

Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2012



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



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

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

2011-2012 Board of Education of Harford County



PICTURED:

Dr. Robert M. Tomback, Francis F. “Rick” Grambo, III, Joseph A. Hau, James D. Thornton, Robert L. Frisch, Cassandra R. Beverley, Esq., Dr. Leonard D. Wheeler, Nancy Reynolds, Ronald Browning*, Alysson L. Krchnavy and Anthony B. Cofrancesco.

*No longer serving

COVER

LEFT: The Bel Air High School National Art Honor Society students recently presented their exceptionally beautiful mural to a very surprised Assistant Chief Donald W. Heinbuch of the Baltimore City Fire Department, a real-life hero. Volunteer service promotes personal growth, team work, responsibility and discipline. However, these students also learned a lot more during this project, like the dangerous and rewarding career of a fireman. The project was a powerful and rewarding experience for the students involved.

RIGHT: The third annual summer camp for English Language Learners (ELL) was held June 18-22 at Harford Glen. The Helping English Language Learners Outreach (H.E.L.L.O) Camp was conceived as a way to provide authentic, real-world experiences for ELLs entering third, fourth and fifth grades, and to give these students opportunities to practice speaking, listening, reading and writing in the English language. With the move to Harford Glen last year, the Camp has allowed young ELLs the chance to interact with the natural world, and the objectives have expanded to include many of the same goals as the Glen itself; including environmental awareness and responsible stewardship of natural resources.

This year’s campers consisted of 35 youngsters originating from such far-flung places as Zambia and Uzbekistan, in addition to many European and Latin American countries. They spoke more than half a dozen different languages and dialects, but English was reinforced as the common language of all. Among the many activities, including hiking, fishing, and stream exploration, the young campers were treated to a presentation by a beekeeper: Jarrettsville Elementary’s own Mr. Dennis Hertzog, who gave the students an up-close look at a beehive. The good folks from the Susquehannock Wildlife Society, led by Scott McDaniel, explained the importance of reptiles, and let the campers hold a live snake! As always, the crew from Harford County Parks and Recreation did an outstanding job teaching co-operation and teamwork on the ropes course.

The camp experience was improved exponentially by our nine camp counselors, all of them HCPS high school students or recent graduates. The staff of Harford Glen, especially Mr. Chris Burley, provided valuable assistance. All in all, it was a great week and a great experience for the multi-lingual campers.

Cover design by Denée Crumrine, Graphic Design & Technical Specialist, HCPS Communications Office.



Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2012

Component Unit of Harford County, Maryland

Prepared by the Division of Business Services
Finance Department

102 South Hickory Avenue
Bel Air, Maryland 21014

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, marital status, genetic identification, political affiliation, or disability in matters affecting employment or in providing access to programs to employees. Inquiries related to the policies of the Board of Education of Harford County should be directed to the Manager of Communications, 410-588-5203.

Harford County Public Schools

Student Contributors for Pictures:

| <u>Student</u> | <u>Grade</u> | <u>School</u> | <u>Page</u> |
|-----------------------|--------------|--|-------------|
| Sabrina Creel | 10 | Aberdeen High school | 1 |
| Katerina Lomis | 4 | Homestead Wakefield Elementary School | 4 |
| Kirsten McDonough | 6 | Bel Air Middle School | 5 |
| Christian Moriarty | 7 | Fallston Middle School | 14 |
| Zymeir Williams | K | William Paca Old Post Road Elementary School | 29 |
| Keynilie Pagan-Davila | 8 | Havre de Grace Middle School | 59 |
| Kristen Bascom | 9 | Harford Technical High School | 60 |
| Kaleb Whiteford | 8 | Edgewood Middle School | 62 |
| Kameron Lewis | 2 | Magnolia Elementary School | 62 |
| Noah Howerton | 6 | North Harford Middle School | 69 |
| Megan Huth | 12 | Havre de Grace High School | 70 |
| Aubrey Coughlin | 10 | C. Milton Wright High School | 85 |
| Khazmere Gibbons | 5 | Joppatowne Elementary School | 85 |
| Maurice Brown | 2 | Prospect Mill Elementary School | 87 |
| Austin Tracey | 11 | Bel Air High School | 87 |



**Sabrina Creel, Grade 10, Aberdeen High School
Teacher: Rick Morris**

Harford County Public Schools

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Harford County Public Schools

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Introductory Section



**Katerina Lomis, Grade 4, Homestead Wakefield Elementary School
Teacher: Jennifer Byrne**

Harford County Public Schools

Vision

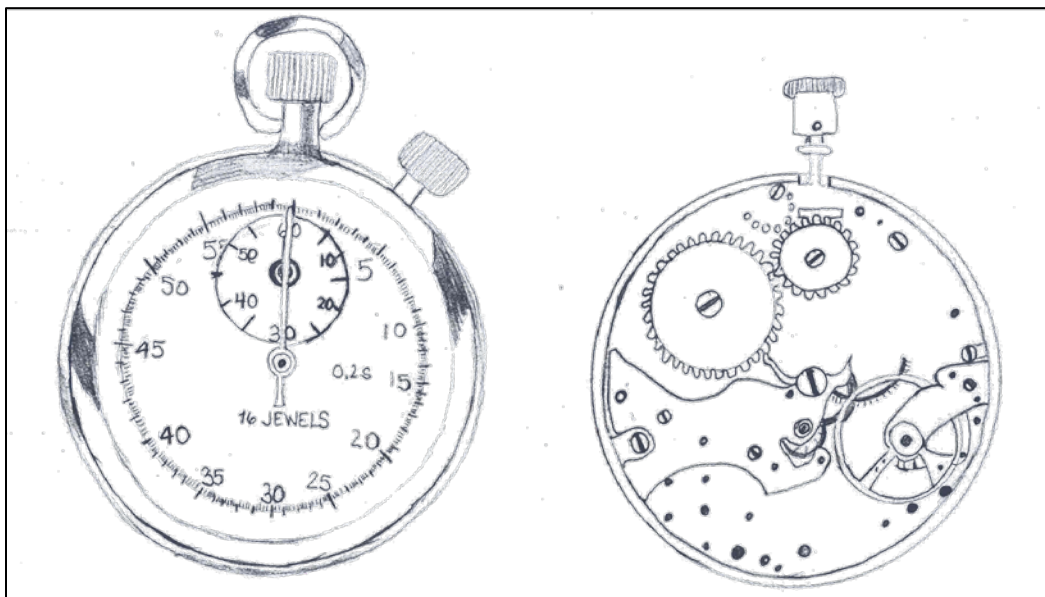
Harford County Public Schools will be a community of learners in which our public schools, families, public officials, businesses, community organizations, and other citizens work collaboratively to prepare all of our students to succeed academically and socially in a diverse, democratic, change-oriented,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

- To prepare every student for success in postsecondary education and a career.
- To encourage and monitor engagement between the school system and the community to support student achievement.
- To hire and support skilled staff who are committed to increasing student achievement.
- To provide safe, secure, and healthy learning environments that are conducive to effective teaching and learning.



**Kirsten McDonough, Grade 6, Bel Air Middle School
Teacher: Claire Parker**

Board of Education of Harford County

The members of the Board as of June 30, 2012, their represented areas, and expiration of their terms are as follows:

| <u>Title</u> | <u>Name</u> | <u>Representation</u> | <u>Term Ends</u> |
|----------------|-------------------------------|---------------------------|------------------|
| President | Leonard D. Wheeler, Ed. D. | Appointed Member-at-Large | 2013 |
| Vice-President | Francis F. "Rick" Grambo, III | Councilmanic District D | 2015 |
| Other members | Robert L. Frisch | Councilmanic District A | 2015 |
| | James D. Thornton | Appointed Member-at-Large | 2015 |
| | Cassandra R. Beverley, Esq. | Councilmanic District B | 2015 |
| | Nancy Reynolds | Appointed Member-at-Large | 2015 |
| | Alysson L. Krchnavy | Appointed Member-at-Large | 2013 |
| | Joseph A. Hau | Appointed Member-at-Large | 2015 |
| | Student member | Anthony B. Cofrancesco | |

Effective July 1, 2009, legislation changed the Board of Education of Harford County from a fully appointed Board to an elected-appointed Board consisting of six elected members and three members appointed by the Governor of the State of Maryland for four-year terms to be phased in over a period of time. For details on Senate Bill 629, visit mlis.state.md.us. In addition, there is a student representative to the Board who serves a one-year term while a high school senior. The student is elected by the Harford County Regional Association of Student Councils.

Administration as of June 30, 2012

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

Joseph A. Schmitz
Executive Director of High School Performance

John G. Staab
Director of Finance

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

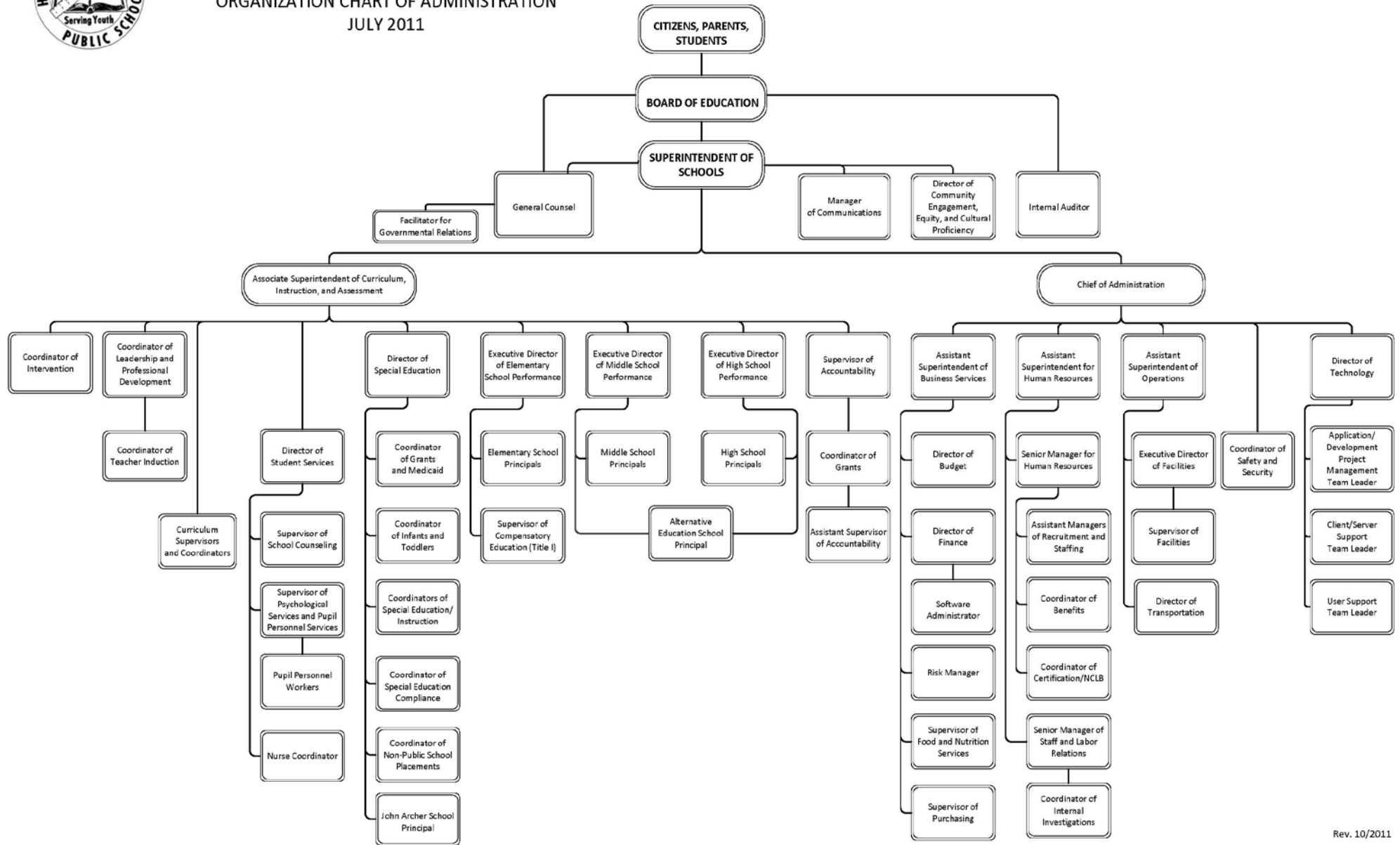
Ann-Marie Spakowski
Director of Special Education



HARFORD COUNTY PUBLIC SCHOOLS

ORGANIZATION CHART OF ADMINISTRATION

JULY 2011



September 30, 2012

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, 2012.

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, 2012. 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

HCPS is a component unit of Harford County Government and financial statements and footnotes will be included in the Harford County Government Comprehensive Annual Financial Report. Harford County Public Schools (HCPS) is a fiscally dependent school system with an

actual enrollment of 38,222 students in fiscal 2012. HCPS is the 140th largest school system of the 17,735 regular school districts in the country when ranked by enrollment.¹ This places HCPS in the top one percent of school districts by size. There are 24 school districts in the State of Maryland and HCPS is ranked 8th in size. The student body will be served by a projected 5,370.0 FTE faculty and staff positions for fiscal 2013.

With the opening of new Red Pump Elementary School in August 2011, Harford County now has 54 public schools and 47 non-public schools² located within the County. Citizens in the County have a choice of public or private schools. 38,222 students attend public schools. The number of students attending private schools is unknown. The 2011 estimated population of Harford County was 246,489³. According to the U.S. Census Bureau, the school-age population in 2011 was 44,614, of which 38,222 or 85.6% attended public schools. School enrollment was 35,963 in 1994 and reached a peak of 40,294 in 2006.

County Government perspective on local economy⁴

There continues to be a tremendous amount of uncertainty regarding the national economy in the immediate and long-term. The federal government has been a positive influence on Maryland and Harford County during the most recent recession. The Base Realignment and Closure (BRAC) process ended in September 2011. Harford County experienced a 2.8 percent increase in employment from June 2010 to June 2011 and wages jumped 8.8 percent from the second quarter of 2010 to the second quarter of 2011. The percent increase in average weekly wages was 5.8 percent greater than the US average for the same period. Harford County's economic outlook into fiscal year 2013 appears stable due to sound fiscal management policies and a history of financial conservatism.

The revenue outlook for fiscal year 2012 remained challenging while preparing the fiscal year 2013 budget. Cuts in State funding to the County, and increased mandates from the State and Federal governments to local jurisdictions played a major influence in the budget revenue estimates. The revenue outlook for fiscal year 2013 is guarded. The County has major concerns about the global economy, the housing market and an unclear picture of both Federal and State finances and their impact on local subdivisions. For a fourth consecutive year, the fiscal year 2013 budget had no pay raises or COLAs for County employees. The County property tax rate did not increase over the fiscal year 2012 rates and for the second time in the County's history fell below the Constant Yield.

The County's largest revenue source remains real property taxes in spite of recent declines in the real estate market. The fiscal year 2012 taxable assessable base resulted in a decrease over the fiscal year 2011 assessable base of 4.6 percent. The assessable base growth rate is expected to decline to a negative 1.3 percent in fiscal year 2013. The reduction in property tax revenue as a

¹ U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey," 2008-09, Version 1a, and "Local Education Agency Universe Survey," 2008-09, Version 1a.

² Maryland State Department of Education Fact Book for the Fiscal Year 2010-2011.

³ U.S. Census Bureau.

⁴ Printed with the approval of the Harford County Government Treasury Department. Excerpt from the Harford County Government CAFR for the year ended June 30, 2012.

result of the declining assessable base will be offset in large part by the reduction in the Homestead Tax Credit. General Fund property tax revenues net of credits are estimated to decrease by 0.5 percent from fiscal year 2012 to fiscal year 2013.

Income tax revenue, the second largest revenue source in the County, which is directly affected by population growth, employment levels and personal income, showed steady growth through fiscal year 2008. Starting in fiscal year 2009 income tax revenues declined. That trend reversed itself in fiscal year 2011 and 2012 with an 8.0 percent increase and 7.6 percent increase of income tax revenue over the prior year using the modified accrual basis of accounting. Modified accrual basis of accounting requires recorded revenue to be received within sixty days of year end. Income tax is budgeted at \$175 million for fiscal year 2013, a 3 percent increase from 2012 actual income tax revenue.

The County must also contend with reductions in revenues tied to the State and affected by Maryland's budget shortfalls. The most significant revenue reductions have been Highway User tax revenue. There has been a 94 percent reduction in Highway User revenue from fiscal year 2009 through fiscal year 2012 with no sign of a recovery to 2009 revenue levels going forward. A Special Session of the Maryland General Assembly in May, 2012 passed legislation shifting 50% of the teacher's pension costs to the local subdivisions for Fiscal Year 2013. The transfer of pension costs will be phased in over a four year period, with Harford County assuming 100 percent of the liability in fiscal year 2016. Harford County's share of teacher's pension liability for fiscal year 2013 is \$5,529,741.

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 FY 2012. As a result, increases in State Aid to the Unrestricted Budget will be at a maximum growth of 1% over next year.

In 2009, the State legislature enacted changes to the Harford County Board of Education membership. Currently, the Board is comprised of five members appointed by the governor, three elected members, 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.

In the General Assembly Session of 2012, the State changed the Maintenance of Effort Law clearly defining the minimum local government funding. This change could affect future County contribution to education.

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.

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, 2011. This was the eighth consecutive year that the school system has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a school system must publish an easily readable and efficiently organized 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.

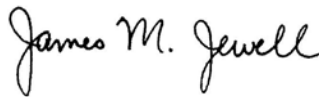
In addition, HCPS also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the Year Beginning July 1, 2011. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including 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, CPA, Director of Finance, the Office of Internal Audit under the direction of Jennifer A. Birkelien, CPA, Internal Auditor, 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, CPA, CPFA
Assistant Superintendent



John G. Staab, CPA
Finance Director

JMJ/MJP

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, 2011

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.



