The law achieved its promise of an increase in State funding to public education of \$1.3 billion over six years. However, the governor of Maryland convened a special session of the Maryland general assembly in October 2007 to reduce the projected \$1.5 billion state structural deficit. During the special session, increases in taxes were approved and planned funding increases for public education were curtailed through FY2011. As a result, increases in State Aid to the Unrestricted Budget will be at a minimum growth of 1% over next year.

In 2009, the State legislature enacted changes to the Harford County Board of Education. Currently the Board is comprised of seven members appointed by the governor and one student member. The legislation expands the Board to nine members and one student member. Ultimately six members will be elected and three appointed by the governor. The transition will not be complete until the Board is seated in 2015.

Relevant financial policies

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 expenditure during the fiscal year require approval of both the Board of Education 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 far 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 projects 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 both the Board of Education and the Harford County Council.

Major initiatives

Construction is underway for the new Red Pump Elementary School. The new elementary school has necessitated a redistricting which will be effective for the FY 2011 – 2012 school year. Magnet and completer school programs continue to expand.

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 comprehensive annual financial report for the fiscal year ended June 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual 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.

In addition, HCPS also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the Year Beginning July 1, 2010. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

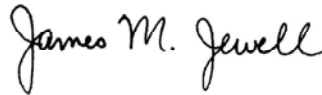
The preparation of this report would not have been possible without the services of the entire staff of the Finance Department under the direction of John G. Staab, Director of Finance, the Office of Internal Audit, and SB & Company, LLC. Many other offices in the system contributed to provide data for this report, including the students whose art work is 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,



Robert M. Tomback, Ph.D.
Superintendent



James M. Jewell
Assistant Superintendent



Jay Staab
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Harford County Public Schools
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Financial Section



Student: Grant MacFarland Grade 12 Have de Grace High School, Teacher Jenna Zimmerman



Student: Daniel Jenkins, Grade 4 at Joppatowne Elementary School; Teacher Sharon Pardew



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Report of Independent Public Accountants

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

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, a component unit of Harford County, Maryland, as of and for the year ended June 30, 2011, which collectively comprise the Harford County Public Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Harford County Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Harford County Public Schools as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2011, on our consideration of the Harford County Public School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary comparison



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information as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Harford County Public Schools' basic financial statements. The accompanying food service fund statement of revenues, expenditures and changes in fund balance compared to budget, school construction fund statement of expenditures by project, agency fund statement of increases, decreases and fund balances and combining statement of fiduciary net assets, and combining statement of changes in assets and liabilities (collectively, the Statements), are presented for purposes of additional analysis and are 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical tables as listed in the accompanying table of contents have not been subjected the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion or provide any assurance on them.

SB & Company, LLC

Hunt Valley, Maryland
September 13, 2011

Management's Discussion and Analysis (MD&A)

June 30, 2011

As Management of the 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, 2011. 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 3 – 9 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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 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

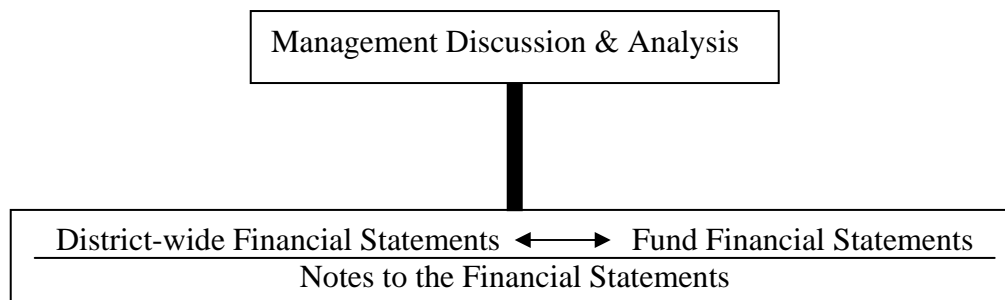
- The assets for Harford County Public Schools exceeded its liabilities at the close of the most recent fiscal year by \$460.0 million. Net assets at June 30 2010 were \$458.6 million and increased slightly to \$460.0 million for the year ended June 30, 2011.
- The final unrestricted General Fund budget changed by a reduction of \$6.1 million or 1.45% during the year from the originally adopted budget.
- The General Fund unrestricted, unassigned fund balance on a budgetary basis decreased from \$8,819,623 to \$6,096,029, a reduction of approximately \$2.7 million which was the product of spending containment strategies enacted during the year in response to funding reductions by the state and County governments. Accumulating fund balance was also a strategic decision to prepare for additional funding reductions or cost shifting by the state government, notably the threat to move some portion of teacher pension costs to the local school systems.
- The unrestricted General Fund actual revenues were less than the amended budget by \$93,648 or two hundredths of a percent (0.02%), and expenditures were \$7,616,270, or one and eighty-three hundredths of a percent (1.83%), under the amended budget.
- The HCPS total debt increased by \$27.0 million during the current fiscal year. The key factor in this change was the increase of \$27.7 million in the OPEB Obligation.

Management's Discussion and Analysis (MD&A)
June 30, 2011

Overview of the Financial Statements

This discussion and analysis are 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 themselves.

District-wide financial statements In addition to the MD&A, the District-wide Financial Statements are the other primary addition to financial reporting under GASB Statement No. 34. The District-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 assets* presents information on all of the assets and liabilities of HCPS with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets 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 expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (like earned but unused employees leave), or for which cash has already been expended (depreciation of buildings and equipment already purchased).

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

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. Harford County

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2011

Public Schools uses fund accounting to ensure and demonstrate compliance with finance-related requirements. HCPS' 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 and the State of Maryland's contribution to the teachers retirement system is added to revenue 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 is 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 Number 34 requires that we present the original adopted budget as well as the final budget and discuss the changes between them.

	District-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, Scholarship, and School Activity Funds (Exhibit 8). HCPS is the trustee, or fiduciary, for its retiree health plan trust, scholarship, and student activity funds. These funds are reported as separate Agency and Trust Funds. 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.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2011

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

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

District-wide Financial Analysis

Net assets may serve over time as a useful indicator of a district's financial position. In the case of HCPS, assets exceeded liabilities by \$460 million at the close of the fiscal year.

By far the largest portion of HCPS' net assets reflects the investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to the students and citizens of Harford County and are not available for future spending. Although HCPS' investment in its 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 liabilities. Minimal debt for assets is carried by HCPS. As previously explained, we are fiscally dependent and nearly all capital debt is carried by the County and State governments.

	June 30, 2011	June 30, 2010	\$ Change	% Change
Current and other assets	\$ 53,748,445	\$ 56,119,861	\$ (2,371,416)	-4.23%
Capital assets	570,807,038	543,856,719	26,950,319	4.96%
Total assets	<u>624,555,483</u>	<u>599,976,580</u>	<u>24,578,903</u>	<u>4.10%</u>
Current and other liabilities	16,158,505	21,653,795	(5,495,290)	-25.38%
Long-term liabilities	148,378,114	119,764,247	28,613,867	23.89%
Total liabilities	<u>164,536,619</u>	<u>141,418,042</u>	<u>23,118,577</u>	<u>16.35%</u>
Net assets				
Capital assets	560,834,110	533,572,077	27,262,033	5.11%
Restricted assets	9,862,937	9,747,082	115,855	1.19%
Unrestricted	(110,678,183)	(84,760,621)	(25,917,562)	30.58%
Total net assets	<u>\$ 460,018,864</u>	<u>\$ 458,558,538</u>	<u>\$ 1,460,326</u>	<u>0.32%</u>

HCPS' net assets increased by \$1.46 million during the fiscal year ending June 30, 2011, as illustrated in the above table and Exhibit 2. The growth is attributed to increased capital assets and the results of operations for the year but was diminished by increasing liabilities associated with other post-employment benefits (OPEB).

Harford County Public Schools

Management's Discussion and Analysis (MD&A) **June 30, 2011**

The unrestricted deficit at June 30, 2011 of \$110.7 million is the result of reducing the fund balance from the General Fund (Exhibit 3) of \$26.0 million with the compensated absences long-term liabilities of \$26.85 million and \$109.94 million for other post-employment benefits. We are 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 250 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, 2011. A total of \$28.5 million exists at June 30, 2011 with \$4.7 million due within one year. The amount attributable to vacation leave is \$4.2 million and \$24.3 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. The remaining \$9.98 million long-term liability balance represents our obligations under the capital lease for the construction of the administration building.

Results of operations for HCPS as a whole are presented in Exhibit 2, the Statement of Activities. Approximately \$548.5 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. \$354.9 million in expenses were paid using other general revenue sources not specifically attributed to a function or program.

The Food Service program is designed to be self-funded. Allocation of program revenues to expenses produced a net gain for this program.

	Total Cost of Services	Net Cost of Services	% Net Cost to Total
Instruction	\$383,639,311	\$224,007,583	58.39%
Pupil personnel	2,222,690	2,060,398	92.70%
Health services	4,849,562	4,849,562	100.00%
Pupil transportation	35,423,950	23,740,003	67.02%
Operation and maintenance of plant	54,505,304	53,253,968	97.70%
Food services	14,848,019	(260,458)	-1.75%
All others	53,011,922	47,292,776	89.21%
Total	\$548,500,758	\$354,943,832	64.71%
<u>All others</u>			
Administration	\$15,340,652	\$13,614,535	88.75%
Mid-level administration	36,620,721	32,984,142	90.07%
Community services	451,022	94,572	20.97%
Depreciation - unallocated	87,419	87,419	100.00%
Interest on debt	512,108	512,108	100.00%
Total	\$53,011,922	\$47,292,776	89.21%

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2011

Above is a table summarizing the district-wide cost of services for each program or function. About 86.75% of the net costs of services are directly related to students' instruction and welfare. Of the remaining 13.25%, all but about 4.0% is used for the direct 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.

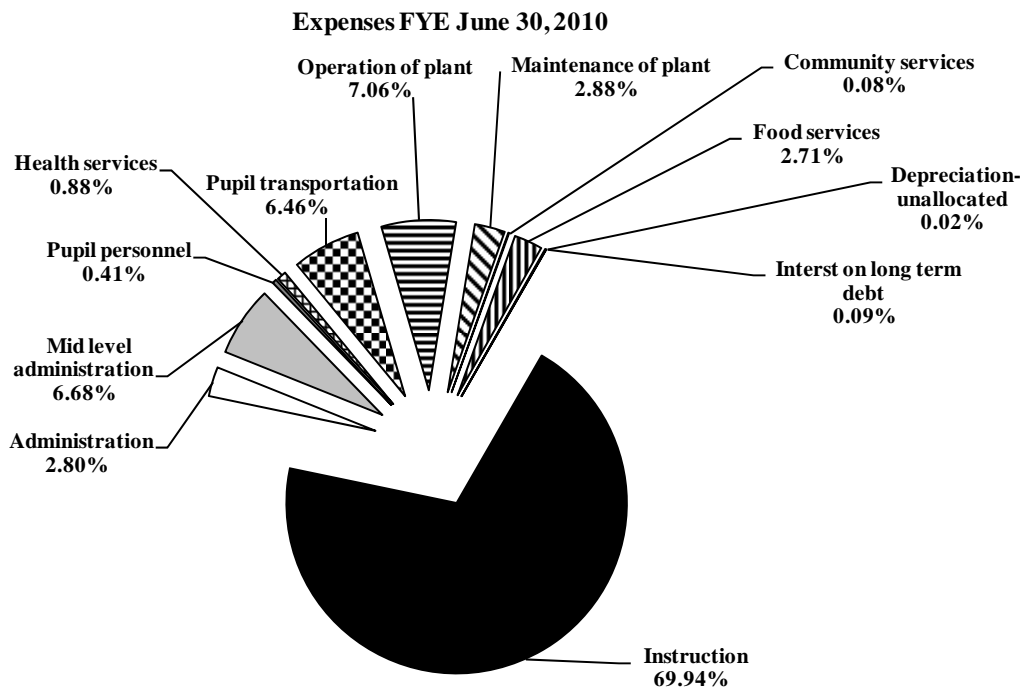
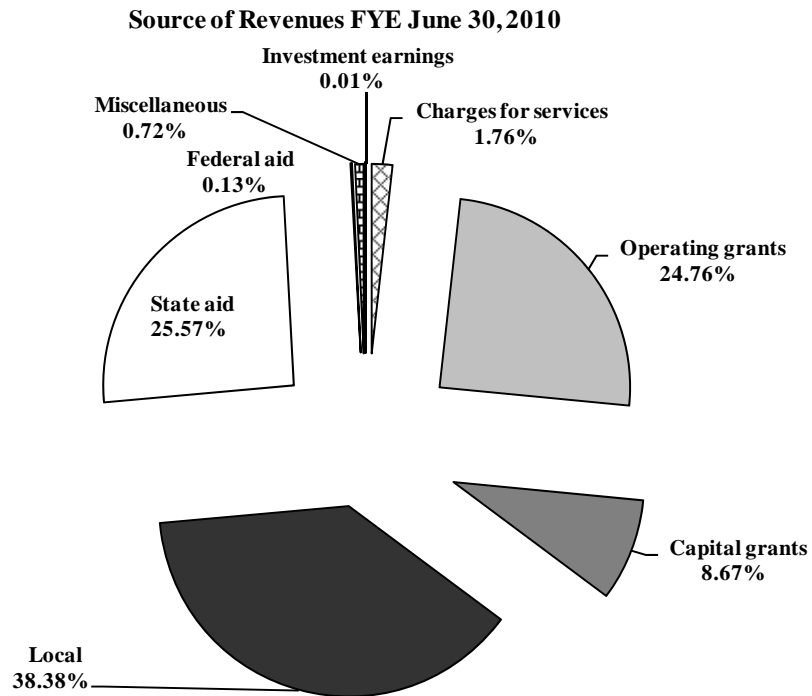
Total revenues decreased by 4.92% from the prior year, as shown on the table below. This decrease is attributable to operating grants and state aid. HCPS is fiscally dependent on local and state aid to fund its daily operations. State aid is largely formula driven based on student population and wealth. 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 the operating grant funding is from the State and County governments as well.