Linda C. Sandison

President

Jeffrey R. Enev

Executive Director

Financial Section



**Christian Moriarty, Grade 7, Fallston Middle School
Teacher: Susan Hopkins**



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

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 June 30, 2012, and for the year then ended, 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 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 as of June 30, 2012, and the changes in its financial position and the statement of revenues and respective budgetary comparison for the general fund 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 issued our report dated September 17, 2012 on our consideration of Harford County Public Schools' 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 the 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 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.



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harford County Public Schools' basic financial statements. The accompanying school construction fund schedule of expenditures by project, agency fund schedule of increases, decreases and fund balances and combining statement of fiduciary net assets-Agency Funds, and combining statement of changes in assets and liabilities- Agency Funds (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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harford County Public Schools' basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Hunt Valley, MD
September 17, 2012

SB & Company, LLC

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2012

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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 8-12 of this report. 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 \$452.6 million. Net assets at June 30, 2011 were \$460.0 million and decreased slightly by \$7.4 million for the year ended June 30, 2012.
- The final unrestricted General Fund budget increased by \$8.1 million or 1.89% during the year from the originally adopted budget.
- The General Fund unrestricted, unassigned fund balance on a budgetary basis increased from \$6,096,029 to \$6,138,961, an increase of \$42,932 which was the product of spending containment strategies. Accumulating fund balance was also a strategic decision to prepare for additional funding reductions or cost shifting by the state government.
- The unrestricted General Fund actual revenues were less than the final budget by \$38,302 or (0.0088%), and expenditures were \$8,231,234, or (1.89%), under the final budget.
- The HCPS total liabilities increased by \$9.4 million during the current fiscal year. The key factors in this change were the decrease in current liabilities of \$7.75 million and the increase of \$17.1 million in the noncurrent liabilities OPEB Obligation.

Overview of the Financial Statements

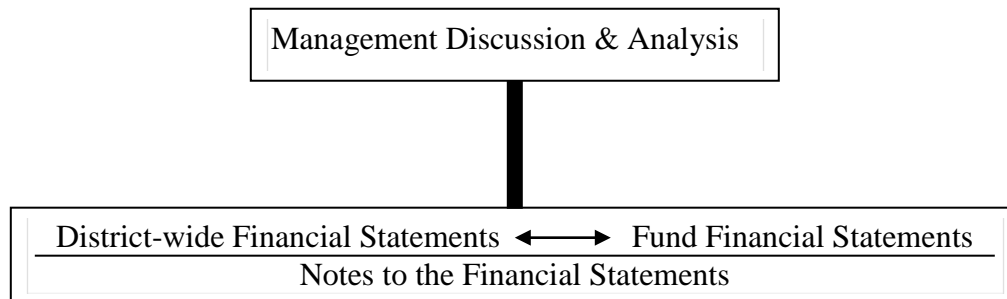
This discussion and analysis are intended to serve as an introduction to the Harford County Public Schools basic financial statements.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2012

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.

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 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.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2012

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 are presented as part of the fund financial statements as well. In these statements, available cash flows of HCPS itself are measured as well as the commitment to acquire goods or services with that cash. Open encumbrances at year-end are included in the expenditures.

This is the legal basis upon which the budget is adopted so budget comparisons are provided. GASB Statement 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 school 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.

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.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

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District-wide Financial Analysis

Net assets over time may serve as a useful indicator of a district's financial position. In the case of HCPS, assets exceeded liabilities by \$452.6 million at the close of the fiscal year, which represents a decrease from the prior year of \$7.4 million. Although capital assets increased by \$8.0 million, the results of operations for the year were diminished by increasing liabilities associated with other post-employment benefits (OPEB).

By far, the largest portion of HCPS' net assets reflects the investment in capital assets (i.e., 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 related 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.

HCPS' net assets as of June 30, 2012, are illustrated in the below table and Exhibit 2.

Harford County Public Schools Net Assets

| | <u>June 30, 2012</u> | <u>June 30, 2011</u> | <u>\$ Change</u> | <u>% Change</u> |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------|
| Current and other assets | \$ 47,663,667 | \$ 53,748,445 | \$ (6,084,778) | -11.32% |
| Capital assets | 578,887,101 | 570,807,038 | 8,080,063 | 1.42% |
| Total assets | <u>626,550,768</u> | <u>624,555,483</u> | <u>1,995,285</u> | <u>0.32%</u> |
| Current and other liabilities | 8,409,531 | 16,158,505 | (7,748,974) | -47.96% |
| Long-term liabilities | 165,523,299 | 148,378,114 | 17,145,185 | 11.56% |
| Total liabilities | <u>173,932,830</u> | <u>164,536,619</u> | <u>9,396,211</u> | <u>5.71%</u> |
| Net assets | | | | |
| Capital assets | 568,870,454 | 560,834,110 | 8,036,344 | 1.43% |
| Restricted assets | 11,834,170 | 9,862,937 | 1,971,233 | 19.99% |
| Unrestricted | (128,086,686) | (110,678,183) | (17,408,503) | 15.73% |
| Total net assets | <u>\$ 452,617,938</u> | <u>\$ 460,018,864</u> | <u>\$ (7,400,926)</u> | <u>-1.61%</u> |

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

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The unrestricted deficit at June 30, 2012 of \$128.0 million is the result of reducing the fund balance from the General Fund (Exhibit 3) of \$25.8 million by the compensated absences long-term liabilities of \$26.47 million and other post-employment benefits of \$127.4 million. 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, 2012. A total of \$28.0 million exists at June 30, 2012 with \$4.8 million due within one year. The amount attributable to vacation leave is \$4.2 million and \$23.9 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 \$10.0 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 \$543.9 million in expenses are reported. To the extent possible, revenue directly attributed to the function or program is reported against the appropriate expense. Included in such revenues are charges for services and grants. \$377.5 million in expenses were paid using other general revenue sources not specifically attributed to a function or program.

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

Harford County Public Schools Statement of Activities

| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> | <u>% Net Cost to Total</u> |
|------------------------------------|-----------------------------------|---------------------------------|--------------------------------|
| Instruction | \$371,555,181 | \$246,405,711 | 66.32% |
| Pupil personnel | 2,322,350 | 2,163,913 | 93.18% |
| Health services | 5,254,923 | 5,254,923 | 100.00% |
| Pupil transportation | 37,331,566 | 25,449,424 | 68.17% |
| Operation and maintenance of plant | 57,256,239 | 49,297,768 | 86.10% |
| Food services | 15,829,476 | 151,063 | 0.95% |
| All others | 54,305,442 | 48,801,826 | 89.87% |
| Total | <u>\$543,855,177</u> | <u>\$377,524,628</u> | <u>69.42%</u> |
| <u>All others</u> | | | |
| Administration | \$16,113,511 | \$14,540,200 | 90.24% |
| Mid-level administration | 37,070,005 | 33,496,099 | 90.36% |
| Community services | 420,776 | 64,377 | 15.30% |
| Depreciation - unallocated | 85,824 | 85,824 | 100.00% |
| Interest on debt | 615,326 | 615,326 | 100.00% |
| Total | <u>\$54,305,442</u> | <u>\$48,801,826</u> | <u>89.87%</u> |

The above table summarizes the district-wide cost of services for each program or function. About 87.10% of the total costs of services are directly related to students' instruction and

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2012

welfare. Of the remaining 12.90%, all but about 3.64% 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 2.46% from the prior year, as shown in the table below. This decrease is attributable to decreases in operating grants as well as decreases in contributions and capital grants and contributions. HCPS is fiscally dependent on local and state aid to fund its daily operations. State aid is largely formula driven based on student population and wealth. Local revenue, provided by the Harford County Government, is dependent upon the economic condition of the County. However, the education statute requires a minimum level of funding equal to the prior year's per pupil contribution times the current year projected enrollment. Most of the operating grant funding is from the State and County governments as well.

Expenses decreased by 0.85%. The bulk of the decrease, in terms of dollars, occurred in the instruction categories reflecting decreased costs from lower operating costs for school-based positions.

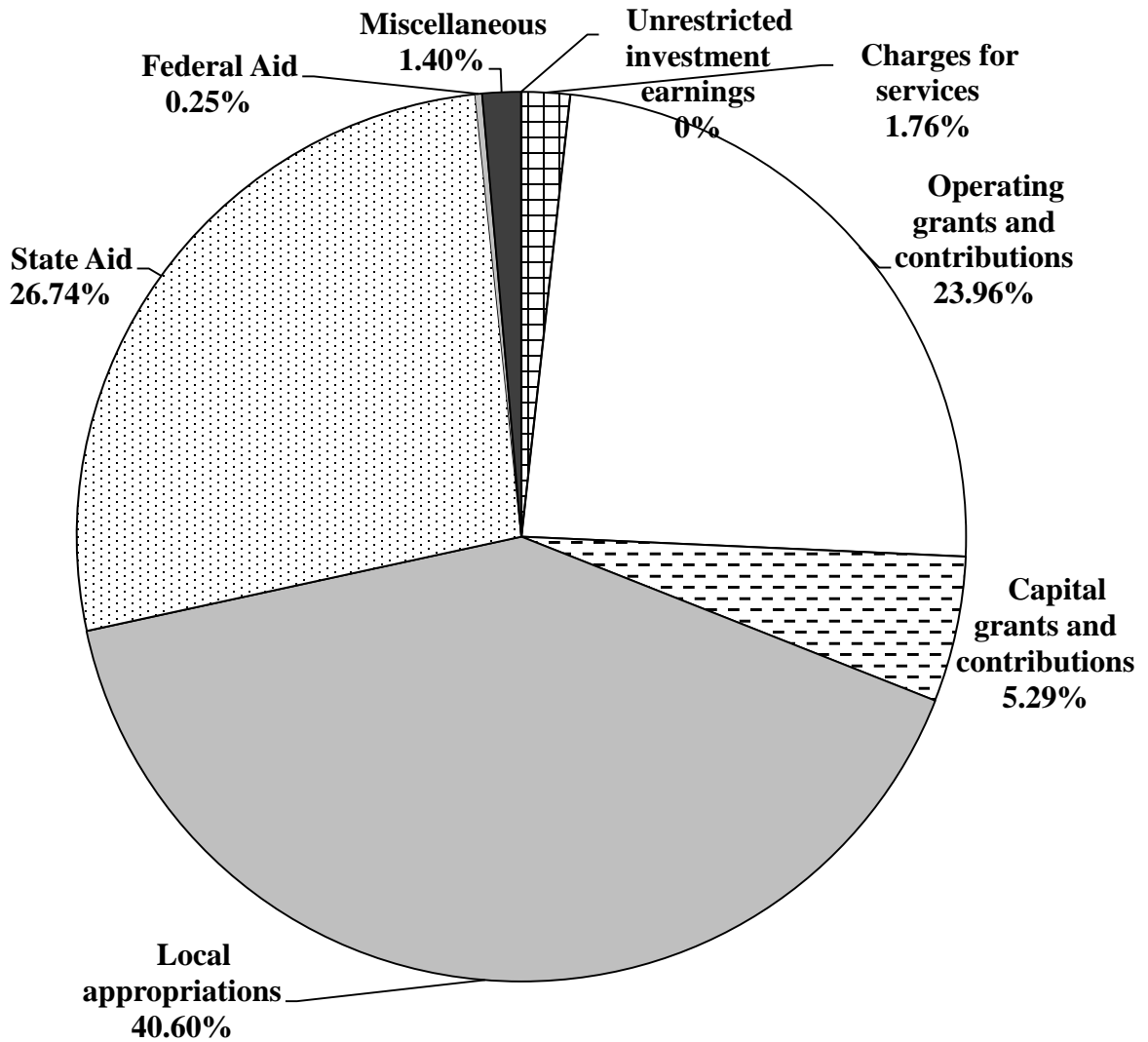
Harford County Public Schools Change in Net Assets

| | <u>June 30, 2011</u> | <u>June 30, 2012</u> |
|------------------------------------|-----------------------|-----------------------|
| Revenues | | |
| Charges for services | \$ 9,694,002 | \$ 9,420,543 |
| Operating grants and contributions | 136,195,979 | 128,526,812 |
| Capital grants and contributions | 47,666,945 | 28,383,194 |
| Local appropriations | 211,067,388 | 217,782,344 |
| State aid | 140,638,081 | 143,455,592 |
| Federal aid | 695,554 | 1,345,207 |
| Miscellaneous | 3,960,060 | 7,507,665 |
| Unrestricted investment earnings | 43,075 | 32,894 |
| Total revenues | <u>549,961,084</u> | <u>536,454,251</u> |
| Expenses | | |
| Instruction | 383,639,311 | 371,555,181 |
| Administration | 15,340,652 | 16,113,511 |
| Mid-level administration | 36,620,721 | 37,070,005 |
| Pupil personnel services | 2,222,690 | 2,322,350 |
| Health services | 4,849,562 | 5,254,923 |
| Pupil transportation | 35,423,950 | 37,331,566 |
| Operation of plant | 38,716,053 | 40,267,000 |
| Maintenance of plant and equipment | 15,789,251 | 16,989,239 |
| Community services | 451,022 | 420,776 |
| Food services | 14,848,019 | 15,829,476 |
| Interest on long-term debt | 512,108 | 615,326 |
| Depreciation - unallocated | 87,419 | 85,824 |
| Total expenses | <u>548,500,758</u> | <u>543,855,177</u> |
| Change in Net Assets | <u>1,460,326</u> | <u>(7,400,926)</u> |
| Net assets - beginning of year | <u>458,558,538</u> | <u>460,018,864</u> |
| Net assets - end of year | <u>\$ 460,018,864</u> | <u>\$ 452,617,938</u> |

Harford County Public Schools

Management's Discussion and Analysis (MD&A)
June 30, 2012

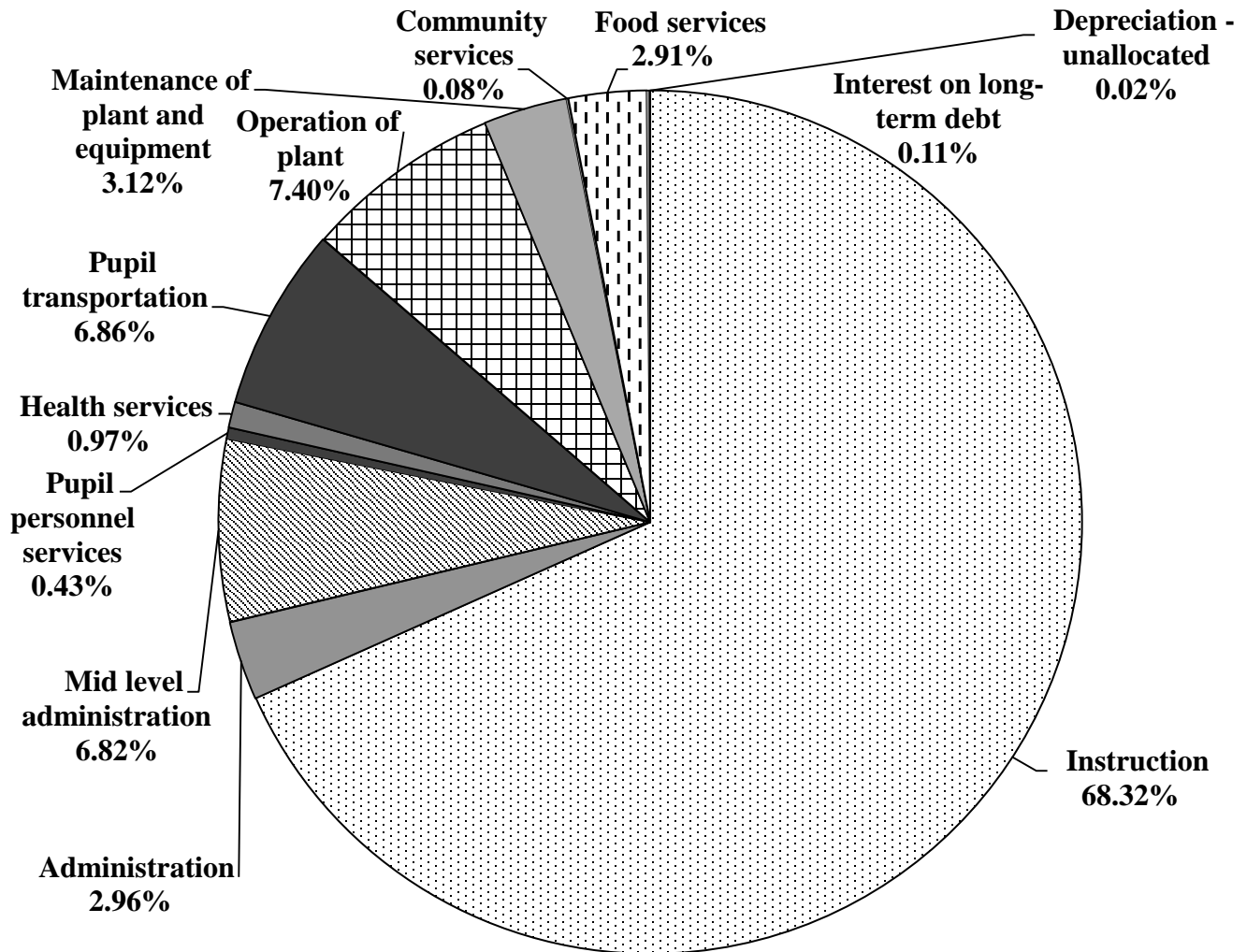
Sources of Revenues for Fiscal Year Ended June 30, 2012



Harford County Public Schools

Management's Discussion and Analysis (MD&A)
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Expenses for the Fiscal Year Ended June 30, 2012



Harford County Public Schools

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June 30, 2012

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 supplemental appropriations for funding Other Post-Employment Benefits (OPEB) Trust Fund and one-time bonus payments to employees. Inter-categorical transfers were made from fixed charges to cover additional expenses of materials of instruction, instructional equipment, and pupil personnel expenses.

| | Original Budget | Additions | Reductions | Total Change | Final Budget |
|----------------------------|--------------------|--------------|--------------|--------------|----------------|
| REVENUE | | | | | |
| Local | \$ 214,291,627 | \$ 3,476,660 | \$ - | \$ 3,476,660 | \$ 217,768,287 |
| State | 201,731,181 | - | - | - | 201,731,181 |
| Federal | 650,000 | 891,977 | - | 891,977 | 1,541,977 |
| Earnings on investments | 40,000 | - | - | - | 40,000 |
| Other sources | 2,524,958 | 2,484,014 | - | 2,484,014 | 5,008,972 |
| Prior year's fund balance | 8,294,472 | 1,258,979 | - | 1,258,979 | 9,553,451 |
| Total revenues | \$ 427,532,238 | \$ 8,111,630 | \$ - | \$ 8,111,630 | \$ 435,643,868 |
| EXPENDITURES | | | | | |
| Administration | \$ 11,339,841 | \$ 75,625 | \$ - | \$ 75,625 | \$ 11,415,466 |
| Mid-level administration | 25,560,814 | 226,677 | - | 226,677 | 25,787,491 |
| Instructional salaries | 164,129,127 | 1,768,001 | - | 1,768,001 | 165,897,128 |
| Textbooks | 7,959,288 | 300,000 | - | 300,000 | 8,259,288 |
| Other instructional costs | 3,089,001 | 200,000 | - | 200,000 | 3,289,001 |
| Special education | 40,674,641 | 663,020 | - | 663,020 | 41,337,661 |
| Student personnel services | 1,625,336 | 65,000 | - | 65,000 | 1,690,336 |
| Student health services | 3,348,164 | 44,688 | - | 44,688 | 3,392,852 |
| Student transportation | 30,929,541 | 132,588 | - | 132,588 | 31,062,129 |
| Operation of plant | 29,454,477 | 214,688 | - | 214,688 | 29,669,165 |
| Maintenance of plant | 12,595,972 | 80,000 | - | 80,000 | 12,675,972 |
| Fixed charges | 95,928,328 | 4,890,718 | (550,000) | 4,340,718 | 100,269,046 |
| Community services | 520,473 | 625 | - | 625 | 521,098 |
| Capital outlay | 377,235 | - | - | - | 377,235 |
| Total expenditures | \$ 427,532,238 | \$ 8,661,630 | \$ (550,000) | \$ 8,111,630 | \$ 435,643,868 |

Harford County Public Schools

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It is critical for the reader to understand that local and state revenues account for 96.23% 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.

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 exceeded projections. 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 | \$1,370,919 |
| Medicare Part D* | 1,000,008 |
| Other Miscellaneous | 1,528,158 |

*Part of the Contribution to the OPEB Investment Trust Fund appropriated for FY12

Always frugal, over the past two years hiring, conference, and other expenditure restrictions implemented early in the fiscal year helped achieve spending 1.89% below budget in FY12.

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

At June 30, 2012, HCPS had over \$728.0 million invested in a broad range of capital assets including land (over 1,891 acres), buildings (over 6.175 million square feet) and improvements, furniture, vehicles and other equipment. Capital assets increased by just over \$20.5 million from the same time last year, excluding the effect of depreciation as shown in the table below.

| | <u>June 30, 2011</u> | <u>June 30, 2012</u> | <u>\$ Change</u> | <u>% Change</u> |
|-----------------------------------|-----------------------|-----------------------|----------------------|-----------------|
| Construction in progress | \$ 139,089,104 | \$ 119,955,865 | \$ (19,133,239) | -13.76% |
| School properties | 536,382,485 | 573,025,303 | 36,642,818 | 6.83% |
| Furniture, fixtures and equipment | 32,046,680 | 35,080,258 | 3,033,578 | 9.47% |
| Total capital assets | <u>\$ 707,518,269</u> | <u>\$ 728,061,426</u> | <u>\$ 20,543,157</u> | <u>2.90%</u> |

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2012

School districts in Maryland are in the uncommon position of owning assets but not the debt associated with those facilities as they are fully fiscally dependent on the state and county governments. Accordingly, HCPS carries no bond rating, but has an approved debt policy for lease transactions. HCPS refinanced the capital lease for the Administration Building from an interest rate of 4.974% to lower rate of 3.27%, resulting in a savings of \$1,146,908 in the remaining term of the debt and did not extend the term of the debt.

Current 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, the act 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.

Future Issues

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 non-pension 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 nation. We have reduced the workforce in FY 2012 and FY 2013.

Harford County Public Schools

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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 the State continues to experience reductions in revenue, a source of relief for the State is passing costs off to local government and Boards of Education. Of greatest concern are State actions to modify 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 previously paid directly by the State. Starting July 2012, the State transferred part of the teacher pension cost to the local Boards of Education and mandated county governments to fund that cost.

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 at (410) 588-5237, or at Harford County Public Schools, Business Services, 102 South Hickory Avenue, Bel Air, Maryland 21014.



**Zymeir Williams, Kindergarten, William Paca Old Post Road Elementary School
Teacher: Melinda Glackin.**

Harford County Public Schools

STATEMENT OF NET ASSETS JUNE 30, 2012

Governmental Activities

ASSETS

| | |
|---|----------------------|
| Cash and cash equivalents | \$ 11,008,758 |
| Investments | 20,126,776 |
| Due from other units of government | 8,105,399 |
| Other receivables | 7,578,224 |
| Inventory | 844,510 |
| Capital assets: | |
| Construction in progress | 119,955,865 |
| School properties | 573,025,303 |
| Furniture, fixtures and equipment | 35,080,258 |
| Less: accumulated depreciation | <u>(149,174,325)</u> |
| Total capital assets, net of depreciation | <u>578,887,101</u> |
| Total assets | <u>626,550,768</u> |

LIABILITIES

| | |
|----------------------------|--------------------|
| Accounts payable | 5,885,292 |
| Accrued salaries and wages | 1,588,625 |
| Payroll taxes payable | 420,045 |
| Unearned revenue | 515,569 |
| Noncurrent liabilities: | |
| Due within one year | 4,846,031 |
| Due in more than one year | <u>160,677,268</u> |
| Total liabilities | <u>173,932,830</u> |

NET ASSETS

| | |
|---|------------------------------|
| Invested in capital assets, net of related debt under capital lease | 568,870,454 |
| Restricted for: | |
| Food services | 2,754,900 |
| Capital projects | 9,079,270 |
| Unrestricted | <u>(128,086,686)</u> |
| Total net assets | <u><u>\$ 452,617,938</u></u> |

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

Harford County Public Schools

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Governmental Activities</u> | <u>Net (Expenses)</u> |
|------------------------------------|-----------------------|-----------------------------|---|--------------------------------|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular education | \$ 285,181,986 | \$ 1,213,515 | \$ 63,546,823 | \$ 20,689,116 | \$ (199,732,532) |
| Special education | 86,373,195 | - | 39,700,016 | - | (46,673,179) |
| Total instruction | <u>371,555,181</u> | <u>1,213,515</u> | <u>103,246,839</u> | <u>20,689,116</u> | <u>(246,405,711)</u> |
| Support services | | | | | |
| Administration | 16,113,511 | - | 1,557,891 | 15,420 | (14,540,200) |
| Mid-level administration | 37,070,005 | - | 3,573,906 | - | (33,496,099) |
| Pupil personnel services | 2,322,350 | - | 158,437 | - | (2,163,913) |
| Health services | 5,254,923 | - | - | - | (5,254,923) |
| Pupil transportation | 37,331,566 | - | 11,882,142 | - | (25,449,424) |
| Operation of plant | 40,267,000 | - | - | 16,650 | (40,250,350) |
| Maintenance of plant and equipment | 16,989,239 | - | 279,813 | 7,662,008 | (9,047,418) |
| Community services | 420,776 | 348,477 | 7,922 | - | (64,377) |
| Food services | 15,829,476 | 7,858,551 | 7,819,862 | - | (151,063) |
| Interest on long-term debt | 615,326 | - | - | - | (615,326) |
| Depreciation - unallocated | 85,824 | - | - | - | (85,824) |
| Total support services | <u>172,299,996</u> | <u>8,207,028</u> | <u>25,279,973</u> | <u>7,694,078</u> | <u>(131,118,917)</u> |
| Total governmental activities | <u>\$ 543,855,177</u> | <u>\$ 9,420,543</u> | <u>\$ 128,526,812</u> | <u>\$ 28,383,194</u> | <u>(377,524,628)</u> |
| General revenues: | | | | | |
| Local appropriations | | | | | 217,782,344 |
| State aid - unrestricted | | | | | 143,455,592 |
| Federal aid - unrestricted | | | | | 1,345,207 |
| Miscellaneous | | | | | 7,507,665 |
| Unrestricted investment earnings | | | | | 32,894 |
| Total general revenues | | | | | <u>370,123,702</u> |
| Change in net assets | | | | | (7,400,926) |
| Net assets - beginning of year | | | | | <u>460,018,864</u> |
| Net assets - end of year | | | | | <u>\$ 452,617,938</u> |

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

Harford County Public Schools

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

| | Current Expense (General) | Food Services (Special Revenue) | School Construction (Capital Projects) | Total Governmental Funds |
|--|--|--|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 6,799,610 | \$ 4,209,148 | \$ - | \$ 11,008,758 |
| Investments | 20,126,776 | - | - | 20,126,776 |
| Due from other units of government | 2,585,565 | 271,696 | 5,248,138 | 8,105,399 |
| Other receivables | 7,533,812 | - | 44,412 | 7,578,224 |
| Due from other funds | 2,085,752 | - | 7,207,539 | 9,293,291 |
| Inventory | 403,773 | 440,737 | - | 844,510 |
| Total assets | \$ 39,535,288 | \$ 4,921,581 | \$ 12,500,089 | \$ 56,956,958 |
| LIABILITIES | | | | |
| Accounts payable | \$ 2,824,695 | \$ 80,929 | \$ 2,979,668 | \$ 5,885,292 |
| Accrued salaries and wages | 1,588,625 | - | - | 1,588,625 |
| Payroll taxes payable | 420,045 | - | - | 420,045 |
| Due to other funds | 7,207,539 | 2,085,752 | - | 9,293,291 |
| Unearned revenue | 74,418 | - | 441,151 | 515,569 |
| Compensated absences payable | 1,623,479 | - | - | 1,623,479 |
| Total liabilities | \$ 13,738,801 | \$ 2,166,681 | \$ 3,420,819 | \$ 19,326,301 |
| FUND BALANCES | | | | |
| Nonspendable | - | 236,627 | - | 236,627 |
| Assigned | 12,627,699 | 2,518,273 | 13,770,718 | 28,916,690 |
| Unassigned | 13,168,788 | - | (4,691,448) | 8,477,340 |
| Total fund balances | \$ 25,796,487 | \$ 2,754,900 | \$ 9,079,270 | \$ 37,630,657 |
| Total liabilities and fund balances | \$ 39,535,288 | \$ 4,921,581 | \$ 12,500,089 | \$ 56,956,958 |

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, 2012

Total fund balances - governmental funds (Exhibit 3) \$ 37,630,657

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 \$728,061,426 and the accumulated depreciation is \$149,174,325. 578,887,101

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 (\$26,472,244), an obligation under capital lease (\$10,016,647) and net OPEB obligation (\$127,410,929). (163,899,820)

Total net assets - governmental activities (Exhibit 1) \$ 452,617,938

Harford County Public Schools

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

| | General Fund | Food Services Fund | Capital Projects Fund | Total Governmental Funds |
|---|-------------------------|-----------------------------------|--------------------------------------|---|
| Revenues | | | | |
| <u>Intergovernmental revenues</u> | | | | |
| Local sources | \$ 217,782,344 | \$ 189,811 | \$ 12,068,710 | \$ 230,040,865 |
| State sources | 235,345,597 | 331,667 | 15,605,906 | 251,283,170 |
| Special state and federal programs | 28,816,945 | - | - | 28,816,945 |
| Federal sources | 1,345,207 | 7,139,500 | - | 8,484,707 |
| Earnings on investments | 32,894 | - | - | 32,894 |
| Charges for services | - | 7,858,551 | - | 7,858,551 |
| Miscellaneous revenues | 9,069,657 | 158,884 | 708,578 | 9,937,119 |
| Total revenues | <u>492,392,644</u> | <u>15,678,413</u> | <u>28,383,194</u> | <u>536,454,251</u> |
| Expenditures | | | | |
| <u>Current</u> | | | | |
| Administrative services | 10,775,663 | - | - | 10,775,663 |
| Mid-level administrative services | 24,958,804 | - | - | 24,958,804 |
| Instructional salaries | 165,117,796 | - | - | 165,117,796 |
| Instructional textbooks and supplies | 8,067,047 | - | - | 8,067,047 |
| Other instructional costs | 2,839,519 | - | - | 2,839,519 |
| Special education | 40,321,768 | - | - | 40,321,768 |
| Student personnel services | 1,614,538 | - | - | 1,614,538 |
| Health services | 3,292,312 | - | - | 3,292,312 |
| Pupil transportation services | 30,917,343 | - | - | 30,917,343 |
| Operation of plant | 28,973,599 | - | - | 28,973,599 |
| Maintenance of plant and equipment | 12,606,571 | - | - | 12,606,571 |
| Fixed charges | 133,890,608 | - | - | 133,890,608 |
| Community services | 373,088 | - | - | 373,088 |
| Special state and federal programs | 28,816,945 | - | - | 28,816,945 |
| Costs of operation - food services | - | 15,274,723 | - | 15,274,723 |
| Capital outlay | 327,415 | - | 26,758,294 | 27,085,709 |
| Total expenditures | <u>492,893,016</u> | <u>15,274,723</u> | <u>26,758,294</u> | <u>534,926,033</u> |
| Excess (deficit) of revenues over expenditures | (500,372) | 403,690 | 1,624,900 | 1,528,218 |
| Other financing sources (uses): | | | | |
| Payments to refunded capital lease | (9,838,608) | | | (9,838,608) |
| Refunded capital lease issued | 10,016,647 | - | - | 10,016,647 |
| Net change in fund balances | (322,333) | 403,690 | 1,624,900 | 1,706,257 |
| Fund balances - beginning of year | 26,118,820 | 2,408,567 | 7,454,370 | 35,981,757 |
| Decrease in nonspendable fund balance | - | (57,357) | - | (57,357) |
| Fund balances - end of year | <u>\$ 25,796,487</u> | <u>\$ 2,754,900</u> | <u>\$ 9,079,270</u> | <u>\$ 37,630,657</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, 2012

Total net change in fund balances - governmental funds (Exhibit 5) \$ 1,706,257

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 (\$21,480,338) exceeds depreciation expense (\$ 13,369,964) and loss on disposal of assets (\$30,311). 8,080,063

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 (\$43,719). (43,719)

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 \$383,944. 383,944

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. (17,470,114)

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 decrease in the amount of fund balance reserved for inventory during the year was \$57,357. (57,357)

Change in net assets of governmental activities (Exhibit 2) \$ (7,400,926)

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

Harford County Public Schools

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

| | Unrestricted | | | | Restricted | | | |
|--|-----------------------|-----------------------|---------------------|------------------------------------|----------------------|----------------------|----------------------|------------------------------------|
| | Original Budget | Final Budget | Actual | Variance - Favorable (Unfavorable) | Original Budget | Final Budget | Actual | Variance - Favorable (Unfavorable) |
| Revenues | | | | | | | | |
| <u>Intergovernmental revenues</u> | | | | | | | | |
| Local | \$ 214,291,627 | \$ 217,768,287 | \$ 217,782,344 | \$ 14,057 | \$ - | \$ - | \$ - | \$ - |
| State | 201,731,181 | 201,731,181 | 201,985,029 | 253,848 | - | - | - | - |
| Federal | 650,000 | 1,541,977 | 1,345,207 | (196,770) | - | - | - | - |
| Special state and federal | - | - | - | - | 25,481,116 | 35,169,800 | 28,787,162 | (6,382,638) |
| Earnings on investments | 40,000 | 40,000 | 25,029 | (14,971) | - | - | - | - |
| Other sources | 2,524,958 | 6,008,980 | 5,914,514 | (94,466) | - | - | - | - |
| Fund balance at July 1, 2011 - assigned for year ended June 30, 2012 | 8,294,472 | 8,553,443 | 8,553,443 | - | - | - | - | - |
| Total revenues | <u>\$ 427,532,238</u> | <u>\$ 435,643,868</u> | 435,605,566 | <u>\$ (38,302)</u> | <u>\$ 25,481,116</u> | <u>\$ 35,169,800</u> | <u>\$ 28,787,162</u> | <u>\$ (6,382,638)</u> |
| Expenditures | | | | | | | | |
| <u>Current</u> | | | | | | | | |
| Administrative services | \$ 11,339,841 | \$ 11,415,466 | 10,985,903 | \$ 429,563 | \$ 465,000 | \$ 735,243 | \$ 568,450 | \$ 166,793 |
| Mid-level administration | 25,560,814 | 25,787,491 | 25,024,605 | 762,886 | 351,995 | 709,481 | 569,888 | 139,593 |
| Instructional salaries | 164,129,127 | 165,897,127 | 165,117,796 | 779,331 | 4,257,087 | 4,437,292 | 3,552,272 | 885,020 |
| Instructional textbooks and supplies | 7,959,288 | 8,259,288 | 7,728,527 | 530,761 | 666,336 | 1,188,166 | 913,210 | 274,956 |
| Other instructional costs | 3,089,001 | 3,289,001 | 2,779,259 | 509,742 | 1,308,418 | 3,166,037 | 2,070,078 | 1,095,959 |
| Special education | 40,674,641 | 41,337,662 | 40,318,717 | 1,018,945 | 13,835,868 | 19,213,451 | 15,926,205 | 3,287,246 |
| Student personnel services | 1,625,336 | 1,690,336 | 1,613,772 | 76,564 | - | - | - | - |
| Student health services | 3,348,164 | 3,392,852 | 3,295,627 | 97,225 | - | - | - | - |
| Student transportation | 30,929,541 | 31,062,129 | 30,917,343 | 144,786 | - | 22,855 | 23,371 | (516) |
| Operation of plant | 29,454,477 | 29,669,165 | 29,361,842 | 307,323 | - | - | - | - |
| Maintenance of plant | 12,595,972 | 12,675,972 | 12,675,618 | 354 | - | - | - | - |
| Fixed charges | 95,928,328 | 100,269,046 | 96,851,842 | 3,417,204 | 4,546,412 | 5,170,053 | 4,836,467 | 333,586 |
| Community services | 520,473 | 521,098 | 373,088 | 148,010 | - | - | - | - |
| Capital outlay | 377,235 | 377,235 | 368,695 | 8,540 | 50,000 | 527,221 | 327,221 | 200,000 |
| Total expenditures | <u>\$ 427,532,238</u> | <u>\$ 435,643,868</u> | 427,412,634 | <u>\$ 8,231,234</u> | <u>\$ 25,481,116</u> | <u>\$ 35,169,799</u> | <u>\$ 28,787,162</u> | <u>\$ 6,382,637</u> |
| Excess of revenues over expenditures | | | 8,192,932 | | | | | |
| Transfer to health care rate stabilization fund | | | (350,000) | | | | | |
| Excess of revenues over expenditures and transfer | | | 7,842,932 | | | | | |
| Total fund balance at July 1, 2011 | | | 16,789,638 | | | | | |
| Assigned fund balance at July 1, 2011 (recognized as revenue above) | | | (8,553,443) | | | | | |
| Total fund balance | | | 16,079,127 | | | | | |
| Fund balance at June 30, 2012 - assigned | | | (9,940,166) | | | | | |
| Fund balance at June 30, 2012 - unassigned | | | <u>\$ 6,138,961</u> | | | | | |