Expenses decreased by 0.15%. The bulk of the decrease, in terms of dollars, occurred in the Administration and Mid Level Administration categories reflecting decreased costs from lower operating grants to support positions. Other large dollar decreases occurred in operation of Plant and Food Services.

Changes in Net Assets

	June 30, 2011	June 30, 2010	\$ Change	% Change
Revenues				
Program revenues				
Charges for services	\$ 9,694,002	\$ 9,825,325	\$ (131,323)	-1.34%
Operating grants	136,195,979	122,435,621	13,760,358	11.24%
Capital grants	47,666,945	85,054,404	(37,387,459)	-43.96%
Local	211,067,388	210,414,800	652,588	0.31%
State aid	140,638,081	147,509,796	(6,871,715)	-4.66%
Federal aid	695,554	625,283	70,271	11.24%
Miscellaneous	3,960,060	2,486,813	1,473,247	59.24%
Investment earnings	43,075	39,601	3,474	8.77%
Total revenues	549,961,084	578,391,643	(28,430,559)	-4.92%
Expenses				
Instruction	383,639,311	383,382,564	256,747	0.07%
Administration	15,340,652	16,002,536	(661,884)	-4.14%
Mid level administration	36,620,721	37,515,873	(895,152)	-2.39%
Pupil personnel	2,222,690	2,338,402	(115,712)	-4.95%
Health services	4,849,562	5,069,023	(219,461)	-4.33%
Pupil transportation	35,423,950	33,647,222	1,776,728	5.28%
Operation of plant	38,716,053	39,310,381	(594,328)	-1.51%
Maintenance of plant	15,789,251	15,129,880	659,371	4.36%
Community services	451,022	398,983	52,039	13.04%
Food services	14,848,019	15,390,849	(542,830)	-3.53%
Interest on long term debt	512,108	512,893	(785)	-0.15%
Depreciation-unallocated	87,419	89,271	(1,852)	-2.07%
Total expenses	548,500,758	548,787,877	(287,119)	-0.05%
Increase in net assets	\$ 1,460,326	\$ 29,603,766	\$ (28,143,440)	-95.07%

Management's Discussion and Analysis (MD&A)
June 30, 2011



Management's Discussion and Analysis (MD&A)
June 30, 2011

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.

General Fund - Unrestricted (Exhibit 7)

Changes made to the original budget during the fiscal year were inter-categorical transfers made for two purposes; provide for additional non-public placement special education costs and provide additional funds within categories to cover expenditures. Also the State Aid was reduced by \$6.1 million when the Governor substituted federal education jobs funds for state foundation aid funding after the fiscal year began.

	Original Budget	Additions	Reductions	Total Change	Final Budget
REVENUE					
Local	\$ 214,061,789	\$ -	\$ -	\$ -	\$ 214,061,789
State	199,663,261	-	(6,144,622)	(6,144,622)	193,518,639
Federal	650,000	-	-	-	650,000
Earnings on investments	150,000	-	-	-	150,000
Other Sources	2,570,958	-	-	-	2,570,958
Prior year's fund balance	5,432,714	-	-	-	5,432,714
Total revenues	\$ 422,528,722	\$ -	\$ (6,144,622)	\$ (6,144,622)	\$ 416,384,100
EXPENDITURES					
Administration	\$ 11,334,110.00	\$ 105,145	\$ (200,000)	\$ (94,855)	\$ 11,239,255
Mid-Level Administration	25,760,132	-	(205,145)	(205,145)	25,554,987
Instructional Salaries	167,034,492	-	(600,000)	(600,000)	166,434,492
Textbooks	7,969,580	-	-	-	7,969,580
Other Instructional Costs	3,347,357	-	200,000	200,000	3,547,357
Special Education	38,960,597	700,000	-	700,000	39,660,597
Student Personnel Services	1,654,612	-	-	-	1,654,612
Student Health Services	3,334,606	-	30,000	30,000	3,364,606
Student Transportation	29,291,690	-	450,000	450,000	29,741,690
Operation of Plant	31,545,767	-	(585,449)	(585,449)	30,960,318
Maintenance of Plant	11,697,674	585,449	-	585,449	12,283,123
Fixed Charges	89,715,918	(6,624,622)	-	(6,624,622)	83,091,296
Community Services	520,473	-	-	-	520,473
Capital Outlay	361,714	-	-	-	361,714
Total expenditures	\$ 422,528,722	\$ (5,234,028)	\$ (910,594)	\$ (6,144,622)	\$ 416,384,100

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2011

It is critical for the reader to understand that local and state revenues account for 99% of the total General Fund unrestricted revenue. Until recently, both have been stable and highly predictable. In the past few years, as state and local revenues declined with the general condition of the economy, mid-year legislative and executive initiatives resulted in the reduction of revenues.

To facilitate the anticipated County revenue shortfalls this fiscal year, requests were made to all departments and agencies to restrict spending in December 2010 resulting in a reduction of \$2,994,401 in County revenues for the year.

Interest earnings continue to fall well below budget as a result of historic low rates and aggressive cash management by the County in matching our cash demands with their payment schedule to us.

Other revenue is substantially over budget. Included are tuition, facility rental, e-rate rebates, Medicare Part D receipts, dividends from MABE's insurance programs, and payments from health and dental insurance carriers. Major receipt amounts in the miscellaneous revenue account are from the following:

Health/Dental Insurance rebates & settlements	\$2,179,309
Residual flex plan*	35,860
MABE insurance dividend	221,455
Medicare Part D*	817,185
Insurance recoveries	138,077

*Part of the Contribution to the OPEB Investment Trust Fund appropriated for FY11

Always frugal, over the past two years hiring, conference, and other expenditure restrictions implemented early in the fiscal year helped achieve spending 1.83% (one and eighty-three hundredths percent) below budget in FY11.

Capital Asset and Debt Administration (See Notes 2 and 7)

At June 30, 2011 HCPS had over \$707.5 million invested in a broad range of capital assets including land (over 1,952 acres), buildings (over 6.231 million square feet) and improvements, furniture, vehicles and other equipment. Capital assets increased by just over \$34.9 million from the same time last year, excluding the effect of depreciation as shown in the table below. This increase is primarily attributed to the near completion of Red Pump Elementary School scheduled to receive students in August 2011.

	June 30 2011	June 30 2010	\$ Change	% Change
Construction in progress	\$139,089,104	\$201,713,777	(\$62,624,673)	-31.05%
School properties	536,382,485	441,947,687	94,434,798	21.37%
Furniture, fixtures and equipment	32,046,680	28,969,652	3,077,028	10.62%
Total capital assets	<u>\$707,518,269</u>	<u>\$672,631,116</u>	<u>\$34,887,153</u>	<u>5.19%</u>

Management's Discussion and Analysis (MD&A)

June 30, 2011

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 and has no debt policy.

Future Issues

Significant legislation by the federal and state governments has impacted public education in Maryland. The federal “No Child Left Behind” act requires that the all students meet standards and that each school and sub-group of students show adequate yearly progress. In addition it requires that teachers be highly qualified in their content areas.

Maryland enacted the “Bridge to Excellence” statute which requires that each school district adopt a master plan. This plan is to be reviewed by the County governments, and then submitted to the Maryland State Department of Education for approval. A component of the plan is the fiscal impact of each new initiative contained in the plan.

Exacerbating the facilities issues is the anticipation of the expansion of the mission of Aberdeen Proving Ground (APG), the County’s largest employer. Congress approved in its Base Realignment and Closure (BRAC) legislation closing the facility in Fort Monmouth, NJ and relocating it to APG. Despite numerous studies to determine the impact on the region surrounding APG that impact has yet be determined or experienced. The move is to be completed by 2011.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as *other postemployment benefits*, or *OPEB*.

HCPS made several policy changes with respect to benefits provided to retirees and committed to using excess monies in the health insurance rate stabilization account and federal Medicare Part D reimbursement to at least partially fund the OPEB liability. 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. While we have the vehicle to invest OPEB funds the issue will be whether or not the County will fund OPEB contributions to meet our proposed 15 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.

Federal grant programs, notably Education Jobs program, are further clouding the fiscal picture. While the additional funds were welcome, restrictions on their use and the intended purpose of preserving classroom teaching positions are less applicable at HCPS than in other parts of the

Management's Discussion and Analysis (MD&A)

June 30, 2011

nation. We neither reduced the workforce nor imposed furlough days throughout the economic decline. We have reduced positions in the FY 2012 budget.

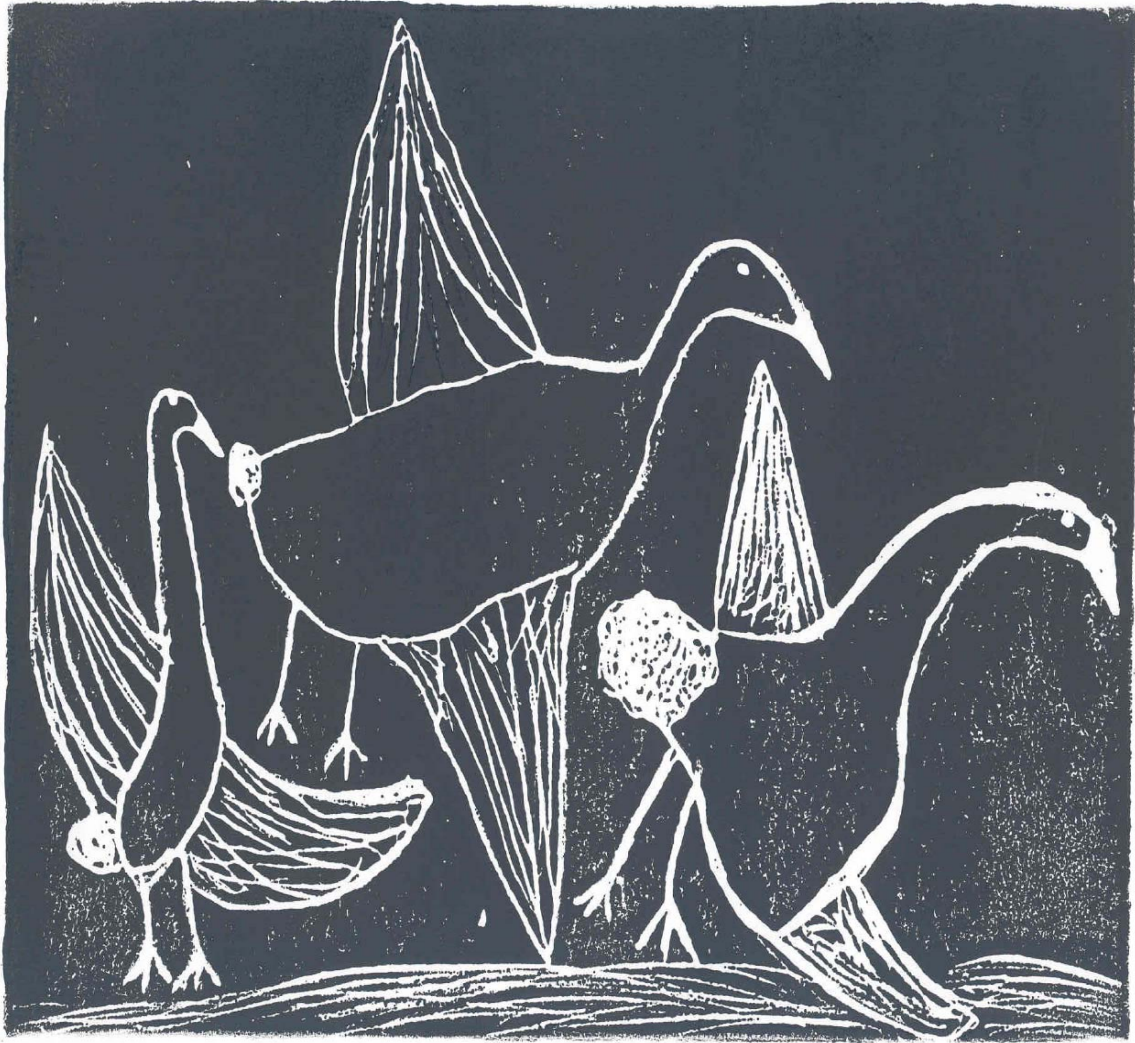
The continuing escalation and unpredictability of energy costs remains a vexing problem for this, and all other districts. By action of the Board a \$915,000 assignment of fund balance was set aside for future energy costs to offset whatever future unanticipated costs will arise.

HCPS has not escaped the souring economy. As both the state and County experience continuing reductions in revenue, a source of relief for them is passing costs off to local Boards of Education. With the stimulus funding made available to public schools some of those reductions were absorbed. Of greatest concern are actions to modifying the maintenance of effort calculation statutorily required by County governments to fund their local school systems, and the transfer of some part of teacher pension costs now paid directly by the State to the local Boards of Education. We will be monitoring the upcoming legislative session to track progress on these issues.

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 the 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 James M. Jewell, Assistant Superintendent of Business Services at (410) 588-5321, or John G. Staab, Director of Finance, (410) 588-5237, at Harford County Public Schools, 102 South Hickory Avenue, Bel Air, Maryland 21014.



Student: Megan Reinhardt Grade 4 Magnolia Elementary School, Teacher Kate Thurlow

Harford County Public Schools

STATEMENT OF NET ASSETS
JUNE 30, 2011

Governmental Activities
ASSETS

Cash and cash equivalents	\$ 7,847,566
Investments	30,102,569
Due from other units of government	7,393,338
Other receivables	7,576,464
Inventory	828,508
Capital assets:	
Construction in progress	139,089,104
School properties	536,382,485
Furniture, fixtures and equipment	32,046,680
Less: accumulated depreciation	<u>(136,711,231)</u>
Total capital assets, net of depreciation	<u>570,807,038</u>
Total assets	<u>624,555,483</u>

LIABILITIES

Accounts payable	7,572,544
Accrued salaries and wages	1,548,044
Payroll taxes payable	247,805
Unearned revenue	6,790,112
Noncurrent liabilities:	
Due within one year	5,038,074
Due in more than one year	<u>143,340,040</u>
Total liabilities	<u>164,536,619</u>

NET ASSETS

Invested in capital assets net of related debt under capital lease	560,834,110
Restricted for:	
Food services	2,408,567
Capital projects	7,454,370
Unrestricted	<u>(110,678,183)</u>
Total net assets	<u>\$ 460,018,864</u>

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

Harford County Public Schools

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<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 Assets</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
Instruction:					
Regular education	\$ 289,527,210	\$ 1,470,601	\$ 64,030,416	\$ 46,732,555	\$ (177,293,638)
Special education	94,112,101	-	47,398,156	-	(46,713,945)
Total Instruction	<u>383,639,311</u>	<u>1,470,601</u>	<u>111,428,572</u>	<u>46,732,555</u>	<u>(224,007,583)</u>
Support services					
Administration	15,340,652	-	1,658,779	67,338	(13,614,535)
Mid level administration	36,620,721	-	3,636,579	-	(32,984,142)
Pupil personnel services	2,222,690	-	162,292	-	(2,060,398)
Health services	4,849,562	-	-	-	(4,849,562)
Pupil transportation	35,423,950	-	10,913,056	770,891	(23,740,003)
Operation of plant	38,716,053	-	-	96,161	(38,619,892)
Maintenance of plant and equipment	15,789,251	-	1,155,175	-	(14,634,076)
Community services	451,022	348,335	8,115	-	(94,572)
Food services	14,848,019	7,875,066	7,233,411	-	260,458
Interest on long-term debt	512,108	-	-	-	(512,108)
Depreciation - unallocated	87,419	-	-	-	(87,419)
Total Support Services	<u>164,861,447</u>	<u>8,223,401</u>	<u>24,767,407</u>	<u>934,390</u>	<u>(130,936,249)</u>
Total governmental activities	<u>\$ 548,500,758</u>	<u>\$ 9,694,002</u>	<u>\$ 136,195,979</u>	<u>\$ 47,666,945</u>	<u>(354,943,832)</u>
General revenues:					
Local appropriations					211,067,388
State Aid - unrestricted					140,638,081
Federal Aid - unrestricted					695,554
Miscellaneous					3,960,060
Unrestricted investment earnings					43,075
Total general revenues					<u>356,404,158</u>
Change in net assets					1,460,326
Net assets - beginning of year					<u>458,558,538</u>
Net assets - end of year					<u>\$ 460,018,864</u>

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

Harford County Public Schools
**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Current Expense (General)	Food Services (Special Revenue)	School Construction (Capital Projects)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,916,356	\$ 2,931,210	\$ -	\$ 7,847,566
Investments	30,102,569	-	-	30,102,569
Due from other units of government	788,941	438,112	6,166,285	7,393,338
Other receivables	7,557,231	-	19,233	7,576,464
Due from other funds	1,276,920	-	6,351,997	7,628,917
Inventory	330,629	497,879	-	828,508
Total assets	\$ 44,972,646	\$ 3,867,201	\$ 12,537,515	\$ 61,377,362
LIABILITIES				
Accounts payable	\$ 2,957,020	\$ 181,714	\$ 4,433,810	\$ 7,572,544
Accrued salaries and wages	1,548,044	-	-	1,548,044
Payroll taxes payable	247,805	-	-	247,805
Due to other funds	6,351,997	1,276,920	-	7,628,917
Unearned revenue	6,140,777	-	649,335	6,790,112
Compensated absences payable	1,608,183	-	-	1,608,183
Total liabilities	18,853,826	1,458,634	5,083,145	25,395,605
FUND BALANCES				
Nonspendable	-	293,985	-	293,985
Assigned	12,976,296	2,114,582	7,454,370	22,545,248
Unassigned	13,142,524	-	-	13,142,524
Total fund balances	26,118,820	2,408,567	7,454,370	35,981,757
Total liabilities and fund balances	\$ 44,972,646	\$ 3,867,201	\$ 12,537,515	\$ 61,377,362

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

Harford County Public Schools

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total fund balances - governmental funds (Exhibit 3)	\$ 35,981,757
Amounts reported for governmental activities in the statement of net assets are different because:	
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 \$707,518,269 and the accumulated depreciation is \$136,711,231.	570,807,038
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 (\$26,856,188), an obligation under capital lease (\$9,972,928) and Net OPEB Obligation (\$109,940,815).	(146,769,931)
Total net assets - governmental activities (Exhibit 1)	<u><u>\$ 460,018,864</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
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Food Services Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
<u>Intergovernmental Revenues</u>				
Local sources	\$ 211,067,388	\$ -	\$ 30,433,302	\$ 241,500,690
State sources	227,608,399	294,283	14,750,023	242,652,705
Special state and federal programs	41,992,250	-	-	41,992,250
Federal sources	695,554	6,933,911	-	7,629,465
Earnings on investments	43,075	59	-	43,134
Charges for services	-	7,875,066	-	7,875,066
Miscellaneous revenues	5,778,996	5,158	2,483,620	8,267,774
Total revenues	<u>487,185,662</u>	<u>15,108,477</u>	<u>47,666,945</u>	<u>549,961,084</u>
Expenditures				
<u>Current</u>				
Administrative services	10,473,256	-	-	10,473,256
Mid level administrative services	25,181,576	-	-	25,181,576
Instructional salaries	165,998,028	-	-	165,998,028
Instructional textbooks and supplies	7,316,383	-	-	7,316,383
Other instructional costs	3,173,335	-	-	3,173,335
Special education	39,674,326	-	-	39,674,326
Student personnel services	1,609,786	-	-	1,609,786
Health services	3,199,451	-	-	3,199,451
Pupil transportation services	29,521,761	-	-	29,521,761
Operation of plant	28,912,745	-	-	28,912,745
Maintenance of plant and equipment	11,756,843	-	-	11,756,843
Fixed charges	116,528,217	-	-	116,528,217
Community services	403,017	-	-	403,017
Special state and federal programs	41,992,250	-	-	41,992,250
Costs of operation - food services	-	14,911,193	-	14,911,193
Capital outlay	356,566	-	47,763,925	48,120,491
Total expenditures	<u>486,097,540</u>	<u>14,911,193</u>	<u>47,763,925</u>	<u>548,772,658</u>
Excess (deficit) of revenues over expenditures	1,088,122	197,284	(96,980)	1,188,426
Net change in fund balances	1,088,122	197,284	(96,980)	1,188,426
Fund balances - beginning of year	25,030,698	2,195,732	7,551,350	34,777,780
Increase in nonspendable fund balance	-	15,551	-	15,551
Fund balances - end of year	<u><u>\$ 26,118,820</u></u>	<u><u>\$ 2,408,567</u></u>	<u><u>\$ 7,454,370</u></u>	<u><u>\$ 35,981,757</u></u>

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

Harford County Public Schools

***RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES***

FOR THE YEAR ENDED JUNE 30, 2011

Total net change in fund balances - governmental funds (Exhibit 5)	\$ 1,188,426
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 (\$39,436,255) exceeds depreciation expense (\$ 12,439,769) and loss on disposal of assets (\$46,167).	26,950,319
Capital lease provides current financial resources to government funds but increases long-term liabilities in the statement of net assets. 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 assets. In the current year, the net effect of capital lease borrowings and repayment was \$311,714.	311,714
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 used exceeded the amounts earned by \$722,316.	722,316
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.	(27,728,000)
In the statement of activities, all inventories are charged to expense as goods are used in operations (the consumption method). However, in the government funds, the value of U.S.D.A. commodities is recorded as an expenditure at the time the inventory is acquired (the purchase method) and reflected as a reservation of fund balance. The increase in the amount of fund balance reserved for inventory during the year was \$15,551.	15,551
Change in net assets of governmental activities (Exhibit 2)	<u><u>\$ 1,460,326</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 FISCAL YEAR ENDED JUNE 30, 2011**

	Unrestricted				Restricted			
	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues								
Intergovernmental Revenues								
Local	\$ 214,061,789	\$ 214,061,789	\$ 211,067,388	\$ (2,994,401)	\$ -	\$ -	\$ -	\$ -
State	199,663,261	193,518,639	193,284,423	(234,216)	-	-	-	-
Federal	650,000	650,000	695,554	45,554	-	-	-	-
Special state and federal	-	-	-	-	34,722,098	49,320,762	41,571,808	(7,748,954)
Earnings on investments	150,000	150,000	31,377	(118,623)	-	-	-	-
Other Sources	2,570,958	2,570,958	5,778,996	3,208,038	-	-	-	-
Fund balance at July 1, 2010 - assigned for fiscal year ended June 30, 2011	5,432,714	5,432,714	5,432,714	-	-	-	-	-
Total revenues	\$ 422,528,722	\$ 416,384,100	416,290,452	\$ (93,648)	\$ 34,722,098	\$ 49,320,762	\$ 41,571,808	\$ (7,748,954)
Expenditures								
Current								
Administrative services	\$ 11,334,110	\$ 11,239,255	10,395,971	\$ 843,284	\$ 563,882	\$ 925,552	\$ 653,379	\$ 272,173
Mid-level administration	25,760,132	25,554,987	25,183,383	371,604	375,194	589,875	383,578	206,297
Instructional salaries	167,034,492	166,434,492	165,998,028	436,464	4,474,199	5,199,037	4,104,105	1,094,932
Instructional textbooks and supplies	7,969,580	7,969,580	7,623,673	345,907	775,441	1,304,734	854,313	450,421
Other instructional costs	3,347,357	3,547,357	3,088,587	458,770	1,888,384	2,814,010	1,849,342	964,668
Special education	38,960,597	39,660,597	39,615,340	45,257	18,163,703	20,764,140	16,910,043	3,854,097
Student personnel services	1,654,612	1,654,612	1,608,766	45,846	-	-	-	-
Student health services	3,334,606	3,364,606	3,193,276	171,330	-	-	-	-
Student transportation	29,291,690	29,741,690	29,521,664	220,026	23,640	59,780	62,491	(2,711)
Operation of plant	31,545,767	30,960,318	28,984,446	1,975,872	-	-	-	-
Maintenance of plant	11,697,674	12,283,123	11,902,488	380,635	-	-	-	-
Fixed charges	89,715,918	83,091,296	80,892,625	2,198,671	7,896,276	16,611,448	15,733,371	878,077
Community services	520,473	520,473	403,017	117,456	-	-	-	-
Capital outlay	361,714	361,714	356,566	5,148	561,379	1,052,186	1,021,186	31,000
Total expenditures	\$ 422,528,722	\$ 416,384,100	408,767,830	\$ 7,616,270	\$ 34,722,098	\$ 49,320,762	\$ 41,571,808	\$ 7,748,954
Excess of revenues over expenditures			7,522,622					
Transfer to health care rate stabilization fund			(1,777,773)					
Excess of revenues over expenditures and transfer			5,744,849					
Total fund balance at July 1, 2010			16,477,503					
Assigned fund balance at July 1, 2010 (recognized as revenue above)			(5,432,714)					
Total fund balance			16,789,638					
Fund balance at June 30, 2011 - assigned			(10,693,609)					
Fund balance at June 30, 2011 - unassigned			\$ 6,096,029					

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

Harford County Public Schools

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	Retiree Health Plan Trust	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 15,251,604	\$ 2,897,527
Total assets	<u>15,251,604</u>	<u>2,897,527.0</u>
Liabilities		
Scholarship funds payable	-	88,704
School activity funds payable	-	2,808,823
Total liabilities	<u>-</u>	<u>2,897,527</u>
Net Assets		
Held in trust for retiree health plan benefits	<u>15,251,604</u>	<u>-</u>
Total net assets	<u>\$ 15,251,604</u>	<u>\$ -</u>

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

Harford County Public Schools

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Retiree Health Plan Trust
Additions	
Contributions	\$ 2,053,746
Net investment portfolio results	2,248,840
Total additions	<u>4,302,586</u>
Deductions	
Administrative expenses	<u>13,488</u>
Total deductions	<u>13,488</u>
Net increase	4,289,098
Net fiduciary assets as of July 1, 2010	<u>10,962,506</u>
Net fiduciary assets as of June 30, 2011	<u><u>\$ 15,251,604</u></u>

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 by virtue of the County's responsibility for levying taxes and its budgetary control over the Board of Education. Accordingly, the financial statements of the Board are included in the financial statements of Harford County.

The accounting policies of Harford County Public Schools conform to generally accepted accounting principles (GAAP) for governmental units. Significant accounting policies employed by the Board are as follows:

Government-Wide and Fund Financial Statements

The Statement of Net Assets 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 interfund 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 fund financial statements. The Board has no proprietary funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are 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.

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

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting.

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

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

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) - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

School Construction Fund (Capital Projects Fund) - Capital projects funds are 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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Scholarship and School Funds (Agency Fund) - Agency funds are used to account for assets held by the Board in a trustee capacity. Scholarship funds account for monies that have been donated for scholarships until awarded. The school funds account for student activities such as student clubs, yearbooks and field trips. These funds are the direct responsibility of the principals of the respective schools.