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

Harford County Public Schools

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

| | Retiree Health Plan Trust | Agency Funds |
|--|--|-----------------------------|
| | <u> </u> | <u> </u> |
| Assets | | |
| Cash and cash equivalents | \$ 22,574,299 | \$ 2,770,247 |
| Total assets | <u>22,574,299</u> | <u>2,770,247</u> |
| Liabilities | | |
| Scholarship funds payable | - | 87,197 |
| School activity funds payable | - | 2,683,050 |
| Total liabilities | <u>-</u> | <u>2,770,247</u> |
| Net assets | | |
| Held in trust for retiree health plan benefits | <u>22,574,299</u> | <u>-</u> |
| Total net assets | <u><u>\$ 22,574,299</u></u> | <u><u>\$ -</u></u> |

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

Harford County Public Schools

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**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

| | Retiree Health Plan Trust |
|---|--|
| Additions | |
| Contributions | \$ 7,700,316 |
| Deductions | |
| Net investment portfolio results | 364,100 |
| Administrative expenses | 13,521 |
| Total deductions | <u>377,621</u> |
| Net increase | 7,322,695 |
| Net fiduciary assets as of July 1, 2011 | <u>15,251,604</u> |
| Net fiduciary assets as of June 30, 2012 | <u><u>\$ 22,574,299</u></u> |

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

HARFORD COUNTY PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Education of Harford County (the Board) is a body politic and corporate established by the Public School Laws of Maryland. For financial reporting purposes, the Board (alternatively referred to herein as Harford County Public Schools) is a component unit of Harford County, Maryland by virtue of the County’s responsibility for levying taxes, incurring debt for the benefit of the Board, as well as 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 Board itself has no component units.

The accounting policies of Harford County Public Schools conform to generally accepted in the United States of America for governmental units. The following is a summary of significant accounting policies employed by the Board.

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, 2012

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

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

HARFORD COUNTY PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 organizations, 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 of the Board and their dependents.

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.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported as governmental activities in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$5,000 and a useful life of at least two years. Capital assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated 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 furniture and 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

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, 2012
.....

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, 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. By state law, major categories of expenditures may not exceed budgeted amounts.

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

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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

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

Food Service Fund Budget (Special Revenue Fund)

The Food Service Fund Budget is not a legally adopted budget 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 Service Fund includes \$847,618 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 assignments of fund balances since they do not constitute expenditures or liabilities.

Cash and Investments

Cash on Hand

At year end, cash on hand for petty cash and change funds was \$131.

Deposits

As of June 30, 2012, the book and bank balances of cash were \$13,778,874 and \$17,979,873, respectively. The bank balance of \$17,979,873 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.

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments (continued)

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, 2012 the Board's investment balances were as follows:

| | <u>Fair Value</u> |
|---|----------------------|
| Maryland Local Government Investment Pool | \$ 20,126,776 |
| Total Investments | <u>\$ 20,126,776</u> |

Interest Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Board's exposure to interest rate risk arising from increasing interest rates, the Board's investment policy limits the term of investment maturities, except in the fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. The Board's management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Board from having to sell investments below original cost for that purpose. The investments at June 30, 2012, complied with the Board's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2012:

| | |
|--|------------------|
| Net interest and dividends | \$ 32,894 |
| Less: Restricted net investment income | - |
| Total Net Investment Income Per Statement of Activities | <u>\$ 32,894</u> |

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments (continued)

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, 2012, all of the Board's investments were insured or registered, or were held by the custodian in the Board's name or were invested in MLGIP. The Board's investment policy states that all investments must be fully collateralized. As of June 30, 2012, the Board's investments were not exposed to custodial credit risk.

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

| | |
|---|-----------------------------|
| Cash on hand | \$ 131 |
| Carrying amount of deposits | 36,353,173 |
| Carrying amount of investments | 20,126,776 |
| Total cash and investments | <u>56,480,080</u> |
| Less: Amounts in fiduciary funds | 25,344,546 |
| Total Cash and Investments Per Statement of Net Assets | <u>\$ 31,135,534</u> |
| Cash and cash equivalents | \$ 11,008,758 |
| Investments | 20,126,776 |
| Total Cash and Investments Per Statement of Net Assets | <u>\$ 31,135,534</u> |

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
.....

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, 2012, MABE held \$22,574,299 in cash and cash equivalents in the MABE OPEB Trust 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, 2012. 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 in the general fund consists of supplies maintained in the distribution center. Inventory in the food service fund consists of expendable food and supplies held for consumption. The cost is recorded as an asset at the time individual inventory items are purchased. The cost is recorded as an asset at the time individual inventory items are purchased. As inventory is consumed, the cost is charged to expenditures.

Compensated Absences

At June 30, 2012, annual and sick leave earned, applicable to governmental fund types, but not taken by Board employees, was \$28,095,723. This amount is based on vested accumulated leave as of June 30, 2012, for employees eligible to receive annual leave benefits at retirement. Sick leave is accrued for employees with at least ten years of service and calculated at 25% of their annual daily rate up to a maximum ranging from 200 to 250 days. An accrual in the amount of \$1,623,479 was made in the General Fund for the year ended June 30, 2012. This amount was an estimate of the accumulated annual and sick leave which will be paid to retirees during the first month of the fiscal year ending June 30, 2013. The remaining liability for accumulated annual and sick leave earned in the amount of \$26,472,244 is reported as a noncurrent liability in the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets and Fund Balance

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, 2012
.....

NOTE 2 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements/ Reclassifi- cations</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|---|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 9,672,942 | \$ - | \$ - | \$ 9,672,942 |
| Construction in progress | 139,089,104 | 12,958,000 | (32,091,239) | 119,955,865 |
| Total capital assets not being depreciated | <u>148,762,046</u> | <u>12,958,000</u> | <u>(32,091,239)</u> | <u>129,628,807</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 11,972,757 | 2,513,877 | - | 14,486,634 |
| Buildings | 514,736,786 | 2,037,702 | 32,091,239 | 548,865,727 |
| Furniture and equipment | 32,046,680 | 3,970,759 | (937,181) | 35,080,258 |
| Total capital assets being depreciated | <u>558,756,223</u> | <u>8,522,338</u> | <u>31,154,058</u> | <u>598,432,619</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 3,537,581 | 623,485 | - | 4,161,066 |
| Buildings | 114,509,302 | 9,832,510 | - | 124,341,812 |
| Furniture and equipment | 18,664,348 | 2,913,969 | (906,870) | 20,671,447 |
| Total accumulated depreciation | <u>136,711,231</u> | <u>13,369,964</u> | <u>(906,870)</u> | <u>149,174,325</u> |
| Total capital assets being depreciated, net | <u>422,044,992</u> | <u>(4,847,626)</u> | <u>32,060,928</u> | <u>449,258,294</u> |
| Governmental activities capital assets, net | <u>\$570,807,038</u> | <u>\$ 8,110,374</u> | <u>\$ (30,311)</u> | <u>\$578,887,101</u> |

Depreciation expense for the year ended June 30, 2012 was charged to governmental functions on the statement of activities as follows:

| | |
|--|----------------------|
| Depreciation not allocated to specific functions | \$ 85,824 |
| Administration | 500,339 |
| Mid-level administration | 4,501 |
| Instruction | 7,802,593 |
| Special education | 8,165 |
| Pupil service | 2,999 |
| Transportation | 823,407 |
| Operations | 2,576,233 |
| Maintenance | 1,355,089 |
| Food service | 210,814 |
| Total | <u>\$ 13,369,964</u> |

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE 2 - CAPITAL ASSETS (continued)

The Board has active school construction projects as of June 30, 2012 as follows:

| Project: | <u>Spent to Date</u> | <u>Remaining Commitment</u> |
|--|-----------------------|---------------------------------|
| Joppatowne High | \$ 169,450 | \$ - |
| Campus Hills Elementary | 1,126,507 | 140,907 |
| John Archer | 83,045 | - |
| Red Pump Elementary | 26,625,667 | 163,877 |
| Church Creek Elementary HVAC | 23,988 | 15,706 |
| Youth's Benefit Elementary Modernization | 1,615,693 | 40,153 |
| Havre de Grace Elementary HVAC | 25,168 | 12,712 |
| Edgewood High Modernization | 76,775,221 | 29,559 |
| Havre de Grace High School | 155,041 | 69,007 |
| Jarrettsville Elementary HVAC | 259,210 | 3,865,100 |
| Forest Hill Annex Electrical | 295,732 | 13,325 |
| Havre de Grace High HVAC | 4,799,868 | 1,453,058 |
| Cedarwood Gravity Sewer (Red Pump Elementary) | 121,357 | 870,584 |
| North Bend Elementary Roof | 782,083 | 13,000 |
| Youth's Benefit Elementary Air Conditioning | 1,328,404 | 1,071,294 |
| Emmorton Elementary Chiller Replacement | 31,373 | 18,315 |
| Hall's Cross Roads Elementary HVAC Upgrades | 59,695 | 20,276 |
| William Paca Elementary Air Conditioning | 1,909,504 | 1,576,966 |
| Havre de Grace High Athletic Fields | 80,214 | 19,306 |
| Joppatowne High Stadium Accessibility Upgrades | 94,122 | 40,708 |
| Prospect Mill Elementary Fire Alarm | 93,182 | 35,079 |
| Fallston High Wastewater Treatment | 2,639,370 | 179,525 |
| Waste Water Treatment Plant | 861,971 | 1,870,056 |
| Total | <u>\$ 119,955,865</u> | <u>\$ 11,518,513</u> |

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

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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) | \$ 464,392,728 |
| Fund balance at June 30, 2012 designated for current year's expenditures | (8,553,443) |
| Revenues adjusted by encumbrances of expenditure driven grants | 29,783 |
| Pension contributions made directly by the State of Maryland | 33,360,568 |
| Changes in value of rate stabilization fund | 3,155,143 |
| Interest earned on rate stabilization deposit | 7,865 |

| | |
|------------------------------|------------------------------|
| Revenues (GAAP basis) | <u>\$ 492,392,644</u> |
|------------------------------|------------------------------|

| | |
|---|----------------|
| Expenditures (non-GAAP budgetary basis) (unrestricted and restricted) | \$ 456,199,796 |
| Capital lease refunding expenditures | 178,039 |
| Contribution for OPEB | 3,559,459 |
| Net effect of encumbrance | (404,846) |
| Pension contributions made directly by the State of Maryland | 33,360,568 |

| | |
|----------------------------------|------------------------------|
| Expenditures (GAAP basis) | <u>\$ 492,893,016</u> |
|----------------------------------|------------------------------|

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

| | |
|--|--------------|
| Unassigned fund balance (non-GAAP budgetary basis) | \$ 6,138,961 |
| Cumulative effect of: | |
| Revenues adjusted by encumbrances of expenditure driven grants | (336,089) |
| Rate stabilization receivable | 7,365,916 |

| | |
|---|-----------------------------|
| Unassigned fund balance (GAAP basis) | <u>\$ 13,168,788</u> |
|---|-----------------------------|

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

| | |
|--|--------------|
| Assigned fund balance (non-GAAP budgetary basis) | \$ 9,940,166 |
| Encumbrances | 2,687,533 |

| | |
|---|-----------------------------|
| Assigned fund balance (GAAP basis) | <u>\$ 12,627,699</u> |
|---|-----------------------------|

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE 4 - FUND BALANCE

Non-spendable and assigned fund balances as of June 30, 2012:

| | <u>General Fund</u> |
|----------------------------------|---------------------------------|
| Assigned Fund Balance | |
| Encumbrances | \$ 2,687,533 |
| Fiscal year 2013 expenditures | 7,800,000 |
| Future health insurance call | 1,225,166 |
| Emergency fuel reserve | 915,000 |
| Total | <u>\$ 12,627,699</u> |
| | |
| | <u>Food Service Fund</u> |
| Nonspendable Fund Balance | |
| Inventory – U.S.D.A. | \$ 236,627 |
| Total | <u>\$ 236,627</u> |

Nonspendable fund balance reports resources 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, 2012. 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.

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. On behalf payments of fringe benefits were recognized as revenues and expenditures during the period. 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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
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Article of the Annotated Code of Maryland. The Agency issues 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, 2012, 2011, and 2010 were \$33,360,568, \$34,323,976 and \$31,578,248, respectively, which were equal to the required contributions for each year. The Board's contribution for the years ended June 30, 2012, 2011 and 2010 were \$2,946,759, \$4,630,306 and \$3,469,631 respectively, which were equal to the required contributions for each year.

NOTE 6 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

Medical Benefits - Retirees are eligible for continued membership in one of the school system's group medical plans provided that they have at least 10 years of service with the Board and are under 65 years of age. The Board pays either 85% or 90% of these medical insurance premiums, based on the plan chosen by the retiree. The Board pays 90% of the insurance premiums for Medicare supplemental insurance for retirees age 65 and older. The medical benefits paid by the Board for the year ended June 30, 2012 was \$17,957,063. As of June 30, 2012, 2,019 of approximately 2,200 eligible retirees were receiving benefits.

Dental Benefits - The Board pays 90% of dental insurance premiums for retirees with at least 10 years service. The dental benefits paid by the Board for the year ended June 30, 2012 was \$911,899. As of June 30, 2012, 2,003 of approximately 2,200 eligible retirees were receiving benefits.

Life Insurance Benefits - The Board pays 90% of the life insurance premiums for retirees with at least 10 years of service. The amount of insurance coverage is reduced to \$20,000 upon retirement and \$10,000 five years after retirement. The life insurance benefits paid by the Board for the year ended June 30, 2012 was \$239,978. As of June 30, 2012, 1,902 of approximately 2,200 eligible retirees were receiving benefits.

The Board participates in the Maryland Association of Boards of Education (MABE) pooled OPEB investment trust. It is a member owned trust that provides the Board and the other nine member boards a structure to pool assets to reduce investment costs and share administrative expenses.

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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

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 ended June 30, 2012, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation:

| | |
|---|-----------------------|
| Annual required contribution | \$ 41,644,000 |
| Interest on net OPEB obligation | 6,322,000 |
| Amortization of net OPEB obligation | <u>(5,939,000)</u> |
| Annual OPEB cost (expense) | 42,027,000 |
| Contributions made | <u>24,556,886</u> |
| Increase in net OPEB obligation | 17,470,114 |
| Net OPEB obligation - beginning of year | <u>109,940,815</u> |
| Net OPEB obligation - end of year | <u>\$ 127,410,929</u> |

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, 2012 was as follows:

| Fiscal Year | Annual | Percentage of Annual OPEB | Net OPEB |
|---------------------|-------------------------|----------------------------------|--------------------------|
| <u>Ended</u> | <u>OPEB Cost</u> | <u>Cost Contributed</u> | <u>Obligation</u> |
| 6/30/12 | \$42,027,000 | 58.4% | \$127,410,929 |

Funded Status and Funding Progress

As of July 1, 2011, the plan was 3.30 percent funded. The actuarial accrued liability for benefits was \$462,698,000, and the actuarial value of assets was \$15,255,626, resulting in an unfunded actuarial accrued liability (UAAL) of \$447,442,374. The covered payroll (annual payroll of active employees covered by the plan) was \$276,823,307, and the ratio of the UAAL to the covered payroll was 161.63 percent.

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

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

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

.....

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.

Significant valuation methods and assumptions are as follows:

| | |
|------------------------------|--|
| Valuation Date | July 1, 2011 |
| Actuarial Cost Method | Projected Unit Credit method |
| Amortization Method | Level percentage of projected pay over a 27-year period |
| Asset Valuation Method | Market value |
| Actuarial Assumptions: | |
| Discount Rate | 5.75% |
| Investment Rate of Return | 8.00% per year compounded annually |
| Payroll Growth Rate | 3.00% |
| Inflation Rate | 3.20% |
| Healthcare Cost Trend Rates: | |
| Medical and prescription | 8.00% initial year of valuation (not applicable to Life) 4.20% final year of valuation (not applicable to Life) |
| Dental | 5.00% |

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 27 years using level percentage of pay for FY12.