Retiree Health Plan Trust Fund – This fund was established to prefund other postemployment benefits (OPEB) that the Board provides to retirees and their dependents of Harford County Public Schools.

Applicability of Accounting Pronouncements

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 as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins.

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. 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 fair 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 equipment.

Assets which 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.

Budgets and Budgetary Accounting

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

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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

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 as reservations of the fund balance. The other principal difference is that under the budgetary basis, certain designations of the prior year's fund balance are treated as revenue of the current period. 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.

Operating Budget (General Fund)

- 1) In early June, 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) At the regular monthly meetings in October and November, the Board will establish its priorities for the operating budget.
- 3) At the regular monthly meeting in December, 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) At the regular monthly meeting in January, 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.
- 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 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 category level.
- 9) Requests 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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

Food Services Fund Budget (Special Revenue Fund)

The Food Service Fund Budget is not a legally adopted budget and, therefore, a budget to actual presentation is not included in the basic financial statements. The comparison with actual revenues and expenditures is presented as a supplementary schedule to these financial statements. Revenue from Federal sources in the Food Services Fund includes \$977,981 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.

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 reservations of fund balances since they do not constitute expenditures or liabilities.

Cash and Investments

A. Cash on Hand

At year end, cash on hand for petty cash and change funds was \$238.

B. Deposits

As of June 30, 2011, the book and bank balances of cash were \$10,744,855 and \$13,749,720, respectively. The bank balance of \$13,749,720 was 100% covered by Federal Depository Insurance and or collateralized with federal government backed securities held in the pledging bank's trust department in the Board's name. The Board has a contractual arrangement with the bank for funds to be transferred daily from investment in a repurchase agreement to cover checks as presented.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments (continued)

C. 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 Maryland Local Government Investment Pool, which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G 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. In addition, the net asset value of the pool, marked-to-market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. 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.

At June 30, 2011 the Board's investment balances were as follows:

	Fair Value
Maryland Local Government Investment Pool	\$ 30,102,569
Total Investments	<u>\$ 30,102,569</u>

D. Reconciliation of cash and investments as shown on the Statement of Net Assets:

Cash on hand	\$ 238
Carrying amount of deposits	25,996,459
Carrying amount of investments	30,102,569
Total cash and investments	<u>56,099,266</u>
Less: Amounts in fiduciary funds	18,149,131
Total Cash and Investments Per Statement of Net Assets	<u>\$ 37,950,135</u>
Cash and cash equivalents	\$ 7,847,566
Investments	30,102,569
Total Cash and Investments Per Statement of Net Assets	<u>\$ 37,950,135</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments (continued)

Investment 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 of Education’s exposure to fair value losses arising from increasing interest rates, the Board of Education’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 of Education’s management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Board of Education from having to sell investments below original cost for that purpose. The investments at June 30, 2011, complied with the Board of Education’s investment policy as of that date.

Investment income includes the following for the year ended June 30, 2011:

Net interest and dividends	\$ 43,075
Less: Restricted net investment income	59
Total Net Investment Income Per Statement of Activities	\$ 43,134

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 Maryland Local Government Investment Pool, 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 US Treasury securities, repurchase agreements, US 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. As of June 30, 2011, all of the Board of Education’s investments were insured or registered, or were held by the custodian in the Board of Education’s name or were invested in MLGIP. The Board’s policy is that all investments must be fully collateralized. As of June 30, 2011, the Board’s investments were not exposed to custodial credit risk.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments (continued)

Investment in External Investment Pool

The Board has funds designated for Other Postemployment Benefits that are held by Maryland Association of Boards of Education (MABE). As of June 30, 2011, MABE held \$15,251,604 in cash and cash equivalents in the investment pool for the Board. The investment policy of MABE is set and monitored by MABE's Board of Trustees. MABE primarily invests in registered securities and mutual funds.

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 receivable 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 at June 30, 2011. Therefore, no valuation allowance is provided against the amounts due.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable food and supplies held for consumption. The cost is recorded as an asset at the time individual inventory items are purchased. Inventory is charged to expenditures as the inventory is consumed, except for USDA commodities inventory which is recorded as expenditures as the inventory is acquired.

Compensated Absences

At June 30, 2011, annual and sick leave earned, applicable to governmental fund types, but not taken by Board of Education employees, was \$28,464,371. This amount is based on vested accumulated leave as of June 30, 2011, for personnel 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 of 200 days. An accrual in the amount of \$1,608,183 was made in the General Fund for the year ended June 30, 2011. This amount was an estimate of the accumulated annual and sick leave which will be paid to retirees at the beginning of the fiscal year ending June 30, 2012. The remaining liability for accumulated annual and sick leave earned in the amount of \$26,856,188 is reported as a noncurrent liability in the Government-wide financial statements.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets and Fund Equity

The difference between fund assets and liabilities is “Net Assets” on the government-wide and fiduciary fund statements and “Fund Balance” on governmental fund statements. Net Assets are classified as “Invested in Capital Assets, Net of Related Debt,” legally “Restricted” for a specific purpose or “Unrestricted” and available for appropriation for general purposes.

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. Committed fund balance represents amounts that are reserved for a particular purpose by the Board and would require action by the Board to release the fund balance from its commitment. Assigned fund balance represents tentative management plans that are subject to change.

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 disclosure 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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifi- cations	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,672,942	\$ -	\$ -	\$ 9,672,942
Construction in progress	201,713,777	31,898,924	(94,523,597)	139,089,104
Total capital assets not being depreciated	<u>211,386,719</u>	<u>31,898,924</u>	<u>(94,523,597)</u>	<u>148,762,046</u>
Capital assets being depreciated:				
Land improvements	9,045,370	1,865,713	1,061,674	11,972,757
Buildings	423,229,375	2,401,081	89,106,330	514,736,786
Furniture and equipment	28,969,652	3,270,537	(193,509)	32,046,680
Total capital assets being depreciated	<u>461,244,397</u>	<u>7,537,331</u>	<u>89,974,495</u>	<u>558,756,223</u>
Less accumulated depreciation for:				
Land improvements	3,040,755	496,826	-	3,537,581
Buildings	109,771,018	9,093,878	(4,355,594)	114,509,302
Furniture and equipment	15,962,624	2,849,065	(147,341)	18,664,348
Total accumulated depreciation	<u>128,774,397</u>	<u>12,439,769</u>	<u>(4,502,935)</u>	<u>136,711,231</u>
Total capital assets being depreciated, net	<u>332,470,000</u>	<u>(4,902,438)</u>	<u>94,477,430</u>	<u>422,044,992</u>
Governmental activities capital assets, net	<u>\$543,856,719</u>	<u>\$ 26,996,486</u>	<u>\$ (46,167)</u>	<u>\$570,807,038</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - CAPITAL ASSETS (continued)

Depreciation expense for the year ended June 30, 2011 was charged to governmental functions as follows:

Depreciation not allocated to specific functions	\$ 87,419
Administration	633,022
Mid-level administration	4,502
Instruction	7,183,582
Special education	8,673
Pupil service	9,164
Transportation	827,090
Operations	2,357,168
Maintenance	1,120,186
Food service	208,963
	<hr/>
Total	<u><u>\$ 12,439,769</u></u>

The Board has active school construction projects as of June 30, 2011 as follows:

Project:	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Joppatowne High	\$ 169,450	\$ -
Campus Hills Elementary	1,106,605	160,809
John Archer	83,045	-
Red Pump Elementary	25,875,255	1,713,351
Southampton Middle HVAC	1,146,575	40,366
Youth's Benefit Elementary Modernization	1,615,693	40,153
Deerfield Elementary Modernization	29,642,784	88,991
Edgewood High Modernization	76,050,334	792,962
Hickory Annex Modular Building	388,499	127,336
Dublin Elementary Boiler	20,460	250,140
Bel Air Elementary Chiller	100,515	322,358
Havre de Grace High HVAC	559,089	1,818,160
Fallston High Wastewater Treatment	1,926,768	843,411
Waste Water Treatment Plant	404,032	2,732,027
	<hr/>	<hr/>
Total	<u><u>\$ 139,089,104</u></u>	<u><u>\$ 8,930,064</u></u>

These projects are financed primarily by 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, 2011

NOTE 3 - 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.

The differences between the two methods are set forth below:

Revenues (non-GAAP budgetary basis) (unrestricted and restricted)	\$ 457,862,260
Fund balance at June 30, 2011 designated for current year's expenditures	(5,432,714)
Revenues adjusted by encumbrances of expenditure driven grants	420,442
Pension contributions made directly by State	34,323,976
Interest earned on rate stabilization deposit	<u>11,698</u>
Revenues (GAAP basis)	<u>\$ 487,185,662</u>

Expenditures (non-GAAP budgetary basis) (unrestricted and restricted)	\$ 450,339,638
Encumbrance adjustments (net)	122,310
Changes in value of rate stabilization fund	1,311,616
Pension contributions made directly by State	<u>34,323,976</u>
Expenditures (GAAP basis)	<u>\$ 486,097,540</u>

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

Unassigned fund balance (non-GAAP budgetary basis)	\$ 6,755,360
Cumulative effect of:	
Revenues adjusted by encumbrances of expenditure driven grants	(365,872)
Rate stabilization receivable	<u>7,412,367</u>
Unassigned fund balance (GAAP basis)	<u>\$ 13,142,855</u>

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

Assigned fund balance (non-GAAP budgetary basis)	\$ 10,693,609
Encumbrances	<u>2,282,687</u>
Assigned fund balance (GAAP basis)	<u>\$ 12,976,296</u>

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4 - FUND BALANCES

Non-spendable and assigned fund balances as of June 30, 2011:

	General Fund
Assigned Fund Balance	
Encumbrances	\$ 2,282,687
Fiscal year 2012 expenditures	8,294,472
Fiscal year 2012 OPEB contribution	258,971
Future health insurance call	1,225,166
Emergency fuel reserve	915,000
Total	\$ 12,976,296
	Food Services Fund
Nonspendable Fund Balance	
Inventory – U.S.D.A.	\$ 293,985
Total	\$ 293,985

Non-spendable fund balance reports resources that cannot be spent because of their form, or due to legal or contractual requirements. 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, 2011. Assigned fund balance records the portion of fund balance that reflects the Board’s intended use of resources. Assigned fund balance can be established by either the Board or Assistant Superintendent of Business Services. Unlike committed fund balance, formal action is not required to impose, remove, or modify assigned fund balance.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 5 - PENSION PLANS

Plan Description

The Board's employees are covered by the Teachers Retirement System of the State of Maryland, the Teachers Pension System of the State of Maryland or The Employees Retirement System of the State of Maryland. These systems are part of the Maryland State Retirement and Pension System (the State System), and are cost-sharing multiple-employer public employee retirement systems. The State System provides pension, death and disability benefits to plan members and beneficiaries. The State of Maryland pays a substantial portion of employer contributions on behalf of the Board. The plan is administered by the State Retirement Agency (the Agency).

Responsibility for the administration and operation of the State System is vested in a 12-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issued a publicly available financial report that includes basic financial statements and required supplementary information for the State System. The report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202, or by calling 410-625-5555.

The State Personnel and Pensions Article requires active members to contribute to the State System at the rate of 5% or 7% of their covered salary depending upon the retirement option selected. Harford County Public Schools is required to contribute at an actuarially determined rate. The State's contributions on behalf of the Board for the years ended June 30, 2011, 2010, and 2009 were \$34,323,976, \$31,578,248 and \$26,419,617, respectively, which were equal to the required contributions for each year. The Board's contribution for the years ended June 30, 2011, 2010 and 2009 were \$4,630,306, \$3,469,631 and \$2,985,775 respectively, which were equal to the required contributions for each year.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Board provides medical, dental and life insurance benefits to eligible employees who retire from employment with the Harford County Public School System. 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 provided that they have at least 10 years service with the Harford County Public Schools and are under 65 years of age. The school system pays premiums for these plans limited to 80% or 90% based on the health plan chosen. Supplemental coverage for retirees 65 years of age and older are also paid up to 90% of premiums for such coverage. The medical benefits paid by the Board for the year ended June 30, 2011 was \$15,360,571. As of June 30, 2011, 1,896 of approximately 2,082 eligible participants were receiving benefits.

Dental Benefits - The Board pays 90% of dental coverage for retirees with at least 10 years service. The dental benefits paid by the Board for the year ended June 30, 2011 was \$813,030. As of June 30, 2011, 1,914 of approximately 2,082 eligible participants were receiving benefits.

Life Insurance Benefits - The Board pays 90% of the life insurance premiums for retirees with at least 10 years of service with the amount of insurance coverage reducing from \$20,000 upon retirement to \$10,000 five years after retirement. The life insurance benefits paid by the Board for the year ended June 30, 2011 was \$227,301. As of June 30, 2011, 1,814 of approximately 2,082 eligible participants were receiving benefits.