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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

Schedule of Funding Progress

| | Value of Assets | Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a % of Covered Payroll |
|--------------|--------------------|-------------------------------|------------------------|-----------------|--------------------|---|
| 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% |
| July 1, 2011 | \$ 15,255,626 | \$ 462,698,000 | \$ 447,442,374 | 3.30% | \$ 276,823,307 | 161.63% |

NOTE 7 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012 was as follows:

| | Balance at July 1, 2011 | Increase | Reductions | Balance at June 30, 2012 | Due Within One Year |
|--------------------------------------|----------------------------|----------------------|----------------------|--------------------------------|------------------------|
| Capital lease | \$ 9,972,928 | \$ 10,016,647 | \$ 9,972,928 | \$ 10,016,647 | \$ - |
| Compensated absence | 28,464,371 | 4,574,167 | 4,942,815 | 28,095,723 | 4,846,031 |
| OPEB obligation | 109,940,815 | 42,027,000 | 24,556,886 | 127,410,929 | - |
| Total Governmental Activities | \$ 148,378,114 | \$ 56,617,814 | \$ 39,472,629 | \$ 165,523,299 | \$ 4,846,031 |

Compensated absences and net OPEB obligation have typically been liquidated by the General Fund in prior years.

The Board entered into lease agreements as lessee in the amount of \$11,400,223 to construct the administration building, which was completed in January 2007. The lease agreement is for a period of twenty-five years. The debt was refinanced in June of 2012 at a rate of 3.25%. The term of the debt was not extended. The asset acquired and capitalized under the capital lease is as follows:

| | |
|-------------------------------|---------------------|
| Building cost | \$ 10,852,395 |
| Less accumulated depreciation | 1,410,811 |
| Net Book Value | \$ 9,441,584 |

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

.....

NOTE 7 - LONG-TERM LIABILITIES (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

| <u>Years Ending June 30,</u> | |
|--|-----------------------------|
| 2013 | \$ 246,568 |
| 2014 | 327,544 |
| 2015 | 698,803 |
| 2016 | 823,822 |
| 2017 | 823,822 |
| 2018 – 2030 | <u>10,709,686</u> |
| Total minimum lease payments | 13,630,245 |
| Less: Amount representing interest | <u>3,613,598</u> |
| Present value of minimum lease payments | <u>\$ 10,016,647</u> |

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
.....

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 for which the Board participates in the Maryland Association of Boards of Education (MABE) Group Insurance Pool and the Worker's Compensation Self Insurance Fund.

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

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

NOTE 9 - CONTINGENCIES AND COMMITMENTS

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

The Board leases certain equipment and properties for storage and other uses under long-term operating leases. Expenditures under operating leases amounted to approximately \$506,634 for the year ended June 30, 2012.

NOTE 10 – NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued GASB 68, Accounting and Financial Reporting for Pension Plans in June 2012 effective for the year ended June 30, 2015. In June 2012, GASB issued Statement No. 67, Financial Reporting for Pension Plans- an Amendment of GASB No. 25, effective for the year ended June 30, 2014. Harford County Public Schools will implement these statements as of their effective dates. Harford County Public Schools is still in the process of determining the effect of implementing these statements and the effect on the financial statements is unknown at this time.

In March 2012, GASB issued Statement No. 66, Technical Corrections- 2012, effective for the year ended June 30, 2014. Also in March of 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, effective for the year ended June 30, 2014. In June of 2011, GASB issued Statement No. 64, Derivative Instruments: Application of Hedge

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
.....

NOTE 10 – NEW PRONOUNCEMENTS (continued)

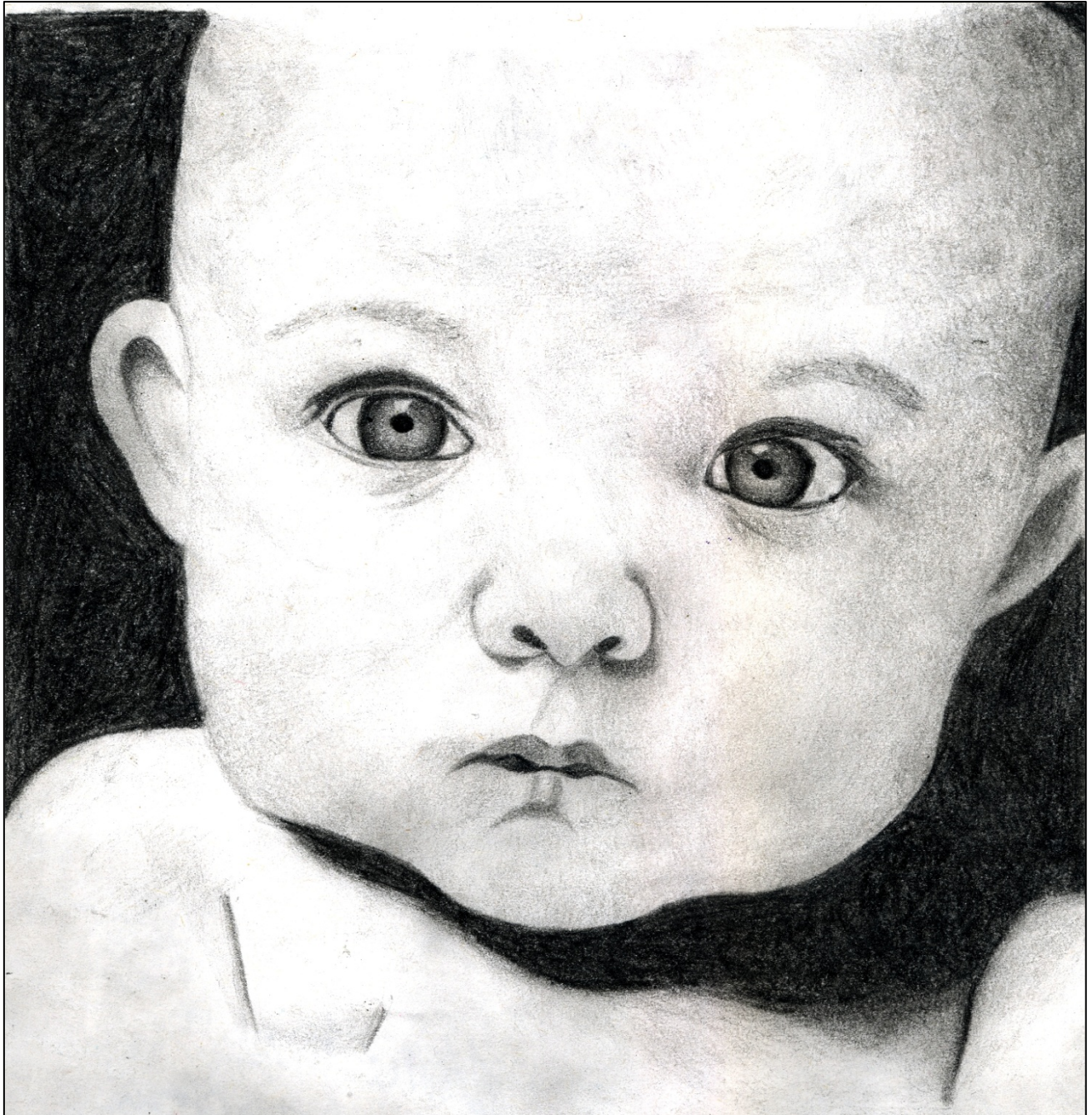
Accounting Termination Provision, effective for the year ended June 30, 2013. Also in June of 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the year ended June 30, 2013. In December 2010, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the year ended June 30, 2013. In November 2010, GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus, effective for the year ended June 30, 2013. Also in November 2010, GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, effective for the year ended June 30, 2013. Harford County Public Schools will implement these statements as of their effective dates. While Harford County Public Schools is still in the process of determining the effects of implementing these GASB statements, they are not expected to have a material effect on the financial position of Harford County Public Schools.

During the year ended June 30, 2011, Harford County Public Schools implemented GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple Employer Plans with no material effect to the financial position of Harford County Public Schools.



**Keynilie Pagan-Davila, Grade 8, Havre de Grace Middle School
Teacher: Laura Buscemi**

Required Supplemental Information



**Kristen Bascom, Grade 9, Harford Technical High School
Teacher: Judy Demond**

HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR OTHER POSTEMPLOYMENT BENEFIT PLAN
 June 30, 2012

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Schedule of Funding Progress

| | Value of Assets | Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a % of Covered Payroll |
|--------------|----------------------------|------------------------------------|--------------------------------|-------------------------|----------------------------|---|
| 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% |
| July 1, 2011 | \$ 15,255,626 | \$ 462,698,000 | \$ 447,442,374 | 3.30% | \$ 276,823,307 | 161.63% |

Other Supplemental Information



**Kaleb Whiteford, Grade 8, Edgewood Middle School
Teacher: Katie VanBuskirk**



**Kameron Lewis, Grade 2, Magnolia Elementary School
Teacher: Kate Thurlow**

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 YEAR ENDED JUNE 30, 2012**

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|---|----------------------|---------------------|---|
| Revenues | | | |
| Cafeteria sales | \$ 8,082,891 | \$ 7,858,551 | \$ (224,340) |
| <u>Federal Aid</u> | | | |
| School Lunch Program | 4,387,147 | 4,598,136 | 210,989 |
| School Breakfast Program | 1,198,172 | 1,520,679 | 322,507 |
| Summer Food Program | 95,000 | 119,881 | 24,881 |
| Fresh Fruits and Vegetables Program | - | 53,186 | 53,186 |
| U.S.D.A. Commodities | 875,000 | 847,618 | (27,382) |
| Total federal aid | 6,555,319 | 7,139,500 | 584,181 |
| <u>State Aid</u> | | | |
| Child Feeding Program | 292,093 | 331,667 | 39,574 |
| <u>Local Aid</u> | | | |
| Local revenue | 189,811 | 189,811 | - |
| Interest earned | 250 | - | (250) |
| Miscellaneous revenue | - | 158,884 | 158,884 |
| Total revenues | <u>\$ 15,120,364</u> | 15,678,413 | 558,049 |
| Expenditures | | | |
| Salaries and wages | 5,477,369 | 5,406,166 | 71,203 |
| Contracted services | 346,000 | 356,770 | (10,770) |
| Supplies and materials | 6,255,210 | 6,326,470 | (71,260) |
| Other charges | 2,014,785 | 1,916,019 | 98,766 |
| Furniture and equipment | 152,000 | 290,906 | (138,906) |
| U.S.D.A. commodities | 875,000 | 904,975 | (29,975) |
| Total expenditures | <u>\$ 15,120,364</u> | 15,201,306 | (80,942) |
| Excess of revenues over expenditures | | 477,107 | |
| Total fund balance at July 1, 2011 | | 2,287,739 | |
| Increase (decrease) in nonspendable fund balance - U.S.D.A. inventory | | (57,357) | |
| Total fund balance | | 2,707,489 | |
| Nonspendable fund balance - U.S.D.A. inventory - end of year | | (236,627) | |
| Fund balance at June 30, 2012 - unassigned | | <u>\$ 2,470,862</u> | |

Harford County Public Schools

SCHOOL CONSTRUCTION FUND
 (CAPITAL PROJECTS FUND)
 SCHEDULE OF EXPENDITURES BY PROJECT
 FOR THE YEAR ENDED JUNE 30, 2012

Construction in progress - by project

| | |
|--|----------------------|
| Campus Hills Elementary | \$ 19,902 |
| Red Pump Elementary | 3,135,097 |
| Aberdeen High School addition | 9,777 |
| Deerfield Elementary modernization | 161,101 |
| Joppatowne Elementary modernization | 84,616 |
| Aberdeen High north building | 9,800 |
| Bel Air High modernization | 587,020 |
| Edgewood High modernization | 897,530 |
| Havre de Grace High modernization | 155,041 |
| North Harford High modernization | 112,749 |
| Prospect Mill Elementary remedial capacity renovations | 12,030 |
| Technology education lab refresh | 284,986 |
| Music technology labs | 193,662 |
| Special education facilities | 22,282 |
| Data center air conditioning | 680 |
| Forest Hill Annex electrical | 334,399 |
| Jarrettsville Elementary HVAC | 263,151 |
| North Bend Elementary air conditioning | 790,885 |
| Youth's Benefit Elementary air conditioning | 1,332,768 |
| Southampton Middle HVAC | 45,662 |
| Havre de Grace High HVAC | 3,305,113 |
| Roofing projects | 273,202 |
| William Paca Elementary air conditioning | 1,950,656 |
| Harford Technical High School athletic fields | 20,612 |
| Bel Air Elementary improvements | 4,595 |
| Havre de Grace High Field improvements | 80,404 |
| Outdoor track reconditioning | 165,099 |
| Relocatables | 241,002 |
| Technology refresh | 4,315,916 |
| Integrated business systems | 15,420 |
| Bel Air Elementary chiller | 236,479 |
| Dublin Elementary boiler | 223,652 |
| Major HVAC repairs - Church Creek Elementary | 23,988 |
| Major HVAC repairs - Havre de Grace Elementary | 25,743 |
| North Harford sewer | 16,650 |
| Environmental compliance | 75,741 |
| Alarms | 136,882 |
| Maintenance replacement vehicles | 1,158,642 |
| Septic pretreat facility | 1,072,994 |
| Backflow prevention | 19,182 |
| Storm water management, erosion and sediment control | 18,880 |
| ADA improvements | 146,114 |
| Paving - overlay and maintenance | 759,612 |
| Lockers | 63,892 |
| Bleachers | 102,500 |
| Building envelope improvements | 81,000 |
| Energy conservation | 175,906 |
| Athletic fields | 79,873 |
| Floor coverings | 10,904 |
| HVAC major repairs | 1,657,472 |
| William S. James Elementary playground | 163,637 |
| Emmorton Elementary playground | 154,556 |
| Prospect Mill Elementary playground | 109,125 |
| Roye Williams Elementary playground | 164,928 |
| Riverside Elementary playground | 89,996 |
| Furniture | 41,560 |
| Buses | 665,503 |
| Music refresh | 20,450 |
| Security cameras | 321,926 |
| Career and technology education equipment refresh | 105,363 |
| Swimming pools | 9,987 |
| | <u>\$ 26,758,294</u> |

Harford County Public Schools

SCHOOL FUNDS
(AGENCY FUNDS)
STATEMENT OF INCREASES, DECREASES AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

School Activity Funds

| | Balance <u>June 30, 2011</u> | <u>Increases</u> | <u>Decreases</u> | Balance <u>June 30, 2012</u> |
|------------------------------|---------------------------------|------------------|------------------|---------------------------------|
| <u>Elementary schools</u> | | | | |
| Abingdon | \$ 13,681 | \$ 46,784 | \$ 45,792 | \$ 14,673 |
| Bakerfield | 23,147 | 24,297 | 32,120 | 15,324 |
| Bel Air | 9,244 | 29,016 | 30,837 | 7,423 |
| Church Creek | 12,835 | 24,411 | 31,292 | 5,954 |
| Churchville | 8,916 | 37,732 | 33,160 | 13,488 |
| Darlington | 7,858 | 18,972 | 14,844 | 11,986 |
| Deerfield | 125,260 | 26,644 | 23,066 | 128,838 |
| Dublin | 15,149 | 16,310 | 13,632 | 17,827 |
| Edgewood | 15,460 | 23,759 | 23,805 | 15,414 |
| Emmorton | 40,819 | 42,894 | 54,147 | 29,566 |
| Forest Hill | 7,725 | 38,102 | 37,003 | 8,824 |
| Forest Lakes | 25,446 | 61,703 | 60,487 | 26,662 |
| Fountain Green | 19,606 | 29,271 | 36,272 | 12,605 |
| George D. Lisby at Hillsdale | 17,176 | 40,373 | 44,199 | 13,350 |
| Hall's Cross Roads | 20,625 | 34,621 | 32,855 | 22,391 |
| Harford Glen | 2,952 | 2,941 | 3,105 | 2,788 |
| Havre de Grace | 23,244 | 30,234 | 30,852 | 22,626 |
| Hickory | 35,118 | 89,430 | 64,377 | 60,171 |
| Homestead-Wakefield | 1,408 | 73,491 | 71,256 | 3,643 |
| Jarrettsville | 23,181 | 51,021 | 55,310 | 18,892 |
| John Archer | 48,126 | 46,402 | 36,283 | 58,245 |
| Joppatowne | 19,594 | 28,376 | 23,619 | 24,351 |
| Magnolia | 11,053 | 9,667 | 13,576 | 7,144 |
| Meadowvale | 12,591 | 33,364 | 35,412 | 10,543 |
| Norrisville | 14,032 | 17,061 | 17,062 | 14,031 |
| North Bend | 10,907 | 30,237 | 27,961 | 13,183 |
| North Harford | 17,209 | 70,063 | 68,915 | 18,357 |
| Prospect Mill | 21,158 | 36,027 | 33,489 | 23,696 |
| Red Pump | - | 36,250 | 24,927 | 11,323 |
| Ring Factory | 17,913 | 50,609 | 54,519 | 14,003 |
| Riverside | 19,239 | 36,955 | 36,947 | 19,247 |
| Roye-Williams | 18,070 | 23,125 | 21,491 | 19,704 |
| William S. James | 27,036 | 31,717 | 45,904 | 12,849 |
| William Paca-Old Post Road | 18,642 | 10,564 | 14,394 | 14,812 |
| Youth's Benefit | 9,636 | 58,912 | 54,747 | 13,801 |
| Total elementary schools | \$ 714,056 | \$ 1,261,335 | \$ 1,247,657 | \$ 727,734 |

Harford County Public Schools

.....
SCHOOL FUNDS
(AGENCY FUNDS)
STATEMENT OF INCREASES, DECREASES AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

School Activity Funds

| | Balance <u>June 30, 2011</u> | <u>Increases</u> | <u>Decreases</u> | Balance <u>June 30, 2012</u> |
|-----------------------------------|---------------------------------|---------------------|---------------------|---------------------------------|
| <u>Middle schools</u> | | | | |
| Aberdeen | \$ 79,546 | \$ 155,954 | \$ 152,956 | \$ 82,544 |
| Bel Air | 84,805 | 228,072 | 242,559 | 70,318 |
| Edgewood | 48,028 | 122,080 | 145,829 | 24,279 |
| Fallston | 68,901 | 145,415 | 133,236 | 81,080 |
| Havre de Grace | 25,970 | 79,514 | 84,309 | 21,175 |
| Magnolia | 32,839 | 72,710 | 78,257 | 27,292 |
| North Harford | 49,999 | 159,101 | 156,802 | 52,298 |
| Patterson Mill | 33,143 | 123,703 | 127,531 | 29,315 |
| Southampton | 76,261 | 213,682 | 238,147 | 51,796 |
| Total middle schools | <u>499,492</u> | <u>1,300,231</u> | <u>1,359,626</u> | <u>440,097</u> |
| <u>High schools</u> | | | | |
| Aberdeen | 151,295 | 451,029 | 410,386 | 191,938 |
| Alternative Education | 21,253 | 65,219 | 79,202 | 7,270 |
| Bel Air | 223,255 | 455,219 | 468,488 | 209,986 |
| C. Milton Wright | 198,587 | 485,828 | 502,003 | 182,412 |
| Edgewood | 119,391 | 294,980 | 279,219 | 135,152 |
| Fallston | 133,419 | 440,396 | 437,500 | 136,315 |
| Harford Technical | 183,052 | 692,726 | 705,540 | 170,238 |
| Havre de Grace | 165,171 | 398,579 | 451,531 | 112,219 |
| Joppatowne | 74,479 | 202,162 | 202,923 | 73,718 |
| North Harford | 197,797 | 422,881 | 448,232 | 172,446 |
| Patterson Mill | 127,576 | 445,948 | 449,999 | 123,525 |
| Total high schools | <u>1,595,275</u> | <u>4,354,967</u> | <u>4,435,023</u> | <u>1,515,219</u> |
| Total - all school activity funds | <u>2,808,823</u> | <u>6,916,533</u> | <u>7,042,306</u> | <u>2,683,050</u> |
| Scholarship funds | <u>88,704</u> | <u>1,523</u> | <u>3,030</u> | <u>87,197</u> |
| Total - agency funds | <u>\$ 2,897,527</u> | <u>\$ 6,918,056</u> | <u>\$ 7,045,336</u> | <u>\$ 2,770,247</u> |

Harford County Public Schools

.....