Annual OPEB Cost and Net OPEB Obligation

The Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation:

Annual required contribution	\$ 46,040,000
Interest on net OPEB obligation	3,700,000
Amortization of net OPEB obligation	(3,704,000)
Annual OPEB cost (expense)	<u>46,036,000</u>
Contributions made	<u>18,308,000</u>
Increase in net OPEB obligation	27,728,000
Net OPEB obligation - beginning of year	82,212,815
Net OPEB obligation - end of year	<u>\$ 109,940,815</u>

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 6 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(continued)

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 was as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/11	\$46,036,000	39.8%	\$109,940,815

Funded Status and Funding Progress

As of July 1, 2010, the plan was 2.05 percent funded. The actuarial accrued liability for benefits was \$534,277,000, and the actuarial value of assets was \$10,962,506, resulting in an unfunded actuarial accrued liability (UAAL) of \$523,314,494. The covered payroll (annual payroll of active employees covered by the plan) was \$278,479,993, and the ratio of the UAAL to the covered payroll was 187.92 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2011

NOTE 6 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(continued)

Significant valuation methods and assumptions are as follows:

Valuation Date	July 1, 2010
Actuarial Cost Method	Projected Unit Credit method
Amortization Method	Level percentage of projected pay over a 28-year period
Asset Valuation Method	Market value
Actuarial Assumptions:	
Discount Rate	4.50%
Investment Rate of Return	8.00% per year compounded annually
Payroll Growth Rate	3%
Healthcare Cost Trend Rates:	
Medical and prescription	8.00% initial year of valuation (not applicable to Life) 4.2% final year of valuation (not applicable to Life)
Dental	5.0%

The actuarial value of assets was determined using market value of assets. The trust is assumed to earn 8% interest and contributions are assumed to be made in the middle of the year. The unfunded liability was amortized over a closed period of 28 years using level percentage of pay for FY11.

Schedule of Funding Progress

Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2008	\$ 12,136,368	\$ 361,962,000	\$ 349,825,632	3.35%	\$ 274,153,946	127.60%
July 1, 2008	12,136,368	589,795,000	577,658,632	2.06%	278,038,509	207.76%
July 1, 2009	10,233,348	626,155,000	615,921,652	1.63%	278,636,614	221.05%
July 1, 2010	10,962,506	534,277,000	523,314,494	2.05%	278,479,993	187.92%

Valuations prior to June 30, 2008 were not valued in accordance with GASB Statement No. 43.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Balance at			Balance at	
	July 1,	Increase	Reductions	June 30,	Due Within
	2010			2011	One Year
Capital lease	\$ 10,284,642	\$ -	\$ 311,714	\$ 9,972,928	\$ 327,235
Compensated absence	28,856,490	3,955,802	4,347,921	28,464,371	4,710,839
OPEB obligation	82,212,815	46,036,000	18,308,000	109,940,815	-
Total Governmental Activities	\$121,353,947	\$ 49,991,802	\$ 22,967,635	\$148,378,114	\$ 5,038,074

Compensated absences have typically been liquidated by the General Fund in prior years.

The Board entered into lease agreements as lessee to construct the administration building in the amount of \$11,400,223, which was completed in January 2007. The lease agreement is for a period of twenty-five years. The asset acquired and capitalized under the capital lease is as follows:

Building cost	\$ 10,852,395
Less accumulated depreciation	1,193,764
Net Book Value	<u>\$ 9,658,631</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

<u>Years Ending June 30,</u>	
2012	\$ 823,822
2013	823,822
2014	823,822
2015 – 2019	4,119,110
2020 – 2024	4,119,110
2025 – 2029	4,119,110
2030	823,822
Total minimum lease payments	<u>15,652,618</u>
Less:	
Amount representing interest	5,679,690
Present Value of Minimum Lease Payments	<u>\$ 9,972,928</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 8 - 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. The Board is a member of the Maryland Association of Boards of Education Group Liability Insurance Pool and the Workmen's Compensation Self Insurance Fund.

These pools are self insurance funds for the various member Maryland Boards of Education. The pools were organized for the purpose of minimizing the cost of insurance and related administrative expenses.

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

NOTE 9 - CONTINGENCIES AND COMMITMENTS

The Board has also been named as defendant in several lawsuits, the outcome of which is 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.

The Board leases certain properties for storage and other uses under long-term operating leases. Expenditures for rent under operating leases amounted to approximately \$122,107 for the year ended June 30, 2011.



Student: Hanna Taylor Grade 12 Bel Air High School; Teacher Laura Crocker

**HARFORD COUNTY PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
FOR OTHER POSTEMPLOYMENT BENEFIT PLAN
June 30, 2011**

Schedule of Funding Progress

Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2008	\$ 12,136,368	\$ 361,962,000	\$ 349,825,632	3.35%	\$ 274,153,946	127.60%
July 1, 2008	\$ 12,136,368	\$ 589,795,000	\$ 577,658,632	2.06%	\$ 278,038,509	207.76%
July 1, 2009	\$ 10,233,348	\$ 626,155,000	\$ 615,921,652	1.63%	\$ 278,636,614	221.05%
July 1, 2010	\$ 10,962,506	\$ 534,277,000	\$ 523,314,494	2.05%	\$ 278,479,993	187.92%

Valuations prior to June 30, 2008 were not valued in accordance with GASB Statement No. 43.



Student: Mark Niedswicke Grade 8 Southampton Middle School, Teacher Sue Ellen North

Harford County Public Schools
**FOOD SERVICE FUND
(SPECIAL REVENUE FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE COMPARED TO BUDGET (NON-GAAP BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Cafeteria sales	\$ 8,459,585	\$ 7,875,066	\$ (584,519)
<u>Federal Aid</u>			
School Lunch Program	3,978,975	4,495,396	516,421
School Breakfast Program	1,070,634	1,261,525	190,891
Other Programs	98,800	199,009	100,209
U.S.D.A. Commodities	850,000	977,981	127,981
Total federal aid	5,998,409	6,933,911	935,502
<u>State Aid</u>			
Child Feeding Program	318,240	294,283	(23,957)
Interest earned	25,000	59	(24,941)
Miscellaneous revenues	-	5,158	5,158
			-
Total revenues	<u>\$ 14,801,234</u>	15,108,477	302,085
Expenditures			
Salaries and wages	5,309,932	5,268,532	41,400
Contracted services	232,500	370,102	(137,602)
Supplies and materials	6,261,983	6,300,309	(38,326)
Other charges	1,816,509	1,850,906	(34,397)
Furniture and equipment	330,310	249,881	80,429
U.S.D.A. commodities	850,000	962,430	(112,430)
Total expenditures	<u>\$ 14,801,234</u>	15,002,160	(200,926)
Deficit of revenues over expenditures		106,317	<u>\$ 503,011</u>
Total fund balance at July 1, 2010		2,165,871	
Increase (decrease) in nonspendable fund balance - U.S.D.A. inventory		15,551	
Total fund Balance		<u>2,287,739</u>	
Nonspendable fund balance - U.S.D.A. inventory - end of year		<u>(293,985)</u>	
Fund balance at June 30, 2011 - unassigned		<u>\$ 1,993,754</u>	

Harford County Public Schools

**SCHOOL CONSTRUCTION FUND
(CAPITAL PROJECTS FUND)
SCHEDULE OF EXPENDITURES BY PROJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Construction in Progress - By Project

Campus Hills Elementary	300-1901	\$ 356,141
Red Pump Elementary	300-4901	17,756,897
Patterson Mill Middle/High School	300-8701	63,703
Aberdeen High School Addition	305-7005	115,228
Joppatowne High School Gymnasium	305-8108	2,454
Deerfield Elementary Modernization	310-2010	4,392,983
Joppatowne Elementary Modernization	310-3710	640,443
Aberdeen High North Building	310-7110	204,886
Bel Air High Modernization	310-7310	1,884,316
Edgewood High Modernization	310-7610	9,950,523
North Harford High Modernization	310-8010	165,481
John Archer Modernization	310-9110	16,972
Prospect Mill Elem. Remedial Capacity Renovations	315-2915	15,903
North Harford Middle Renovations	315-8315	21,500
Technology Education Lab Refresh	315-9017	73,664
Music Technology Labs	315-9019	1,338
Data Center Air Conditioning	325-0183	3,844
Ring Factory Elementary Roof	325-4525	246,894
Southampton Middle HVAC	325-7468	529,542
Havre de Grace High HVAC	325-7868	562,460
Fallston High Roof	325-8225	114,099
North Harford Middle School HVAC	325-8368	24,780
Roofing Projects	325-9025	908
Harford Technical High School Athletic Fields	330-0462	41,664
Bel Air Elementary Improvements	330-1432	413,470
Board of Education Dais	340-0144	17,703
Relocatables	340-9041	456,695
Technology Wiring	350-9051	10,295
Technology Refresh	350-9057	2,940,507
Integrated Business Systems	350-9058	67,338
Bel Air Elementary Chiller	360-1463	100,515
Dublin Elementary Boiler	360-2273	20,460
Fallston High Waste Water Treatment Plant	360-8276	742,411
Environmental Compliance	360-9065	78,208
Alarms	360-9074	19,722
Maintenance Replacement Vehicles	360-9075	500,616
Septic Pretreat Facility	360-9077	1,482,363
Backflow Prevention	360-9078	73,886
Storm Water Management, Erosion and Sediment Control	360-9079	105,679
ADA Improvements	360-9080	69,303
Paving - New	360-9081	16,745
Paving - Overlay and Maintenance	360-9082	1,000,000
Bleachers	360-9084	73,825
Building Envelope Improvements	360-9085	184,085
Athletic Fields	360-9162	67,548
HVAC Major Repairs	360-9968	304,392
William S. James Elementary Playground	390-1395	59,474
Abingdon Elementary Playground	390-2395	88,458
Fountain Green Elementary Playground	390-2795	83,520
Forest Lakes Elementary Playgound	390-2895	53,519
Hickory Elementary Playground	390-3395	85,627
North Harford Elementary Playground	390-4495	88,022
Furniture	390-9092	134,396
Buses	390-9096	482,097
Music Refresh	390-9097	22,457
Security Cameras	390-9098	157,484
Textbooks	390-9793	306,085
CTE Equipment Refresh	390-9990	127,451
Swimming Pools	391-9095	142,946
		\$ 47,763,925

Harford County Public Schools

AGENCY FUNDS SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2011

School Activity Funds

	Balance <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2011</u>
<u>Elementary Schools</u>				
Abingdon	\$ 14,783	\$ 29,511	\$ 30,613	\$ 13,681
Bakerfield	24,862	21,333	23,048	23,147
Bel Air	6,161	19,887	16,804	9,244
Church Creek	11,889	23,256	22,310	12,835
Churchville	9,809	15,959	16,852	8,916
Darlington	5,347	14,924	12,413	7,858
Deerfield	127,492	67,531	69,763	125,260
Dublin	14,640	9,804	9,295	15,149
Edgewood	14,504	17,243	16,287	15,460
Emmorton	37,071	41,020	37,272	40,819
Forest Hill	6,895	27,139	26,309	7,725
Forest Lakes	20,026	22,376	16,956	25,446
Fountain Green	17,592	29,135	27,121	19,606
George D. Lisby at Hillsdale	13,332	41,628	37,784	17,176
Hall's Cross Roads	22,267	33,102	34,744	20,625
Harford Glen	4,035	4,437	5,520	2,952
Havre de Grace	20,077	36,667	33,500	23,244
Hickory	40,146	55,372	60,400	35,118
Homestead-Wakefield	7,059	67,028	72,679	1,408
Jarrettsville	28,118	40,955	45,892	23,181
John Archer	46,656	32,438	30,968	48,126
Joppatowne	17,287	27,510	25,203	19,594
Magnolia	12,071	15,840	16,858	11,053
Meadowvale	4,494	26,160	18,063	12,591
Norrisville	13,718	11,294	10,980	14,032
North Bend	13,104	35,667	37,864	10,907
North Harford	18,695	61,055	62,541	17,209
Prospect Mill	15,578	49,687	44,107	21,158
Ring Factory	29,105	48,923	60,115	17,913
Riverside	20,690	43,444	44,895	19,239
Roye-Williams	18,924	19,505	20,359	18,070
William S. James	20,714	74,164	67,842	27,036
William Paca - Old Post	15,705	16,919	13,982	18,642
Youth's Benefit	16,718	57,796	64,878	9,636
Total elementary schools	<u>709,564</u>	<u>1,138,709</u>	<u>1,134,217</u>	<u>714,056</u>

Harford County Public Schools

AGENCY FUNDS SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2011

School Activity Funds

	Balance <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2011</u>
<u>Middle Schools</u>				
Aberdeen	75,916	113,137	109,507	79,546
Bel Air	82,436	200,188	197,819	84,805
Edgewood	44,575	125,315	121,862	48,028
Fallston	79,547	132,458	143,104	68,901
Havre de Grace	34,638	82,265	90,933	25,970
Magnolia	46,246	69,694	83,101	32,839
North Harford	47,966	160,904	158,871	49,999
Patterson Mill	31,692	120,995	119,544	33,143
Southampton	60,262	214,654	198,655	76,261
Total middle schools	<u>503,278</u>	<u>1,219,610</u>	<u>1,223,396</u>	<u>499,492</u>
<u>High Schools</u>				
Aberdeen	150,518	425,369	424,592	151,295
Alternative Education	72,678	51,114	102,539	21,253
Bel Air	199,102	448,425	424,272	223,255
C. Milton Wright	191,357	472,948	465,718	198,587
Edgewood	103,915	293,978	278,502	119,391
Fallston	106,029	427,337	399,947	133,419
Harford Technical	180,792	672,570	670,310	183,052
Havre de Grace	101,765	295,956	232,550	165,171
Joppatowne	74,576	177,246	177,343	74,479
North Harford	184,724	395,263	382,190	197,797
Patterson Mill	67,995	509,367	449,786	127,576
Total high schools	<u>1,433,451</u>	<u>4,169,573</u>	<u>4,007,749</u>	<u>1,595,275</u>
Total - all School Activity Funds	<u>2,646,293</u>	<u>6,527,892</u>	<u>6,365,362</u>	<u>2,808,823</u>
Scholarship Funds	<u>78,711</u>	<u>10,023</u>	<u>30</u>	<u>88,704</u>
Total - Agency Funds	<u>\$ 2,725,004</u>	<u>\$ 6,537,915</u>	<u>\$ 6,365,392</u>	<u>\$ 2,897,527</u>

Harford County Public Schools

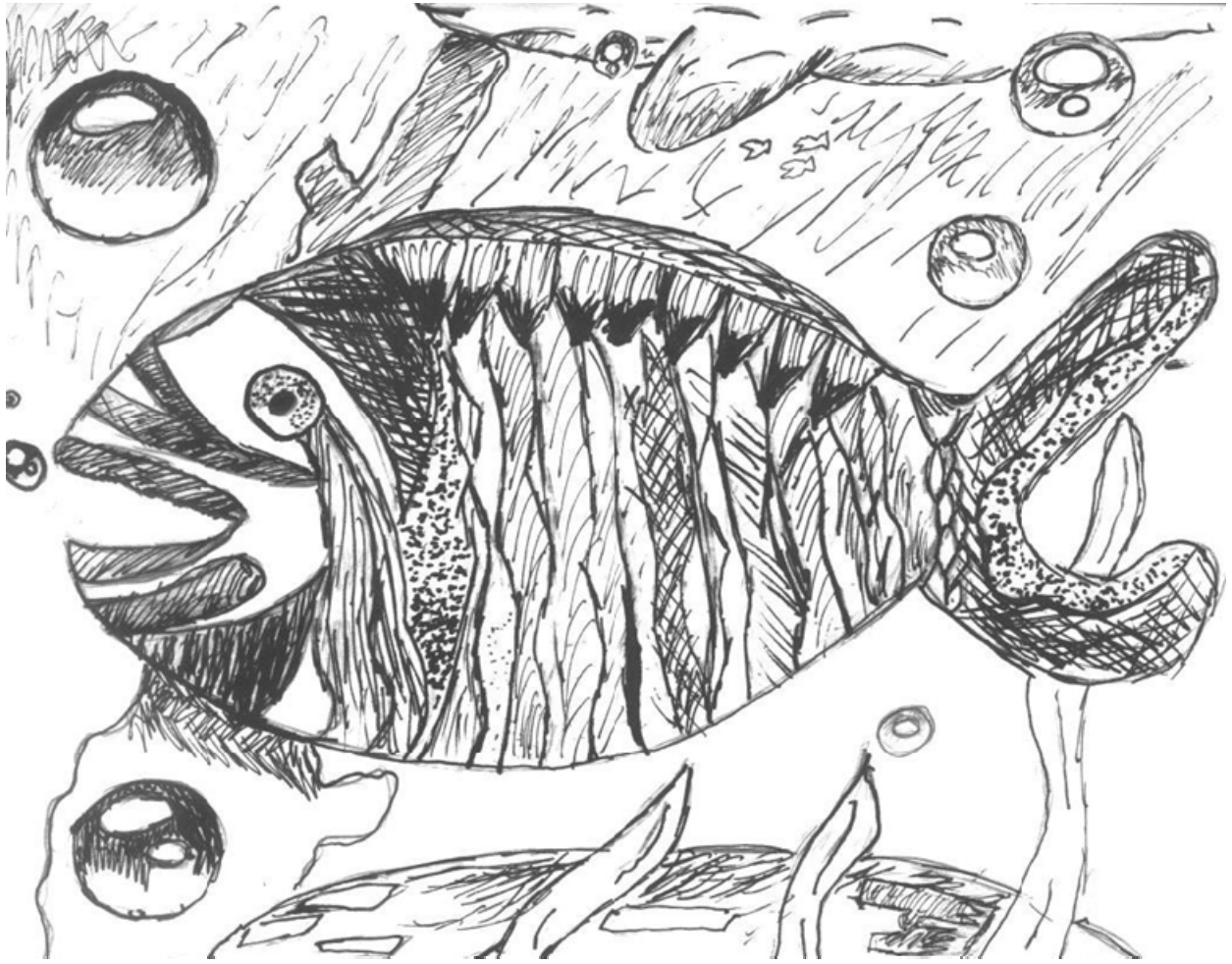
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
JUNE 30, 2011

	Scholarship Funds	Student Activity Funds	Total Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 88,704	\$ 2,646,293	\$ 2,734,997
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 88,704</u>	<u>\$ 2,646,293</u>	<u>\$ 2,734,997</u>
Liabilities			
Scholarship funds payable	\$ 88,704	\$ -	\$ 88,704
School activity funds payable	-	2,646,293	2,646,293
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 88,704</u>	<u>\$ 2,646,293</u>	<u>\$ 2,734,997</u>

Harford County Public Schools

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
SCHOLARSHIP FUNDS				
ASSETS				
Cash and cash equivalents	\$ 78,711	\$ 10,023	\$ 30	\$ 88,704
LIABILITIES				
Scholarship funds payable	\$ 78,711	\$ 10,023	\$ 30	\$ 88,704
STUDENT ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,646,293	\$ 6,525,881	\$ 6,363,351	\$ 2,808,823
LIABILITIES				
Student activity funds payable	\$ 2,646,293	\$ 6,525,881	\$ 6,363,351	\$ 2,808,823
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,725,004	\$ 6,535,904	\$ 6,363,381	\$ 2,897,527
LIABILITIES				
Scholarship funds payable	\$ 78,711	\$ 10,023	\$ 30	\$ 88,704
Student activity funds payable	2,646,293	6,525,881	6,363,351	\$ 2,808,823
Total Liabilities	2,725,004	\$ 6,535,904	\$ 6,363,381	\$ 2,897,527



Student: Sophia Tobio Grade 7 Havre de Grace Middle School, Teacher Laura Buscemi

Statistical Section

This part of HCPS' comprehensive annual 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 district's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the district's financial performance and well-being have changed over time.</i>	66 - 69
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.</i>	70 - 72
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services it provides and activities it performs. This section also contains data for largest employers in the County.</i>	73 - 76

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year after June 30, 2004 and from the Independent Auditors' Report, Financial Statements and Supplemental Information for the relevant year prior to that.

Harford County Public Schools

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	\$160,480	\$181,349	\$196,877	\$224,456	\$265,089	\$297,606	\$379,249	\$472,628	\$533,572	\$560,834
Restricted for food services	2,075	2,446	2,848	3,005	2,976	2,699	2,456	2,066	2,196	2,408
Restricted for capital projects	-	-	-	-	-	25	8,072	5,802	7,551	7,454
Unrestricted	(20,762)	(22,021)	(20,828)	(11,933)	(4,063)	1,827	(16,540)	(51,542)	(84,761)	(110,678)
Total governmental activities net assets	<u>\$141,793</u>	<u>\$161,774</u>	<u>\$178,897</u>	<u>\$215,528</u>	<u>\$264,002</u>	<u>\$302,157</u>	<u>\$373,237</u>	<u>\$428,954</u>	<u>\$458,558</u>	<u>\$460,018</u>

Harford County Public Schools
Changes in Net Assets Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Functions/Programs										
Expenses										
Governmental activities:										
Instruction:										
Regular education	\$174,675	\$187,371	\$191,404	\$200,144	\$229,007	\$247,876	\$277,212	\$290,266	\$294,136	\$289,527
Special education	36,762	39,276	40,855	47,269	54,113	60,048	69,664	77,461	89,247	94,112
Total Instruction	<u>211,437</u>	<u>226,647</u>	<u>232,259</u>	<u>247,413</u>	<u>283,120</u>	<u>307,924</u>	<u>346,876</u>	<u>367,727</u>	<u>383,383</u>	<u>383,639</u>
Support services										
Administration	7,112	7,212	8,443	9,101	11,094	13,474	15,093	15,934	15,989	15,341
Mid level administration	22,761	22,884	23,341	25,130	28,393	31,195	35,358	36,855	37,516	36,621
Pupil personnel services	1,450	1,411	1,485	1,504	1,777	1,948	2,198	2,312	2,338	2,223
Health services	2,418	2,662	2,605	3,434	3,487	4,106	4,740	5,103	5,069	4,850
Pupil transportation	16,970	18,048	19,310	20,884	23,234	25,716	31,197	32,724	33,647	35,424
Operation of plant	21,154	21,504	23,562	24,925	27,912	31,282	36,304	37,614	39,310	38,716
Maintenance of plant and equipment	8,807	8,898	9,945	10,489	11,671	12,742	14,528	14,522	15,130	15,789
Community services	318	362	319	420	434	498	499	480	399	451
Food services	8,557	9,558	10,332	11,329	12,229	13,519	14,179	15,144	15,391	14,848
Interest on long-term debt	-	-	-	-	814	567	554	541	527	512
Depreciation - unallocated	103	107	107	103	103	94	89	89	89	87
Total Support Services	<u>89,650</u>	<u>92,646</u>	<u>99,449</u>	<u>107,319</u>	<u>121,148</u>	<u>135,141</u>	<u>154,739</u>	<u>161,318</u>	<u>165,405</u>	<u>164,862</u>
Total governmental activities	<u>301,087</u>	<u>319,293</u>	<u>331,708</u>	<u>354,732</u>	<u>404,268</u>	<u>443,065</u>	<u>501,615</u>	<u>529,045</u>	<u>548,788</u>	<u>548,501</u>
Program revenues										
Charges for services:										
Regular education	841	859	928	1,133	1,529	1,500	1,730	1,688	1,648	1,471
Community services	288	250	324	378	439	466	488	415	338	348
Food services	6,084	6,328	6,658	7,186	7,666	8,132	8,348	8,059	7,839	7,875
Operating grants and contributions	56,590	59,861	64,773	69,930	79,547	89,364	102,132	106,729	122,436	136,196
Capital grants and contributions	23,249	29,005	20,599	38,598	56,320	47,943	101,153	104,871	85,054	47,667
Total governmental activities program revenues	<u>87,052</u>	<u>96,303</u>	<u>93,282</u>	<u>117,225</u>	<u>145,501</u>	<u>147,405</u>	<u>213,851</u>	<u>221,762</u>	<u>217,315</u>	<u>193,557</u>
Total governmental net expense	<u>(214,035)</u>	<u>(222,990)</u>	<u>(238,426)</u>	<u>(237,507)</u>	<u>(258,767)</u>	<u>(295,660)</u>	<u>(287,764)</u>	<u>(307,283)</u>	<u>(331,473)</u>	<u>354,944</u>
General Revenues and Other Changes in Net Assets										
General revenues:										
Local appropriations	138,335	146,051	148,150	154,047	175,415	189,415	199,615	206,979	210,415	211,067
State Aid	89,590	96,272	105,600	112,468	125,158	138,061	152,542	153,313	147,510	140,638
Federal Aid	401	421	386	371	411	443	340	279	625	696
Miscellaneous	1,510	93	1,293	2,060	5,464	4,525	5,083	2,204	2,487	3,960
Unrestricted investment earnings	318	134	120	323	793	1,371	1,264	226	40	43
Total general revenues	<u>230,154</u>	<u>242,971</u>	<u>255,549</u>	<u>269,269</u>	<u>307,241</u>	<u>333,815</u>	<u>358,844</u>	<u>363,001</u>	<u>361,077</u>	<u>356,404</u>
Change in Net Assets	<u>16,119</u>	<u>19,981</u>	<u>17,123</u>	<u>31,762</u>	<u>48,474</u>	<u>38,155</u>	<u>71,080</u>	<u>55,718</u>	<u>29,604</u>	<u>1,460</u>
Net assets - beginning of year	125,674	141,793	161,774	178,897	215,528	264,002	302,157	373,237	428,955	458,559
Adjustment to Restate Beginning Net Assets	-	-	-	4,869	-	-	-	-	-	-
Net assets - beginning of year, as Restated	<u>125,674</u>	<u>141,793</u>	<u>161,774</u>	<u>183,766</u>	<u>215,528</u>	<u>264,002</u>	<u>302,157</u>	<u>373,237</u>	<u>428,955</u>	<u>458,559</u>
Net assets - end of year	<u>\$141,793</u>	<u>\$161,774</u>	<u>\$178,897</u>	<u>\$215,528</u>	<u>\$264,002</u>	<u>\$302,157</u>	<u>\$373,237</u>	<u>\$428,955</u>	<u>\$458,559</u>	<u>\$460,019</u>