SCHOOL FUNDS (AGENCY FUNDS) COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS JUNE 30, 2012

| | <u>Scholarship Funds</u> | <u>Student Activity Funds</u> | <u>Total Agency Funds</u> |
|-------------------------------|------------------------------|---------------------------------------|-----------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 87,197 | \$ 2,683,050 | \$ 2,770,247 |
| Total assets | <u>\$ 87,197</u> | <u>\$ 2,683,050</u> | <u>\$ 2,770,247</u> |
| Liabilities | | | |
| Scholarship funds payable | \$ 87,197 | \$ - | \$ 87,197 |
| School activity funds payable | <u>-</u> | <u>2,683,050</u> | <u>2,683,050</u> |
| Total liabilities | <u>\$ 87,197</u> | <u>\$ 2,683,050</u> | <u>\$ 2,770,247</u> |

Harford County Public Schools

SCHOOL FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS FOR YEAR ENDED JUNE 30, 2012

| | <u>Balance</u> <u>June 30, 2011</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2012</u> |
|----------------------------------|--|------------------|-------------------|--|
| SCHOLARSHIP FUNDS | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 88,704 | \$ 1,523 | \$ 3,030 | \$ 87,197 |
| LIABILITIES | | | | |
| Scholarship funds payable | \$ 88,704 | \$ 1,523 | \$ 3,030 | \$ 87,197 |
| STUDENT ACTIVITY FUNDS | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,808,823 | \$ 6,916,533 | \$ 7,042,306 | \$ 2,683,050 |
| LIABILITIES | | | | |
| Student activity funds payable | \$ 2,808,823 | \$ 6,916,533 | \$ 7,042,306 | \$ 2,683,050 |
| TOTALS - ALL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,897,527 | \$ 6,918,056 | \$ 7,045,336 | \$ 2,770,247 |
| LIABILITIES | | | | |
| Scholarship funds payable | \$ 88,704 | \$ 1,523 | \$ 3,030 | \$ 87,197 |
| Student activity funds payable | 2,808,823 | 6,916,533 | 7,042,306 | 2,683,050 |
| Total liabilities | \$ 2,897,527 | \$ 6,918,056 | \$ 7,045,336 | \$ 2,770,247 |



**Noah Howerton, Grade 6, North Harford Middle School
Teacher: Denize Terzigni-Cox**

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> | 70 - 73 |
| 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> | 74 - 75 |
| 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.</i> | 76 - 83 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year after June 30, 2003 and from the Independent Auditors' Report, Financial Statements and Supplemental Information for the relevant year prior to that.



Megan Huth, Grade 12
Havre de Grace High School
Teacher: Jenna Zimmerman

Harford County Public Schools

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

| | Fiscal Year | | | | | | | | | |
|---|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Governmental activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$181,349 | \$196,877 | \$224,456 | \$265,089 | \$297,606 | \$379,249 | \$472,628 | \$533,572 | \$560,834 | \$568,870 |
| Restricted for food services | 2,446 | 2,848 | 3,005 | 2,976 | 2,699 | 2,456 | 2,066 | 2,196 | 2,408 | 2,755 |
| Restricted for capital projects | - | - | - | - | 25 | 8,072 | 5,802 | 7,551 | 7,454 | 9,079 |
| Unrestricted | (22,021) | (20,828) | (11,933) | (4,063) | 1,827 | (16,540) | (51,542) | (84,761) | (110,678) | (128,086) |
| Total governmental activities net assets | <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> | <u>\$452,618</u> |

Harford County Public Schools

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

| | Fiscal Year | | | | | | | | | |
|---|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Functions/Programs | | | | | | | | | | |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Regular education | \$187,371 | \$191,404 | \$200,144 | \$229,007 | \$247,876 | \$277,212 | \$290,266 | \$294,136 | \$289,527 | \$285,182 |
| Special education | 39,276 | 40,855 | 47,269 | 54,113 | 60,048 | 69,664 | 77,461 | 89,247 | 94,112 | 86,373 |
| Total Instruction | 226,647 | 232,259 | 247,413 | 283,120 | 307,924 | 346,876 | 367,727 | 383,383 | 383,639 | 371,555 |
| Support services | | | | | | | | | | |
| Administration | 7,212 | 8,443 | 9,101 | 11,094 | 13,474 | 15,093 | 15,934 | 15,989 | 15,341 | 16,114 |
| Mid level administration | 22,884 | 23,341 | 25,130 | 28,393 | 31,195 | 35,358 | 36,855 | 37,516 | 36,621 | 37,070 |
| Pupil personnel services | 1,411 | 1,485 | 1,504 | 1,777 | 1,948 | 2,198 | 2,312 | 2,338 | 2,223 | 2,322 |
| Health services | 2,662 | 2,605 | 3,434 | 3,487 | 4,106 | 4,740 | 5,103 | 5,069 | 4,850 | 5,255 |
| Pupil transportation | 18,048 | 19,310 | 20,884 | 23,234 | 25,716 | 31,197 | 32,724 | 33,647 | 35,424 | 37,332 |
| Operation of plant | 21,504 | 23,562 | 24,925 | 27,912 | 31,282 | 36,304 | 37,614 | 39,310 | 38,716 | 40,267 |
| Maintenance of plant and equipment | 8,898 | 9,945 | 10,489 | 11,671 | 12,742 | 14,528 | 14,522 | 15,130 | 15,789 | 16,989 |
| Community services | 362 | 319 | 420 | 434 | 498 | 499 | 480 | 399 | 451 | 421 |
| Food services | 9,558 | 10,332 | 11,329 | 12,229 | 13,519 | 14,179 | 15,144 | 15,391 | 14,848 | 15,829 |
| Interest on long-term debt | - | - | - | 814 | 567 | 554 | 541 | 527 | 512 | 615 |
| Depreciation - unallocated | 107 | 107 | 103 | 103 | 94 | 89 | 89 | 89 | 87 | 86 |
| Total Support Services | 92,646 | 99,449 | 107,319 | 121,148 | 135,141 | 154,739 | 161,318 | 165,405 | 164,862 | 172,300 |
| Total governmental activities | 319,293 | 331,708 | 354,732 | 404,268 | 443,065 | 501,615 | 529,045 | 548,788 | 548,501 | 543,855 |
| Program revenues | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Regular education | 859 | 928 | 1,133 | 1,529 | 1,500 | 1,730 | 1,688 | 1,648 | 1,471 | 1,214 |
| Community services | 250 | 324 | 378 | 439 | 466 | 488 | 415 | 338 | 348 | 348 |
| Food services | 6,328 | 6,658 | 7,186 | 7,666 | 8,132 | 8,348 | 8,059 | 7,839 | 7,875 | 7,858 |
| Operating grants and contributions | 59,861 | 64,773 | 69,930 | 79,547 | 89,364 | 102,132 | 106,729 | 122,436 | 136,196 | 128,527 |
| Capital grants and contributions | 29,005 | 20,599 | 38,598 | 56,320 | 47,943 | 101,153 | 104,871 | 85,054 | 47,667 | 28,383 |
| Total governmental activities program revenues | 96,303 | 93,282 | 117,225 | 145,501 | 147,405 | 213,851 | 221,762 | 217,315 | 193,557 | 166,330 |
| Total governmental net expense | (222,990) | (238,426) | (237,507) | (258,767) | (295,660) | (287,764) | (307,283) | (331,473) | 354,944 | 377,525 |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| General revenues: | | | | | | | | | | |
| Local appropriations | 146,051 | 148,150 | 154,047 | 175,415 | 189,415 | 199,615 | 206,979 | 210,415 | 211,067 | 217,782 |
| State Aid | 96,272 | 105,600 | 112,468 | 125,158 | 138,061 | 152,542 | 153,313 | 147,510 | 140,638 | 143,456 |
| Federal Aid | 421 | 386 | 371 | 411 | 443 | 340 | 279 | 625 | 696 | 1,345 |
| Miscellaneous | 93 | 1,293 | 2,060 | 5,464 | 4,525 | 5,083 | 2,204 | 2,487 | 3,960 | 7,508 |
| Unrestricted investment earnings | 134 | 120 | 323 | 793 | 1,371 | 1,264 | 226 | 40 | 43 | 33 |
| Total general revenues | 242,971 | 255,549 | 269,269 | 307,241 | 333,815 | 358,844 | 363,001 | 361,077 | 356,404 | 370,124 |
| Change in Net Assets | 19,981 | 17,123 | 31,762 | 48,474 | 38,155 | 71,080 | 55,718 | 29,604 | 1,460 | (7,401) |
| Net assets - beginning of year | 141,793 | 161,774 | 178,897 | 215,528 | 264,002 | 302,157 | 373,237 | 428,955 | 458,559 | 460,019 |
| Adjustment to Restate Beginning Net Assets | - | - | 4,869 | - | - | - | - | - | - | - |
| Net assets - beginning of year, as Restated | 141,793 | 161,774 | 183,766 | 215,528 | 264,002 | 302,157 | 373,237 | 428,955 | 458,559 | 460,019 |
| Net assets - end of year | \$161,774 | \$178,897 | \$215,528 | \$264,002 | \$302,157 | \$373,237 | \$428,955 | \$458,559 | \$460,019 | \$452,618 |

Harford County Public Schools

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

| | Fiscal Year | | | | | | | | | |
|------------------------------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| General fund | | | | | | | | | | |
| Assigned | \$2,911 | \$3,409 | \$3,523 | \$4,230 | \$5,338 | \$2,937 | \$2,261 | \$2,405 | \$12,976 | \$12,628 |
| Unassigned | 910 | 2,778 | 7,635 | 16,188 | 22,128 | 16,152 | 18,113 | 22,626 | 13,143 | 13,169 |
| Total general fund | <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> | <u>\$25,797</u> |
| All other governmental funds | | | | | | | | | | |
| Non Spendable - | | | | | | | | | | |
| Special Revenue Fund | \$150 | \$339 | \$277 | \$239 | \$160 | \$122 | \$186 | \$278 | \$294 | \$237 |
| Assigned - reported in: | | | | | | | | | | |
| Special revenue fund | 2,295 | 2,509 | 2,729 | 2,737 | 2,539 | 2,334 | 1,880 | 1,918 | 2,115 | 2,518 |
| Capital projects fund | - | - | - | - | 25 | 8,072 | 5,802 | 7,551 | 7,454 | 9,079 |
| Total all other governmental funds | <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> | <u>\$11,834</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 | | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Revenues | | | | | | | | | | |
| Intergovernmental revenues | | | | | | | | | | |
| Local | \$164,163 | \$167,880 | \$177,486 | \$224,683 | \$228,930 | \$278,735 | \$299,449 | \$275,213 | \$241,501 | \$230,041 |
| State | 136,685 | 144,371 | 168,141 | 183,301 | 205,345 | 245,316 | 241,878 | 247,758 | 242,653 | 251,283 |
| Special state and federal programs | 26,744 | 22,839 | 21,833 | 23,558 | 24,835 | 24,881 | 24,357 | 33,330 | 41,992 | 28,817 |
| Federal | 3,870 | 4,401 | 4,711 | 5,036 | 5,177 | 5,358 | 5,907 | 6,860 | 7,629 | 8,485 |
| Earnings on investments | 159 | 137 | 501 | 1,066 | 1,530 | 1,348 | 235 | 40 | 43 | 33 |
| Charges for services | 6,328 | 6,658 | 7,186 | 7,666 | 8,132 | 8,348 | 8,059 | 7,839 | 7,875 | 7,858 |
| Donation of land from county | - | - | 3,063 | - | - | - | - | - | - | - |
| Miscellaneous revenues | 1,325 | 2,545 | 3,574 | 7,432 | 7,271 | 8,709 | 4,878 | 7,352 | 8,268 | 9,937 |
| Total revenues | 339,274 | 348,831 | 386,495 | 452,742 | 481,220 | 572,695 | 584,763 | 578,392 | 549,961 | 536,454 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| Administrative services | 5,615 | 6,205 | 6,781 | 8,381 | 9,906 | 10,732 | 11,044 | 10,708 | 10,473 | 10,776 |
| Mid level administrative services | 17,707 | 17,428 | 18,638 | 21,411 | 23,592 | 25,282 | 25,556 | 25,417 | 25,182 | 24,959 |
| Instructional salaries | 118,502 | 122,904 | 126,644 | 143,325 | 158,371 | 167,938 | 168,953 | 166,084 | 165,998 | 165,118 |
| Instructional textbooks and supplies | 5,596 | 5,512 | 6,070 | 8,584 | 9,885 | 9,962 | 8,405 | 7,758 | 7,316 | 8,067 |
| Other instructional costs | 1,640 | 1,912 | 2,208 | 2,409 | 2,103 | 2,848 | 3,406 | 2,904 | 3,173 | 2,839 |
| Special education | 20,329 | 22,459 | 23,921 | 27,764 | 31,751 | 35,782 | 38,054 | 39,030 | 39,674 | 40,322 |
| Student personnel services | 1,123 | 1,131 | 1,180 | 1,373 | 1,524 | 1,621 | 1,629 | 1,615 | 1,610 | 1,614 |
| Health services | 1,934 | 2,124 | 2,272 | 2,512 | 3,047 | 3,222 | 3,400 | 3,255 | 3,200 | 3,292 |
| Pupil transportation services | 16,293 | 17,103 | 18,642 | 20,632 | 22,617 | 26,889 | 27,321 | 27,655 | 29,522 | 30,917 |
| Operation of plant | 18,307 | 19,238 | 21,128 | 23,603 | 26,036 | 28,859 | 29,063 | 29,129 | 28,913 | 28,974 |
| Maintenance of plant and equipment | 7,483 | 8,089 | 8,511 | 9,239 | 10,096 | 11,269 | 10,701 | 11,014 | 11,757 | 12,607 |
| Fixed charges | 58,769 | 67,459 | 72,732 | 79,308 | 87,680 | 112,302 | 107,064 | 115,194 | 116,016 | 133,275 |
| Community services | 328 | 293 | 377 | 398 | 455 | 450 | 429 | 352 | 403 | 373 |
| Special state and federal programs | 26,744 | 22,839 | 21,833 | 23,558 | 24,835 | 24,880 | 24,357 | 33,330 | 41,992 | 28,817 |
| Costs of operations - food services | 9,601 | 10,709 | 11,600 | 12,652 | 13,517 | 13,977 | 14,435 | 14,315 | 14,911 | 15,275 |
| Capital outlay | 29,092 | 20,846 | 41,242 | 66,394 | 48,138 | 96,394 | 111,561 | 83,365 | 47,809 | 26,759 |
| Debt service | | | | | | | | | | |
| Principal | - | - | - | 10 | 257 | 269 | 283 | 297 | 312 | 327 |
| Interest | - | - | - | 814 | 567 | 554 | 541 | 527 | 512 | 615 |
| Total expenditures | 339,063 | 346,251 | 383,779 | 452,367 | 474,377 | 573,230 | 586,202 | 571,949 | 548,773 | 534,926 |
| Excess (deficit) of revenues over expenditures | 211 | 2,580 | 2,716 | 375 | 6,843 | (535) | (1,439) | 6,443 | 1,188 | 1,528 |
| Other financing sources (uses) | | | | | | | | | | |
| Proceeds from capital lease | - | - | 2,475 | 8,893 | 32 | - | - | - | - | 178 |
| Increase (decrease) in nonspendable fund balance | (10) | 188 | (62) | (38) | - | (38) | - | 92 | 16 | - |
| Net change in fund balances | \$201 | \$2,768 | \$5,129 | \$9,230 | \$6,875 | (\$573) | (\$1,439) | \$6,535 | \$1,204 | \$1,706 |

Harford County Public Schools

Enrollment by School and Student to Teacher Ratio
Last Ten Years at September 30,

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Capacity | Capacity | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------|
| Abingdon Elementary | 853 | 836 | 841 | 822 | 751 | 769 | 795 | 766 | 798 | 893 | 864 | 103.36% | |
| Bakersfield Elementary | 506 | 510 | 507 | 463 | 447 | 463 | 477 | 457 | 444 | 366 | 500 | 73.20% | |
| Bel Air Elementary | 577 | 525 | 533 | 524 | 505 | 487 | 512 | 508 | 505 | 488 | 500 | 97.60% | |
| Church Creek Elementary | 730 | 733 | 754 | 778 | 755 | 736 | 743 | 774 | 781 | 699 | 793 | 88.15% | |
| Churchville Elementary | 384 | 398 | 383 | 383 | 371 | 359 | 363 | 371 | 376 | 375 | 388 | 96.65% | |
| Darlington Elementary | 123 | 141 | 137 | 139 | 130 | 126 | 125 | 123 | 123 | 124 | 192 | 64.58% | |
| Deerfield Elementary | 639 | 687 | 670 | 584 | 569 | 545 | 520 | 514 | 633 | 797 | 816 | 97.67% | |
| Dublin Elementary | 258 | 260 | 268 | 239 | 250 | 246 | 247 | 247 | 246 | 289 | 295 | 97.97% | |
| Edgewood Elementary | 442 | 458 | 506 | 473 | 422 | 419 | 393 | 434 | 422 | 451 | 511 | 88.26% | |
| Emmorton Elementary | 576 | 580 | 617 | 617 | 653 | 667 | 676 | 704 | 732 | 539 | 549 | 98.18% | |
| Forest Hill Elementary | 536 | 580 | 603 | 579 | 585 | 575 | 564 | 579 | 550 | 557 | 581 | 95.87% | |
| Forest Lakes Elementary | 684 | 675 | 679 | 714 | 707 | 695 | 664 | 682 | 681 | 511 | 546 | 93.59% | |
| Fountain Green Elementary | 616 | 647 | 616 | 664 | 643 | 662 | 651 | 604 | 567 | 562 | 571 | 98.42% | |
| George D. Lisby Elementary at Hillsda | 391 | 383 | 378 | 347 | 333 | 311 | 350 | 333 | 347 | 427 | 455 | 93.85% | |
| Halls Cross Roads Elementary | 401 | 359 | 364 | 383 | 415 | 437 | 430 | 446 | 492 | 475 | 562 | 84.52% | |
| Havre de Grace Elementary | 481 | 487 | 461 | 413 | 368 | 373 | 393 | 416 | 424 | 443 | 566 | 78.27% | |
| Hickory Elementary | 693 | 693 | 667 | 696 | 664 | 693 | 702 | 687 | 720 | 653 | 655 | 99.69% | |
| Homestead-Wakefield Elementary | 982 | 992 | 970 | 958 | 934 | 919 | 905 | 937 | 937 | 892 | 907 | 98.35% | |
| Jarrettsville Elementary | 480 | 470 | 455 | 455 | 423 | 443 | 414 | 416 | 434 | 470 | 548 | 85.77% | |
| Joppatowne Elementary | 593 | 564 | 567 | 581 | 522 | 515 | 546 | 548 | 581 | 667 | 653 | 102.14% | |
| Magnolia Elementary | 589 | 566 | 574 | 515 | 512 | 526 | 536 | 563 | 466 | 385 | 518 | 74.32% | |
| Meadowvale Elementary | 588 | 602 | 574 | 603 | 571 | 549 | 545 | 538 | 512 | 532 | 568 | 93.66% | |
| Norrisville Elementary | 191 | 194 | 184 | 207 | 221 | 206 | 192 | 170 | 181 | 199 | 252 | 78.97% | |
| North Bend Elementary | 500 | 481 | 470 | 449 | 428 | 399 | 402 | 389 | 401 | 377 | 500 | 75.40% | |
| North Harford Elementary | 532 | 539 | 534 | 551 | 518 | 502 | 469 | 490 | 453 | 442 | 500 | 88.40% | |
| Prospect Mill Elementary | 911 | 879 | 907 | 976 | 1,008 | 980 | 951 | 931 | 902 | 651 | 680 | 95.74% | |
| Red Pump Elementary | | | | | | | | | | | | | |
| Ring Factory Elementary | 596 | 567 | 555 | 541 | 530 | 527 | 500 | 513 | 511 | 542 | 548 | 98.91% | |
| Riverside Elementary | 544 | 564 | 559 | 554 | 568 | 547 | 504 | 502 | 523 | 501 | 522 | 95.98% | |
| Roye-Williams Elementary | 620 | 563 | 641 | 577 | 546 | 493 | 426 | 440 | 388 | 440 | 683 | 64.42% | |
| William Paca/Old Post Road Elementa | 1,055 | 1,033 | 1,026 | 1,052 | 1,044 | 1,010 | 1,020 | 1,005 | 845 | 663 | 954 | 69.50% | |
| William S. James Elementary | 560 | 526 | 520 | 498 | 496 | 501 | 487 | 481 | 521 | 514 | 522 | 98.47% | |
| Youths Benefit Elementary | 1,003 | 985 | 1,008 | 1,029 | 1,044 | 1,067 | 1,072 | 1,041 | 1,029 | 998 | 958 | 104.18% | |
| Total Elementary Schools | 18,634 | 18,477 | 18,528 | 18,364 | 17,933 | 17,747 | 17,574 | 17,609 | 17,525 | 17,518 | 19,353 | 90.52% | |
| Aberdeen Middle | 1,299 | 1,293 | 1,301 | 1,247 | 1,207 | 1,095 | 1,120 | 1,095 | 1,087 | 1,043 | 1,444 | 72.23% | |
| Bel Air Middle | 1,429 | 1,461 | 1,402 | 1,434 | 1,403 | 1,244 | 1,249 | 1,267 | 1,291 | 1,296 | 1,318 | 98.33% | |
| Edgewood Middle | 1,349 | 1,346 | 1,275 | 1,216 | 1,164 | 1,151 | 1,028 | 1,046 | 1,022 | 1,073 | 1,370 | 78.32% | |
| Fallston Middle | 1,274 | 1,228 | 1,224 | 1,212 | 1,180 | 925 | 905 | 892 | 887 | 929 | 1,105 | 84.07% | |
| Havre de Grace Middle | 657 | 650 | 605 | 589 | 599 | 609 | 613 | 584 | 530 | 529 | 775 | 68.26% | |
| Magnolia Middle | 935 | 903 | 913 | 916 | 869 | 874 | 785 | 795 | 735 | 710 | 1,073 | 66.17% | |
| North Harford Middle | 1,226 | 1,200 | 1,118 | 1,123 | 1,085 | 1,153 | 1,134 | 1,113 | 1,056 | 1,019 | 1,243 | 81.98% | |
| Patterson Mill Middle | - | - | - | - | - | - | 735 | 763 | 775 | 753 | 732 | 711 | 102.95% |
| Southampton Middle | 1,613 | 1,541 | 1,528 | 1,535 | 1,549 | 1,252 | 1,295 | 1,256 | 1,270 | 1,276 | 1,540 | 82.86% | |
| Total Middle Schools | 9,782 | 9,622 | 9,366 | 9,272 | 9,056 | 9,038 | 8,892 | 8,823 | 8,631 | 8,607 | 10,579 | 81.36% | |
| Aberdeen High | 1,250 | 1,250 | 1,357 | 1,543 | 1,589 | 1,569 | 1,504 | 1,464 | 1,459 | 1,411 | 1,679 | 84.04% | |
| Bel Air High | 1,573 | 1,649 | 1,636 | 1,639 | 1,683 | 1,403 | 1,380 | 1,431 | 1,574 | 1,633 | 1,668 | 97.90% | |
| C. Milton Wright High | 1,793 | 1,789 | 1,911 | 1,834 | 1,850 | 1,746 | 1,587 | 1,591 | 1,555 | 1,491 | 1,678 | 88.86% | |
| Edgewood High | 1,226 | 1,327 | 1,357 | 1,316 | 1,261 | 1,177 | 1,123 | 1,194 | 1,226 | 1,211 | 1,743 | 69.48% | |
| Fallston High | 1,656 | 1,672 | 1,635 | 1,643 | 1,606 | 1,453 | 1,365 | 1,209 | 1,113 | 1,090 | 1,529 | 71.29% | |
| Harford Technical High | 1,054 | 1,070 | 1,069 | 1,052 | 1,056 | 1,056 | 1,040 | 1,026 | 1,024 | 1,019 | 920 | 110.76% | |
| Havre de Grace High | 690 | 687 | 705 | 721 | 717 | 769 | 764 | 775 | 745 | 691 | 850 | 81.29% | |
| Joppatowne High | 1,052 | 1,051 | 1,108 | 1,118 | 1,063 | 1,004 | 969 | 952 | 940 | 872 | 1,126 | 77.44% | |
| North Harford High | 1,370 | 1,425 | 1,447 | 1,445 | 1,437 | 1,385 | 1,367 | 1,393 | 1,383 | 1,447 | 1,603 | 90.27% | |
| Patterson Mill High | - | - | - | - | - | 436 | 701 | 949 | 964 | 991 | 924 | 107.25% | |
| Total High Schools | 11,664 | 11,920 | 12,225 | 12,311 | 12,262 | 11,998 | 11,800 | 11,984 | 11,983 | 11,856 | 13,720 | 86.41% | |
| Total Secondary Schools | 21,446 | 21,542 | 21,591 | 21,583 | 21,318 | 21,036 | 20,692 | 20,807 | 20,614 | 20,463 | 24,299 | 84.21% | |
| Alternative Education | 20 | 30 | 17 | 113 | 139 | 155 | 106 | 76 | 112 | 113 | 250 | 45.20% | |
| Restoration Academy (Charter) | - | - | - | - | 21 | 78 | 79 | - | - | - | - | - | |
| John Archer | 164 | 154 | 158 | 152 | 160 | 159 | 159 | 147 | 143 | 128 | 210 | 60.95% | |
| Total Special Schools | 184 | 184 | 175 | 265 | 320 | 392 | 344 | 223 | 255 | 241 | 460 | 52.39% | |
| Total All Schools | 40,264 | 40,203 | 40,294 | 40,212 | 39,571 | 39,175 | 38,610 | 38,639 | 38,394 | 38,222 | 44,112 | 86.65% | |
| Teachers & Therapists Staff (1) | 2,579 | 2,590 | 2,357 | 2,437 | 2,589 | 2,809 | 2,835 | 2,778 | 2,831 | 2,832 | | | |
| Student/Teacher Ratio | 15.61 | 15.52 | 17.10 | 16.50 | 15.28 | 13.95 | 13.62 | 13.91 | 13.56 | 13.50 | | | |

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 as of September 30

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Elementary School: | | | | | | | | | | |
| Preschool | 80 | 86 | 83 | 66 | 55 | 53 | 49 | 61 | - | 38 |
| Prekindergarten | 836 | 811 | 849 | 825 | 841 | 813 | 825 | 837 | 773 | 738 |
| Kindergarten | 2,796 | 2,721 | 2,653 | 2,811 | 2,611 | 2,823 | 2,704 | 2,734 | 2,681 | 2,792 |
| Grade 1 | 2,944 | 2,948 | 2,908 | 2,778 | 2,849 | 2,603 | 2,836 | 2,736 | 2,808 | 2,715 |
| 2 | 2,879 | 2,904 | 2,953 | 2,907 | 2,756 | 2,848 | 2,643 | 2,873 | 2,757 | 2,809 |
| 3 | 3,025 | 2,923 | 2,937 | 2,964 | 2,894 | 2,761 | 2,862 | 2,670 | 2,904 | 2,796 |
| 4 | 2,932 | 3,068 | 3,006 | 2,971 | 2,947 | 2,906 | 2,762 | 2,925 | 2,691 | 2,919 |
| 5 | 3,106 | 2,978 | 3,139 | 3,042 | 2,980 | 2,940 | 2,893 | 2,773 | 2,911 | 2,711 |
| Total Elementary School | 18,598 | 18,439 | 18,528 | 18,364 | 17,933 | 17,747 | 17,574 | 17,609 | 17,525 | 17,518 |
| Middle School: | | | | | | | | | | |
| Grade 6 | 3,139 | 3,113 | 2,983 | 3,090 | 2,995 | 2,948 | 2,904 | 2,912 | 2,791 | 2,905 |
| 7 | 3,331 | 3,200 | 3,137 | 3,010 | 3,052 | 3,042 | 2,967 | 2,927 | 2,928 | 2,777 |
| 8 | 3,315 | 3,311 | 3,249 | 3,189 | 3,040 | 3,090 | 3,069 | 2,991 | 2,923 | 2,941 |
| Total Middle School | 9,785 | 9,624 | 9,369 | 9,289 | 9,087 | 9,080 | 8,940 | 8,830 | 8,642 | 8,623 |
| High School: | | | | | | | | | | |
| Grade 9 | 3,214 | 3,456 | 3,640 | 3,508 | 3,402 | 3,340 | 3,285 | 3,380 | 3,241 | 3,164 |
| 10 | 3,007 | 2,987 | 3,071 | 3,220 | 3,107 | 3,029 | 3,005 | 3,041 | 3,145 | 3,038 |
| 11 | 2,792 | 2,734 | 2,825 | 2,931 | 2,995 | 2,869 | 2,841 | 2,856 | 2,934 | 2,973 |
| 12 | 2,629 | 2,734 | 2,703 | 2,748 | 2,887 | 2,951 | 2,806 | 2,776 | 2,764 | 2,778 |
| Total High School | 11,642 | 11,911 | 12,239 | 12,407 | 12,391 | 12,189 | 11,937 | 12,053 | 12,084 | 11,953 |
| Special Education | 239 | 229 | 158 | 152 | 160 | 159 | 159 | 147 | 143 | 128 |
| Total Enrollment | 40,264 | 40,203 | 40,294 | 40,212 | 39,571 | 39,175 | 38,610 | 38,639 | 38,394 | 38,222 |

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

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Operating Indicators by Function

| Fiscal Year | Per Pupil Expenditures* | | Number of School Bus Riders*** | Food Services**** | |
|------------------------|--------------------------------|-------------------------|---|------------------------------|---------------------------|
| | Dollars | State Rank** | | Breakfasts Served | Lunches Served |
| 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 | 11,869 | 19 | 34,236 | 959,941 | 3,585,643 |
| 2011 | not available | | 33,992 | 1,064,341 | 3,667,354 |
| 2012 | not available | | 33,873 | 1,237,425 | 3,622,066 |

* Source: Maryland State Department of Education, "The Fact Book"

** 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

Capital Asset Statistics by Function

| | Fiscal Year | | | | | | | | | |
|---|-------------|------|------|------|------|------|------|------|------|------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Instructional Buildings | | | | | | | | | | |
| Elementary Schools | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 33 | 33 |
| Middle Schools ¹ | 8 | 8 | 8 | 8 | 9 | 9 | 9 | 9 | 9 | 9 |
| High Schools ¹ | 9 | 9 | 9 | 9 | 10 | 10 | 10 | 10 | 10 | 10 |
| Special Needs School | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Alternative Education Center/Staff Training | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Charter School | - | - | - | 1 | 1 | 1 | - | - | - | - |
| Harford Glen Environmental Center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total | 52 | 52 | 52 | 53 | 55 | 55 | 54 | 54 | 55 | 55 |
| Support Buildings | | | | | | | | | | |
| Central Administration Building | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Transportation/Facilities Operations Center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Food Services/Warehouse Facility | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |

¹Patterson Mill Middle/High School is a joint building and is reflected in both the Middle and High School counts.

Harford County Public Schools

*Student Academic Performance
2011 and 2012 Test Results*

2011 Scholastic Assessment Test (SAT)

| | <u>Harford</u> | <u>State</u> | <u>Nation</u> |
|------------------|----------------------|--------------|---------------|
| | <i>Average Score</i> | | |
| Mathematics | 512 | 502 | 514 |
| Critical Reading | 507 | 499 | 497 |
| Writing | 481 | 491 | 489 |

2011 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 | 89.0% | 83.2% | 91.2% | 87.0% | 93.3% | 87.9% |
| Biology | 86.0% | 81.4% | 86.2% | 84.7% | 88.7% | 84.6% |
| English | 82.1% | 77.9% | 84.5% | 84.4% | 86.5% | 85.2% |
| Government | 90.5% | 84.8% | 91.9% | 88.9% | 93.9% | 89.8% |

2012 Maryland School Assessments (MSA) - Reading

| | <u>Harford</u> | <u>State</u> |
|--------------------------------|------------------------|--------------|
| Advanced and Proficient | <i>Percent Passing</i> | |
| Grade 3 | 88.6% | 85.0% |
| Grade 4 | 93.9% | 89.8% |
| Grade 5 | 93.1% | 89.9% |
| Grade 6 | 87.7% | 84.5% |
| Grade 7 | 86.8% | 81.2% |
| Grade 8 | 85.5% | 80.8% |

2012 Maryland School Assessments (MSA) - Mathematics

| | <u>Harford</u> | <u>State</u> |
|--------------------------------|------------------------|--------------|
| Advanced and Proficient | <i>Percent Passing</i> | |
| Grade 3 | 89.9% | 87.8% |
| Grade 4 | 92.7% | 89.9% |
| Grade 5 | 89.5% | 85.3% |
| Grade 6 | 87.1% | 83.0% |
| Grade 7 | 85.2% | 76.0% |
| Grade 8 | 73.0% | 69.3% |