Harford County Public Schools
Fund Balances of Governmental Funds Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Assigned	\$1,945	\$2,911	\$3,409	\$3,523	\$4,230	\$5,338	\$2,937	\$2,261	\$2,405	\$12,976
Unassigned	2,045	910	2,778	7,635	16,188	22,128	16,152	18,113	22,626	13,143
Total general fund	<u>\$3,990</u>	<u>\$3,821</u>	<u>\$6,187</u>	<u>\$11,158</u>	<u>\$20,418</u>	<u>\$27,466</u>	<u>\$19,089</u>	<u>\$20,374</u>	<u>\$25,031</u>	<u>\$26,119</u>
All other governmental funds										
Non Spendable - Special										
Revenue Fund	\$160	\$150	\$339	\$277	\$239	\$160	\$122	\$186	\$278	\$294
Assigned - reported in:										
Special revenue fund	1,915	2,295	2,509	2,729	2,737	2,539	2,334	1,880	1,918	2,115
Capital projects fund	-	-	-	-	-	25	8,072	5,802	7,551	7,454
Total all other governmental funds	<u>\$2,075</u>	<u>\$2,445</u>	<u>\$2,848</u>	<u>\$3,006</u>	<u>\$2,976</u>	<u>\$2,724</u>	<u>\$10,528</u>	<u>\$7,868</u>	<u>\$9,747</u>	<u>\$9,863</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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Intergovernmental revenues										
Local	\$154,360	\$164,163	\$167,880	\$177,486	\$224,683	\$228,930	\$278,735	\$299,449	\$275,213	\$241,501
State	124,525	136,685	144,371	168,141	183,301	205,345	245,316	241,878	247,758	242,653
Special state and federal programs	25,508	26,744	22,839	21,833	23,558	24,835	24,881	24,357	33,330	41,992
Federal	3,608	3,870	4,401	4,711	5,036	5,177	5,358	5,907	6,860	7,629
Earnings on investments	350	159	137	501	1,066	1,530	1,348	235	40	43
Charges for services	6,084	6,328	6,658	7,186	7,666	8,132	8,348	8,059	7,839	7,875
Donation of land from county	-	-	-	3,063	-	-	-	-	-	-
Miscellaneous revenues	2,771	1,325	2,545	3,574	7,432	7,271	8,709	4,878	7,352	8,268
Total revenues	317,206	339,274	348,831	386,495	452,742	481,220	572,695	584,763	578,392	549,961
Expenditures										
Current										
Administrative services	5,687	5,615	6,205	6,781	8,381	9,906	10,732	11,044	10,708	10,473
Mid level administrative services	17,154	17,707	17,428	18,638	21,411	23,592	25,282	25,556	25,417	25,182
Instructional salaries	114,172	118,502	122,904	126,644	143,325	158,371	167,938	168,953	166,084	165,998
Instructional textbooks and supplies	5,471	5,596	5,512	6,070	8,584	9,885	9,962	8,405	7,758	7,316
Other instructional costs	1,554	1,640	1,912	2,208	2,409	2,103	2,848	3,406	2,904	3,173
Special education	19,627	20,329	22,459	23,921	27,764	31,751	35,782	38,054	39,030	39,674
Student personnel services	1,083	1,123	1,131	1,180	1,373	1,524	1,621	1,629	1,615	1,610
Health services	1,903	1,934	2,124	2,272	2,512	3,047	3,222	3,400	3,255	3,200
Pupil transportation services	15,442	16,293	17,103	18,642	20,632	22,617	26,889	27,321	27,655	29,522
Operation of plant	17,239	18,307	19,238	21,128	23,603	26,036	28,859	29,063	29,129	28,913
Maintenance of plant and equipment	7,047	7,483	8,089	8,511	9,239	10,096	11,269	10,701	11,014	11,757
Fixed charges	52,589	58,769	67,459	72,732	80,122	88,247	112,856	107,605	115,721	116,528
Community services	283	328	293	377	398	455	450	429	352	403
Special state and federal programs	25,508	26,744	22,839	21,833	23,558	24,835	24,880	24,357	33,330	41,992
Costs of operations - food services	8,870	9,601	10,709	11,600	12,652	13,517	13,977	14,435	14,315	14,911
Capital outlay	23,744	29,092	20,846	41,242	66,404	48,395	96,663	111,844	83,662	48,121
Total expenditures	317,373	339,063	346,251	383,779	452,367	474,377	573,230	586,202	571,949	548,773
Excess (deficit) of revenues over expenditures	(167)	211	2,580	2,716	375	6,843	(535)	(1,439)	6,443	1,188
Other financing sources (uses)										
Proceeds from capital lease	-	-	-	2,475	8,893	32	-	-	-	-
Increase (decrease) in nonspendable fund balance	(92)	(10)	188	(62)	(38)	-	(38)	-	92	16
Net change in fund balances	(\$259)	\$201	\$2,768	\$5,129	\$9,230	\$6,875	(\$573)	(\$1,439)	\$6,535	\$1,204

Harford County Public Schools
Enrollment by School and Student to Teacher Ratio
Last Ten Years at September 30,

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Capacity</u>	<u>Capacity</u>
Abingdon Elementary	833	853	836	841	822	751	769	795	766	798	864	92.36%
Bakersfield Elementary	551	506	510	507	463	447	463	477	457	444	500	88.80%
Bel Air Elementary	567	577	525	533	524	505	487	512	508	505	500	101.00%
Church Creek Elementary	743	730	733	754	778	755	736	743	774	781	789	98.99%
Churchville Elementary	408	384	398	383	383	371	359	363	371	376	388	96.91%
Darlington Elementary	145	123	141	137	139	130	126	125	123	123	192	64.06%
Deerfield Elementary	589	639	687	670	584	569	545	520	514	633	816	77.57%
Dublin Elementary	266	258	260	268	239	250	246	247	247	246	295	83.39%
Edgewood Elementary	447	442	458	506	473	422	419	393	434	422	511	82.58%
Emmorton Elementary	544	576	580	617	617	653	667	676	704	732	549	133.33%
Forest Hill Elementary	710	536	580	603	579	585	575	564	579	550	581	94.66%
Forest Lakes Elementary	525	684	675	679	714	707	695	664	682	681	546	124.73%
Fountain Green Elementary	605	616	647	616	664	643	662	651	604	567	571	99.30%
George D. Lisby Elementary at Hillsda	440	391	383	378	347	333	311	350	333	347	455	76.26%
Halls Cross Roads Elementary	401	401	359	364	383	415	437	430	446	492	632	77.85%
Havre de Grace Elementary	505	481	487	461	413	368	373	393	416	424	566	74.91%
Hickory Elementary	674	693	693	667	696	664	693	702	687	720	655	109.92%
Homestead-Wakefield Elementary	992	982	992	970	958	934	919	905	937	937	907	103.31%
Jarrettsville Elementary	480	480	470	455	455	423	443	414	416	434	548	79.20%
Joppatowne Elementary	568	593	564	567	581	522	515	546	548	581	653	88.97%
Magnolia Elementary	596	589	566	574	515	512	526	536	563	466	518	89.96%
Meadowvale Elementary	577	588	602	574	603	571	549	545	538	512	568	90.14%
Norrisville Elementary	192	191	194	184	207	221	206	192	170	181	252	71.83%
North Bend Elementary	503	500	481	470	449	428	399	402	389	401	500	80.20%
North Harford Elementary	498	532	539	534	551	518	502	469	490	453	500	90.60%
Prospect Mill Elementary	839	911	879	907	976	1,008	980	951	931	902	680	132.65%
Ring Factory Elementary	619	596	567	555	541	530	527	500	513	511	548	93.25%
Riverside Elementary	559	544	564	559	554	568	547	504	502	523	522	100.19%
Roye-Williams Elementary	630	620	563	641	577	546	493	426	440	388	683	56.81%
William Paca/Old Post Road Elementa	1,066	1,055	1,033	1,026	1,052	1,044	1,010	1,020	1,005	845	954	88.57%
William S. James Elementary	589	560	526	520	498	496	501	487	481	521	522	99.81%
Youths Benefit Elementary	1,014	1,003	985	1,008	1,029	1,044	1,067	1,072	1,041	1,029	958	107.41%
Total Elementary Schools	18,675	18,634	18,477	18,528	18,364	17,933	17,747	17,574	17,609	17,525	18,723	93.60%
Aberdeen Middle	1,265	1,299	1,293	1,301	1,247	1,207	1,095	1,120	1,095	1,087	1,444	75.28%
Bel Air Middle	1,265	1,429	1,461	1,402	1,434	1,403	1,244	1,249	1,267	1,291	1,318	97.95%
Edgewood Middle	1,331	1,349	1,346	1,275	1,216	1,164	1,151	1,028	1,046	1,022	1,370	74.60%
Fallston Middle	1,118	1,274	1,228	1,224	1,212	1,180	925	905	892	887	1,105	80.27%
Havre de Grace Middle	624	657	650	605	589	599	609	613	584	530	775	68.39%
Magnolia Middle	912	935	903	913	916	869	874	785	795	735	1,073	68.50%
North Harford Middle	1,129	1,226	1,200	1,118	1,123	1,085	1,153	1,134	1,113	1,056	1,243	84.96%
Patterson Mill Middle	-	-	-	-	-	-	735	763	775	753	733	102.73%
Southampton Middle	2,008	1,613	1,541	1,528	1,535	1,549	1,252	1,295	1,256	1,270	1,540	82.47%
Total Middle Schools	9,652	9,782	9,622	9,366	9,272	9,056	9,038	8,892	8,823	8,631	10,601	81.42%
Aberdeen High	1,220	1,250	1,250	1,357	1,543	1,589	1,569	1,504	1,464	1,459	1,370	106.50%
Bel Air High	1,573	1,573	1,649	1,636	1,639	1,683	1,403	1,380	1,431	1,574	1,668	94.36%
C. Milton Wright High	1,840	1,793	1,789	1,911	1,834	1,850	1,746	1,587	1,591	1,555	1,678	92.67%
Edgewood High	1,183	1,226	1,327	1,357	1,316	1,261	1,177	1,123	1,194	1,226	1,380	88.84%
Fallston High	1,651	1,656	1,672	1,635	1,643	1,606	1,453	1,365	1,209	1,113	1,529	72.79%
Harford Technical High	1,014	1,054	1,070	1,069	1,052	1,056	1,056	1,040	1,026	1,024	920	111.30%
Havre de Grace High	663	690	687	705	721	717	769	764	775	745	850	87.65%
Joppatowne High	1,074	1,052	1,051	1,108	1,118	1,063	1,004	969	952	940	1,126	83.48%
North Harford High	1,270	1,370	1,425	1,447	1,445	1,437	1,385	1,367	1,393	1,383	1,603	86.28%
Patterson Mill High	-	-	-	-	-	-	436	701	949	964	1,030	93.59%
Total High Schools	11,488	11,664	11,920	12,225	12,311	12,262	11,998	11,800	11,984	11,983	13,154	91.10%
Total Secondary Schools	21,140	21,446	21,542	21,591	21,583	21,318	21,036	20,692	20,807	20,614	23,755	86.78%
Alternative Education	15	20	30	17	113	139	155	106	76	112	250	44.80%
Restoration Academy (Charter)	-	-	-	-	-	21	78	79	-	-	-	-
John Archer	165	164	154	158	152	160	159	147	143	143	210	68.10%
Total Special Schools	180	184	184	175	265	320	392	344	223	255	460	55.43%
Total All Schools	39,995	40,264	40,203	40,294	40,212	39,571	39,175	38,610	38,639	38,394	42,938	89.42%
Teachers & Therapists Staff (1)	2,486	2,579	2,590	2,357	2,437	2,589	2,809	2,835	2,778	2,789	2,827	
Student/Teacher Ratio	16.09	15.61	15.52	17.10	16.50	15.28	13.95	13.62	13.91	13.77	15.19	

Source: Monthly Report on Enrollment at September 30.

Source (1): Maryland State Department of Education Fact Book for relevant year, estimated for 2011

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

Restoration Academy's charter was revoked after the 2008 school year.

Harford County Public Schools
Enrollment by Grade Last Ten Years

	September 30,									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Elementary School:										
Preschool	66	80	86	83	66	55	53	49	61	-
Prekindergarten	827	836	811	849	825	841	813	825	837	773
Kindergarten	2,804	2,796	2,721	2,653	2,811	2,611	2,823	2,704	2,734	2,681
Grade 1	2,867	2,944	2,948	2,908	2,778	2,849	2,603	2,836	2,736	2,808
2	2,960	2,879	2,904	2,953	2,907	2,756	2,848	2,643	2,873	2,757
3	2,880	3,025	2,923	2,937	2,964	2,894	2,761	2,862	2,670	2,904
4	3,115	2,932	3,068	3,006	2,971	2,947	2,906	2,762	2,925	2,691
5	<u>3,105</u>	<u>3,106</u>	<u>2,978</u>	<u>3,139</u>	<u>3,042</u>	<u>2,980</u>	<u>2,940</u>	<u>2,893</u>	<u>2,773</u>	<u>2,911</u>
Total Elementary Schoc	<u>18,624</u>	<u>18,598</u>	<u>18,439</u>	<u>18,528</u>	<u>18,364</u>	<u>17,933</u>	<u>17,747</u>	<u>17,574</u>	<u>17,609</u>	<u>17,525</u>
Middle School:										
Grade 6	3,305	3,139	3,113	2,983	3,090	2,995	2,948	2,904	2,912	2,791
7	3,268	3,331	3,200	3,137	3,010	3,052	3,042	2,967	2,927	2,928
8	<u>3,079</u>	<u>3,315</u>	<u>3,311</u>	<u>3,249</u>	<u>3,189</u>	<u>3,040</u>	<u>3,090</u>	<u>3,069</u>	<u>2,991</u>	<u>2,923</u>
Total Middle School	<u>9,652</u>	<u>9,785</u>	<u>9,624</u>	<u>9,369</u>	<u>9,289</u>	<u>9,087</u>	<u>9,080</u>	<u>8,940</u>	<u>8,830</u>	<u>8,642</u>
High School:										
Grade 9	3,119	3,214	3,456	3,640	3,508	3,402	3,340	3,285	3,380	3,241
10	3,105	3,007	2,987	3,071	3,220	3,107	3,029	3,005	3,041	3,145
11	2,759	2,792	2,734	2,825	2,931	2,995	2,869	2,841	2,856	2,934
12	<u>2,520</u>	<u>2,629</u>	<u>2,734</u>	<u>2,703</u>	<u>2,748</u>	<u>2,887</u>	<u>2,951</u>	<u>2,806</u>	<u>2,776</u>	<u>2,764</u>
Total High School	<u>11,503</u>	<u>11,642</u>	<u>11,911</u>	<u>12,239</u>	<u>12,407</u>	<u>12,391</u>	<u>12,189</u>	<u>11,937</u>	<u>12,053</u>	<u>12,084</u>
Special Education	<u>216</u>	<u>239</u>	<u>229</u>	<u>158</u>	<u>152</u>	<u>160</u>	<u>159</u>	<u>159</u>	<u>147</u>	<u>143</u>
Total Enrollment	<u><u>39,995</u></u>	<u><u>40,264</u></u>	<u><u>40,203</u></u>	<u><u>40,294</u></u>	<u><u>40,212</u></u>	<u><u>39,571</u></u>	<u><u>39,175</u></u>	<u><u>38,610</u></u>	<u><u>38,639</u></u>	<u><u>38,394</u></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

Other Data Last Ten Fiscal Years

Fiscal Year	Per Pupil Expenditures*		Number of School Bus Riders***	Food Services****	
	Dollars	State Rank**		Breakfasts Served	Lunches Served
2002	7,304	24	33,850	501,288	2,626,581
2003	7,655	24	33,720	516,174	2,683,060
2004	7,816	24	34,140	632,276	2,947,239
2005	8,237	24	35,119	707,951	3,378,561
2006	9,104	23	35,340	791,792	3,527,756
2007	10,247	15	34,226	847,799	3,651,405
2008	11,141	17	33,797	865,842	3,554,739
2009	11,542	18	33,386	902,890	3,531,171
2010	not available		34,236	959,941	3,585,643
2011	not available		33,992	1,064,341	3,667,354

* Source: Maryland State Department of Education

** Ranking of the State's 24 school systems

*** Source: HCPS Department of Transportation

**** Source: HCPS Department of Food and Nutrition Services

**Harford County Public Schools
Student Academic Performance
2010 and 2011 Test Results**

2010 Scholastic Assessment Test (SAT)

	<u>Harford</u>	<u>State</u>	<u>Total Group</u>
	<i>Average Score</i>		
Critical Reading	507	501	501
Math	523	506	506
Writing	483	495	492

2010 High School Assessments (HSA)

	<u>Grade 10</u>		<u>Grade 11</u>		<u>Grade 12</u>	
	<u>Harford</u>	<u>State</u>	<u>Harford</u>	<u>State</u>	<u>Harford</u>	<u>State</u>
	<i>Percent Passing</i>		<i>Percent Passing</i>		<i>Percent Passing</i>	
Algebra	89.4%	82.1%	92.9%	87.5%	93.8%	87.9%
Biology	83.1%	81.7%	88.7%	84.5%	89.1%	87.9%
English	80.5%	77.5%	86.1%	83.3%	83.3%	83.7%
Government	89.2%	84.4%	94.0%	89.1%	95.5%	91.5%

2011 Maryland School Assessments (MSA) - Reading

		<u>Harford</u>	<u>State</u>
		<i>Percent Passing</i>	
Grade 3	Advanced	19.4%	20.5%
	Proficient	67.9%	64.6%
	Basic	12.7%	14.9%
Grade 4	Advanced	32.1%	29.4%
	Proficient	59.8%	59.3%
	Basic	8.0%	11.3%
Grade 5	Advanced	62.0%	55.8%
	Proficient	30.6%	34.4%
	Basic	7.4%	9.8%
Grade 6	Advanced	45.5%	42.8%
	Proficient	41.5%	41.0%
	Basic	13.1%	16.2%
Grade 7	Advanced	48.8%	43.4%
	Proficient	38.8%	40.6%
	Basic	12.4%	16.0%
Grade 8	Advanced	51.1%	45.9%
	Proficient	37.4%	36.8%
	Basic	11.5%	17.3%

2011 Maryland School Assessments (MSA) - Math

		<u>Harford</u>	<u>State</u>
		<i>Percent Passing</i>	
Grade 3	A	32.6%	35.4%
	P	55.5%	50.9%
	B	11.8%	13.7%
Grade 4	A	53.3%	49.7%
	P	39.2%	40.6%
	B	7.5%	9.7%
Grade 5	A	21.5%	22.8%
	P	64.9%	59.4%
	B	13.6%	17.7%
Grade 6	A	34.3%	32.1%
	P	50.5%	48.9%
	B	15.2%	19.0%
Grade 7	A	25.9%	25.4%
	P	52.1%	48.9%
	B	22.0%	25.7%
Grade 8	A	34.8%	32.3%
	P	38.0%	33.7%
	B	27.3%	34.0%

Source: HCPS Office of Accountability, MSDE Maryland Report Card

Harford County Public Schools
Insurance Summary FY 2011

Type of Coverage	Name of Company	Policy Number	Policy Period	Limits
Workers Compensation	MABE Group Self-Insurance Fund	N/A	7/1/10-6/30/11	Statutory up to \$400,000
Excess Workers Compensation	Safety National	SP 4042244	7/1/10-6/30/11	Statutory excess of \$400,000
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/1/10-6/30/11	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Liability	MABE Group Insurance Pool	N/A	7/1/10-6/30/11	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	N/A	7/1/10-6/30/11	\$100,000 combined single limit \$1 million combined single limit for Bus Contractors
Excess School Bus Liability	Lexington Insurance Company	38182963	07/1/10-7/1/11	\$1 million excess of \$1 million **Contracted buses only
Personal Injury Protection	MABE Group Insurance Pool	N/A	7/1/10-6/30/11	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/1/10-6/30/11	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	N/A	7/1/10-6/30/11	\$100,000 per loss
Criminal Proceeding and Intentional Conduct Defense Reimbursement	MABE Group Insurance Pool	N/A	7/1/10-6/30/11	\$50,000 per covered person \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/1/10-6/30/11	\$500,000 per occurrence
Excess Property and Boiler and Machinery	PEPIP	PEPIP1011	7/01/10-6/30/11	\$1 billion per occurrence excess of \$500,000
Crime	Travelers Casualty and Surety Axis Insurance Company	103910757 MON719382012010	7/1/10-6/30/11 7/1/10-6/30/11	\$2,500,000 per loss \$2,500,00 excess of \$Travelers
School Board Legal Liability	MABE Group Insurance Pool	N/A	7/1/10-6/30/11	\$250,000 per occurrence \$5 million per occurrence should sovereign immunity be abrogated
School Board Legal Liability Reinsura	United Educators Insurance	RCN20100430701	7/1/10-6/30/11	\$5,000,000 per occurrence excess of \$250,000
Catastrophic Student Accident	AIG	SRG 0009100979	8/01/10-8/01/11	\$5,000,000 Medical Expense \$1,000,000 Catastrophic Cash

Harford County Public Schools

Facilities Information

	Gross Square Feet	Acres	Year Constructed	Age in Years
Central Offices				
102 S. Hickory	73,122	0.77	2005	6
Hickory Annex	39,930	7.15	various	n/a
Forest Hill Annex	30,315	5.96	various	n/a
45 E. Gordon	14,060	7.38	1882 to 1982	129
Woodbridge Center	-	19.80	n/a	n/a
Box Hill South	-	17.86	n/a	n/a
Special Schools				
Harford Glen	31,647	245.23	1804 to 2000	207
John Archer	63,984	15.00	1971	40
Center for Educational Opportunity	107,087	3.04	1965	46
High Schools				
Aberdeen High	229,000	23.46	2004	7
Bel Air High	262,454	53.17	2009	2
C. Milton Wright High	220,910	60.00	1980	31
Edgewood High	268,354	44.35	2010	1
Fallston High	233,500	62.00	1977	34
Harford Technical High	218,225	55.00	1978	33
Havre de Grace High	144,815	35.00	1955	56
Joppatowne High	184,070	65.16	1972	39
North Harford High	245,238	73.00	1950	61
Patterson Mill High & Middle	265,000	79.85	2007	4
Middle Schools				
Aberdeen Middle	196,800	43.83	1973	38
Bel Air Middle	164,900	25.84	1961	50
Edgewood Middle	166,530	34.86	1965	46
Fallston Middle	130,284	34.59	1993	18
Havre de Grace Middle	102,000	37.34	1967	44
Magnolia Middle	149,100	69.33	1979	32
North Harford Middle	173,728	40.00	1976	35
Southampton Middle	188,134	35.99	1970	41
Elementary Schools				
Abingdon Elementary	91,229	28.49	1992	19
Bakersfield Elementary	65,691	10.00	1961	50
Bel Air Elementary	49,748	6.31	1984	27
Church Creek Elementary	85,801	20.51	1994	17
Churchville Elementary	52,360	6.46	1931	80
Darlington Elementary	24,237	7.89	1938	73
Deerfield Elementary	103,200	20.76	2010	1
Dublin Elementary	44,385	24.69	1941	70
Edgewood Elementary	67,341	36.95	1969	42
Emmorton Elementary	63,000	22.04	1994	17
Forest Hill Elementary	64,722	8.44	2000	11
Forest Lakes Elementary	68,971	20.03	1997	14
Fountain Green Elementary	60,000	23.87	1993	18
George D. Lisby Elementary	56,295	20.01	1968	43
Halls Cross Roads Elementary	63,082	12.73	1943	68
Havre de Grace Elementary	65,085	10.25	1949	62
Hickory Elementary	77,958	33.11	1950	61
Homestead-Wakefield Elementary	115,458	36.53	1958	53
Jarrettsville Elementary	61,275	27.44	1962	49
Joppatowne Elementary	89,985	17.19	1965	46
Magnolia Elementary	59,900	17.00	1975	36
Meadowvale Elementary	69,000	13.26	1959	52
Norrisville Elementary	37,417	11.54	1967	44
North Bend Elementary	60,221	18.23	1991	20
North Harford Elementary	49,703	20.00	1984	27
Prospect Mill Elementary	75,538	15.00	1973	38
Red Pump Elementary	100,573	213.67	2011	-
Ring Factory Elementary	59,132	34.26	1990	21
Riverside Elementary	55,711	13.18	1968	43
Roye Williams Elementary	78,126	28.00	1953	58
William Paca/Old Post Rd. Elementary	112,417	46.00	1964	47
William S. James Elementary	58,500	15.00	1976	35
Youths Benefit Elementary	96,616	26.18	1953	58
Total	6,185,864	2,059.98		

Source: Educational Facilities Master Plan 2010

Harford County Public Schools

Largest Employees

Government Sector:

Aberdeen Proving Ground	16,944
Harford County Public Schools	5,349
Harford County Government	1,938
Harford County Public Library	396

Private Sector:

Upper Chesapeake Health Systems	2,720
Harford Community College	1,219
Rite Aid Mid-Atlantic Customer Distribution Center	1,198
SAIC	788
Jacobs Technology, Inc.	785
Sephora Central Distribution	700
Saks Fifth Avenue	525
Frito-Lay, Inc.	435
CSC	410
American Infrastructure	352
Constar	343

Source: Harford County Chamber of Commerce
January 2011

Compliance Section



Student: Trinity Sprague Grade 9 Harford Technical High School, Teacher Judy Demond



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**Independent Public Accountants' 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 of
Education of Harford County
Bel Air, Maryland

We have audited the basic financial statements of Harford County Public Schools as of and for the year ended June 30, 2011, and have issued our report thereon dated September 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Harford County Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harford County Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Harford County Public Schools' internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harford County Public Schools' financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an



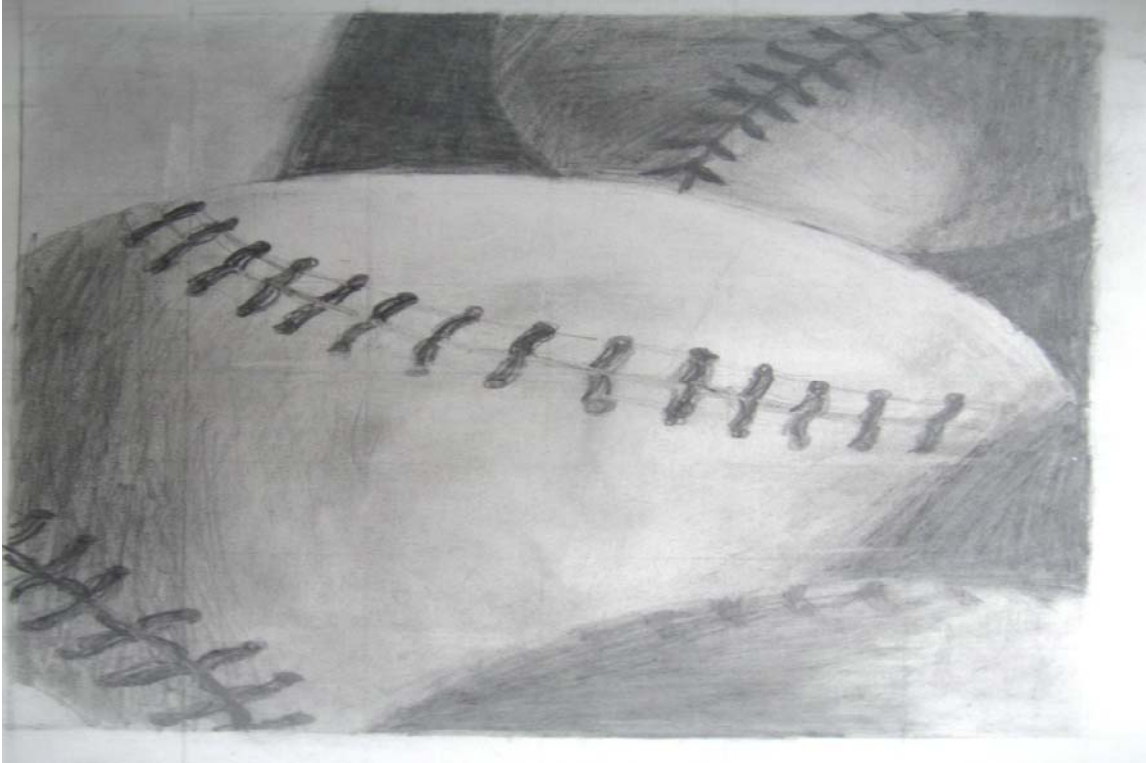
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objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Members of the Board of Harford County Public Schools, management, the Maryland State Department of Education and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

SB & Company, LLC

Hunt Valley, Maryland
September 13, 2011



Student: Tyler Dameron Grade 10 C Milton Wright High School, Teacher Jana Thomas



Student: Marc Badger Grade 10 Fallston High School, Teacher Diane Heuston