Harford County Public Schools

Insurance Summary FY 2012

| Type of Coverage | Name of Company | Policy Number | Policy Period | Limits |
|--|---|------------------------------|----------------------------------|--|
| Workers Compensation | MABE Group Self-Insurance Fund | N/A | 7/1/11-6/30/12 | Statutory up to \$400,000 |
| Excess Workers Compensation | Safety National | SP 4042244 | 7/1/11-6/30/12 | Statutory excess of \$400,000 |
| Comprehensive General Liability | MABE Group Insurance Pool | N/A | 7/1/11-6/30/12 | \$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated |
| Personal Injury Liability | MABE Group Insurance Pool | N/A | 7/1/11-6/30/12 | \$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated |
| Automobile Liability | MABE Group Insurance Pool | N/A | 7/1/11-6/30/12 | \$100,000 combined single limit \$1 million combined single limit for Bus Contractors |
| Personal Injury Protection | MABE Group Insurance Pool | N/A | 7/1/11-6/30/12 | \$2,500 per covered person for any one accident |
| Automobile Physical Damage | MABE Group Insurance Pool | N/A | 7/1/11-6/30/12 | Actual cash value |
| Garage Keepers Liability | MABE Group Insurance Pool | N/A | 7/1/11-6/30/12 | \$100,000 per loss |
| Criminal Proceeding and Intentional Conduct Defense Reimbursement | MABE Group Insurance Pool | N/A | 7/1/11-6/30/12 | \$50,000 per covered person \$100,000 annual aggregate |
| Property and Boiler and Machinery | MABE Group Insurance Pool | N/A | 7/1/11-6/30/12 | \$500,000 per occurrence |
| Excess Property and Boiler and Machinery | PEPIP | PEPIP101654-020 | 7/01/11-6/30/12 | \$1 billion per occurrence excess of \$500,000 |
| Crime | Travelers Casualty and Surety Axis Insurance Company | 103910757 MON719382012010 | 7/1/11-6/30/12 7/1/11-6/30/12 | \$2,500,000 per loss \$2,500,000 excess of \$Travelers |
| School Board Legal Liability | MABE Group Insurance Pool | N/A | 7/1/11-6/30/12 | \$250,000 per occurrence \$5 million per occurrence should sovereign immunity be abrogated |
| School Board Legal Liability Reinsurance | United Educators Insurance | RCN2009043071 | 7/1/11-6/30/12 | \$5,000,000 per occurrence excess of \$250,000 |
| Catastrophic Student Accident | AIG | SRG 0009100979 | 8/01/11-8/01/12 | \$5,000,000 Medical Expense \$1,000,000 Catastrophic Cash |

Harford County Public Schools

**Facilities Information
as of June 30, 2012**

| | Gross Square Feet | Acres | Year Constructed | Age in Years |
|---|----------------------|-----------------|---------------------|-----------------|
| Central Offices | | | | |
| 102 S. Hickory | 73,122 | 0.77 | 2005 | 7 |
| Hickory Annex | 39,930 | 7.15 | various | n/a |
| Forest Hill Annex | 33,895 | 5.96 | various | n/a |
| Woodbridge Center Land | - | 19.80 | n/a | n/a |
| Box Hill South Land | - | 17.86 | n/a | n/a |
| Shucks Rd Land | - | 31.38 | n/a | n/a |
| Harford Glen Environmental Center | 31,647 | 245.23 | 1804 to 2000 | 208 |
| John Archer | 63,984 | 15.00 | 1971 | 41 |
| Center for Educational Opportunity | 107,087 | 3.04 | 1965 | 47 |
| High Schools | | | | |
| 1 Aberdeen High | 229,000 | 20.47 | 2004 | 8 |
| 2 Bel Air High | 262,454 | 53.17 | 2009 | 3 |
| 3 C. Milton Wright High | 220,910 | 60.00 | 1980 | 32 |
| 4 Edgewood High | 268,354 | 44.35 | 2010 | 2 |
| 5 Fallston High | 233,500 | 62.00 | 1977 | 35 |
| 6 Harford Technical High | 218,225 | 55.00 | 1978 | 34 |
| 7 Havre de Grace High | 144,815 | 35.00 | 1955 | 57 |
| 8 Joppatowne High | 184,070 | 65.16 | 1972 | 40 |
| 9 North Harford High | 245,238 | 73.00 | 2006 | 6 |
| 10 Patterson Mill High & Middle | 265,000 | 79.85 | 2007 | 5 |
| Middle Schools | | | | |
| 11 Aberdeen Middle | 196,800 | 43.83 | 1973 | 39 |
| 12 Bel Air Middle | 164,900 | 25.84 | 1961 | 51 |
| 13 Edgewood Middle | 166,530 | 34.86 | 1965 | 47 |
| 14 Fallston Middle | 130,284 | 34.59 | 1993 | 19 |
| 15 Havre de Grace Middle | 102,000 | 37.34 | 1967 | 45 |
| 16 Magnolia Middle | 149,100 | 69.33 | 1979 | 33 |
| 17 North Harford Middle | 173,728 | 40.00 | 1976 | 36 |
| 18 Southampton Middle | 188,134 | 35.99 | 1970 | 42 |
| Elementary Schools | | | | |
| 19 Abingdon Elementary | 91,229 | 28.49 | 1992 | 20 |
| 20 Bakersfield Elementary | 65,691 | 10.00 | 1961 | 51 |
| 21 Bel Air Elementary | 49,748 | 6.31 | 1984 | 28 |
| 22 Church Creek Elementary | 85,801 | 20.51 | 1994 | 18 |
| 23 Churchville Elementary | 52,360 | 6.46 | 1931 | 81 |
| 24 Darlington Elementary | 24,237 | 7.89 | 1938 | 74 |
| 25 Deerfield Elementary | 103,200 | 20.76 | 2010 | 2 |
| 26 Dublin Elementary | 44,385 | 24.69 | 1941 | 71 |
| 27 Edgewood Elementary | 67,341 | 36.95 | 1969 | 43 |
| 28 Emmorton Elementary | 63,000 | 22.04 | 1994 | 18 |
| 29 Forest Hill Elementary | 64,722 | 8.44 | 2000 | 12 |
| 30 Forest Lakes Elementary | 68,971 | 20.03 | 1997 | 15 |
| 31 Fountain Green Elementary | 60,000 | 23.87 | 1993 | 19 |
| 32 George D. Lisby Elementary | 56,295 | 20.01 | 1968 | 44 |
| 33 Halls Cross Roads Elementary | 63,082 | 12.73 | 1943 | 69 |
| 34 Havre de Grace Elementary | 65,085 | 10.25 | 1949 | 63 |
| 35 Hickory Elementary | 77,958 | 33.11 | 1950 | 62 |
| 36 Homestead-Wakefield Elementary | 115,458 | 36.53 | 1958 | 54 |
| 37 Jarrettsville Elementary | 61,275 | 27.44 | 1962 | 50 |
| 38 Joppatowne Elementary | 89,985 | 17.19 | 1965 | 47 |
| 39 Magnolia Elementary | 59,900 | 17.00 | 1975 | 37 |
| 40 Meadowvale Elementary | 69,000 | 13.26 | 1959 | 53 |
| 41 Norrisville Elementary | 37,417 | 11.54 | 1967 | 45 |
| 42 North Bend Elementary | 60,221 | 18.23 | 1991 | 21 |
| 43 North Harford Elementary | 49,703 | 20.00 | 1984 | 28 |
| 44 Prospect Mill Elementary | 75,538 | 15.00 | 1973 | 39 |
| 45 Red Pump Elementary | 100,573 | 23.67 | 2011 | 1 |
| 46 Ring Factory Elementary | 59,132 | 34.26 | 1990 | 22 |
| 47 Riverside Elementary | 55,711 | 13.18 | 1968 | 44 |
| 48 Roye Williams Elementary | 78,126 | 28.00 | 1953 | 59 |
| 49 William Paca/Old Post Rd. Elementary | 112,417 | 46.00 | 1964 | 48 |
| 50 William S. James Elementary | 58,500 | 15.00 | 1976 | 36 |
| 51 Youths Benefit Elementary | 96,616 | 26.18 | 1953 | 59 |
| Total | 6,175,384 | 1,891.00 | | |

Source: Educational Facilities Master Plan 2012

Harford County Public Schools

Principal Employers in Harford County

| | 2011 ¹ | | | 2003 | | |
|---|------------------------------|-------------|--|------------------------------|-------------|--|
| | <u>Employees²</u> | <u>Rank</u> | <u>% of Total Jobs in Harford County</u> | <u>Employees²</u> | <u>Rank</u> | <u>% of Total Jobs in Harford County</u> |
| Government Sector: | | | | | | |
| Aberdeen Proving Ground | 15,582 | 1 | 18.7% | 11,081 | 1 | 15.3% |
| Harford County Public Schools | 5,478 | 2 | 6.6% | 4,573 | 2 | 6.3% |
| Harford County Government | 1,939 | 4 | 2.3% | 1,594 | 4 | 2.2% |
| Private Sector: | | | | | | |
| Upper Chesapeake Health Systems | 2,720 | 3 | 3.3% | 1,762 | 3 | 2.4% |
| Rite Aid Mid-Atlantic Customer Distrib (| 1,167 | 5 | 1.4% | 1,299 | 5 | 1.8% |
| Harford Community College | 982 | 6 | 1.2% | 550 | 7 | 0.8% |
| Jacobs Technology, Inc. | 895 | 7 | 1.1% | - | - | - |
| SAIC | 788 | 8 | 0.9% | - | - | - |
| Saks Fifth Avenue | 520 | 9 | 0.6% | 585 | 6 | 0.8% |
| Sephora Central Distribution | 454 | 10 | 0.5% | - | - | - |
| Frito-Lay, Inc. | - | - | - | 454 | 8 | 0.6% |
| The GAP-Atlantic Distribution Center | - | - | - | 400 | 9 | 0.6% |
| Old Line Plastics | - | - | - | 350 | 10 | 0.5% |
| Top Employers' Jobs | 30,525 | | 36.7% | 22,648 | | 31.2% |
| Total Jobs in Harford County³ | 83,209 | | 100.0% | 72,646 | | 100.0% |

Sources:

¹2011 data is the most current yearly information available

²Data from the Harford County Office of Economic Development

³Maryland Department of Labor, Licensing & Regulation

Harford County Public Schools

Outstanding Capital Leases Direct Debt as of June 30, 2012

| Fiscal Year | Principal | Interest | Total Debt Service |
|--------------------|----------------------|---------------------|---------------------------|
| 2013 | \$ - | \$ 246,568 | \$ 246,568 |
| 2014 | - | 327,544 | 327,544 |
| 2015 | 371,258 | 327,544 | 698,803 |
| 2016 | 508,418 | 315,404 | 823,822 |
| 2017 | 525,043 | 298,779 | 823,822 |
| 2018 | 542,212 | 281,610 | 823,822 |
| 2019 | 559,942 | 263,880 | 823,822 |
| 2020 | 578,252 | 245,570 | 823,822 |
| 2021 | 597,161 | 226,661 | 823,822 |
| 2022 | 616,688 | 207,134 | 823,822 |
| 2023 | 636,854 | 186,968 | 823,822 |
| 2024 | 657,679 | 166,143 | 823,822 |
| 2025 | 679,185 | 144,637 | 823,822 |
| 2026 | 701,395 | 122,427 | 823,822 |
| 2027 | 724,330 | 99,492 | 823,822 |
| 2028 | 748,016 | 75,806 | 823,822 |
| 2029 | 772,476 | 51,346 | 823,822 |
| 2030 | 797,736 | 26,086 | 823,822 |
| | <u>\$ 10,016,647</u> | <u>\$ 3,613,598</u> | <u>\$ 13,630,244</u> |

Capital lease is for an Administration Building.

The original capital lease was executed in 2005 and refunded in May 2012.

There is no overlapping debt.

Harford County Public Schools

Full-time Equivalent Employees by Function *Fiscal 2002 - 2012*

| State Category | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Administration | 76 | 80 | 88 | 91 | 108 | 122 | 124 | 124 | 123 | 124 | 126 |
| Mid Level - Office of the Principal | 251 | 252 | 252 | 256 | 264 | 269 | 275 | 277 | 282 | 281 | 306 |
| Mid Level - Admin & Supervision | 61 | 72 | 66 | 61 | 70 | 74 | 80 | 79 | 74 | 76 | 54 |
| Instructional Salaries | 2,495 | 2,733 | 2,730 | 2,735 | 2,829 | 2,881 | 2,912 | 2,868 | 2,848 | 2,868 | 2,835 |
| Special Education | 494 | 611 | 621 | 727 | 824 | 876 | 936 | 941 | 1,028 | 1,124 | 1,085 |
| Student Services | 18 | 18 | 18 | 18 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Health Services | 59 | 61 | 62 | 63 | 64 | 66 | 71 | 71 | 71 | 71 | 72 |
| Transportation | 156 | 136 | 142 | 142 | 147 | 159 | 171 | 183 | 193 | 203 | 211 |
| Operation of Plant | 292 | 293 | 293 | 294 | 314 | 315 | 332 | 333 | 333 | 334 | 342 |
| Maintenance of Plant | 124 | 124 | 124 | 124 | 130 | 128 | 128 | 126 | 126 | 124 | 125 |
| Community Services | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Totals | 4,025 | 4,380 | 4,397 | 4,511 | 4,769 | 4,910 | 5,049 | 5,022 | 5,097 | 5,225 | 5,177 |

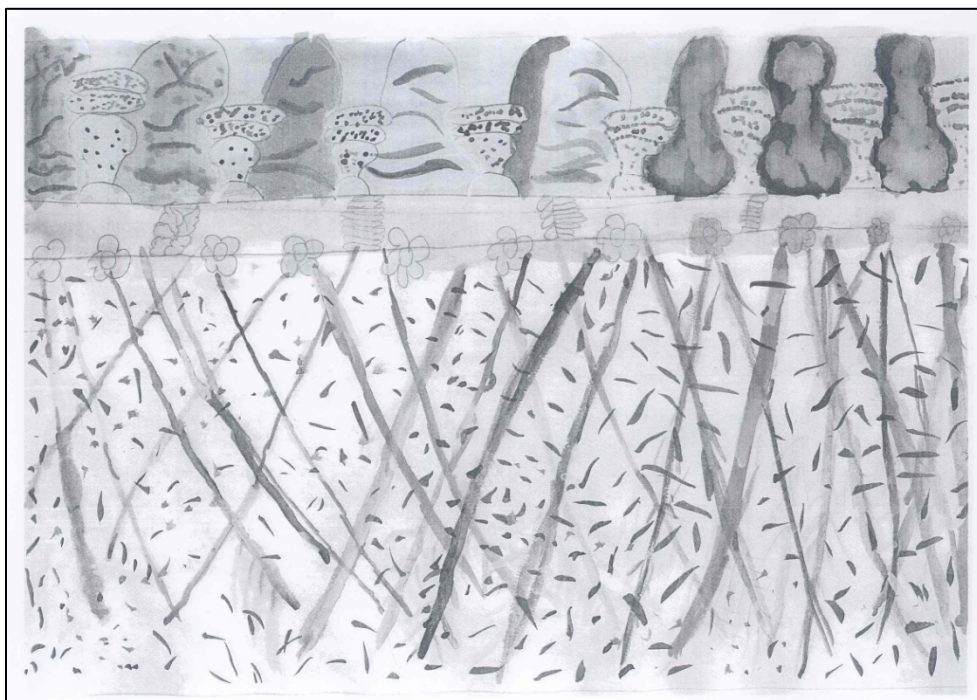
Information supplied by HCPS Budget Office from the MSDE Budget Certification Reports

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

Compliance Section



**Aubrey Coughlin, Grade 10, C. Milton Wright High School
Teacher: Carol Dunaway**



**Khazmere Gibbons, Grade 5, Joppatowne Elementary School
Teacher: Sharon Pardew**



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EXPERIENCE • QUALITY • CLIENT SERVICE

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, 2012 and have issued our report thereon dated September 17, 2012. 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

Management of Harford County Public Schools is responsible for establishing and maintaining effective 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 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 and correct 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 the 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

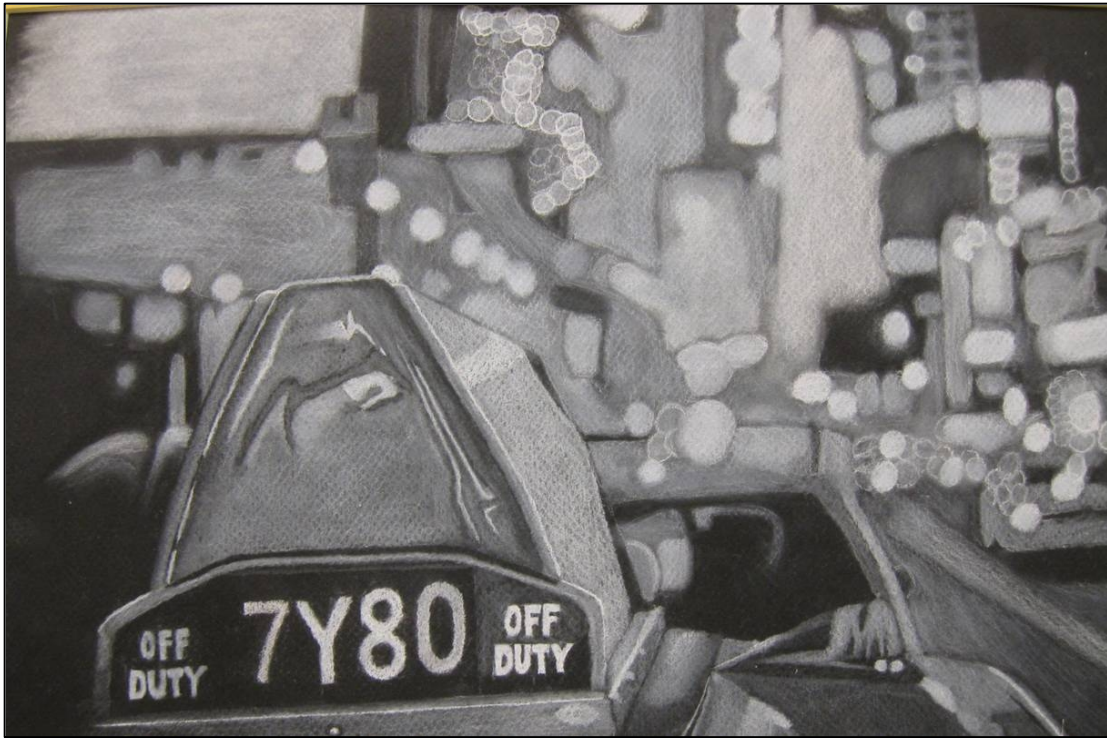
As part of obtaining reasonable assurance about whether Harford County Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an 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 others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Hunt Valley, MD
September 17, 2012



**Maurice Brown, Grade 2, Prospect Mill Elementary School
Teacher: Sherry Rowe**



**Austin Tracey, Grade 11, Bel Air High School
Teacher: Laura Crocker**