

Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2014

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



Inspire • Prepare • Achieve

Barbara P. Canavan, Superintendent of Schools
A.A. Roberty Building • 102 S. Hickory Avenue • Bel Air, Maryland 21014

2013-2014 Board of Education of Harford County



Nancy Reynolds
President
Appointed Member-at-Large



Francis F. "Rick" Grambo, III
Vice President
Elected Member
Councilmanic District D



Alysson L. Krchnavy
Appointed Member-at-Large



Joseph A. Hau
Appointed Member-at-Large



James D. Thornton
Appointed Member-at-Large



Thomas Fitzpatrick
Appointed Member-at-Large



Arthur F. Kaff, Esq.
Appointed Member-at-Large



Robert L. Frisch
Elected Member
Councilmanic District A



Cassandra R. Beverley, Esq.
Elected Member
Councilmanic District B



Benjamin C. Barsam
Student Representative



Barbara P. Canavan
Superintendent of Schools

COVER, CLOCKWISE FROM TOP LEFT: Michelle Caternor took second place at William Paca/Old Post Road Elementary School's Science, Technology, Engineering and Mathematics (STEM) Fair; Students from Joppatowne High School held their first Wounded Warrior 5k to benefit the Wounded Warrior Project as a community service event, raising over \$6,000 to support our nation's heroes; Homestead-Wakefield Elementary School music students performed at an Aberdeen Ironbirds game; the Bel Air Middle School chorus sang the National Anthem at M&T Bank Stadium to kick off the Annual Lardarius Webb Foundation Softball Classic; Aberdeen Middle School AVID students participated in team building exercises at Harford Glen; Kaitlyn Rouse from Aberdeen High School; Riannna Brooks (scholarship sponsored by Klein's ShopRite of Maryland Charitable Fund) from Bel Air High School; Megan Coughlin from C. Milton Wright High School; Olivia Blondheim from Edgewood High School; Clayton Young from Fallston High School; Paul Butz (scholarship sponsored by Vulcan Materials) from Havre de Grace High School; James Foster from North Harford High; and Corey Brewer from Joppatowne High School were given scholarships at the Harford County Environmental Scholarship and Green Awards reception.

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



HARFORD COUNTY

PUBLIC SCHOOLS

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Comprehensive Annual Financial Report **For the Fiscal Year ended June 30, 2014**

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>
Erica Honadel	3	Prospect Mill Elementary School	1
Olivia Coulson	8	Havre de Grace Middle School	4
Hugh McFarland	11	Havre de Grace High School	5
Drake Deriemaeker	9	Bel Air High School	13
Trent Douglass	10	C. Milton Wright High School	28
Jessirhee Carlee	3	Emmorton Elementary School	58
Niara Tolliver	9	Harford Technical High School	59
Emily McClaskey	8	Aberdeen Middle School	61
Maria Barba	10	Aberdeen High School	68
Erin O'Leary	5	North Bend Elementary School	86
Wade Sheaffer	5	Fountain Green Elementary School	89



**Erica Honadel, Grade 3, Prospect Mill Elementary School
Teacher: Sherry Rowe**

Harford County Public Schools

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Harford County Public Schools

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Introductory Section



**Olivia Coulson, Grade 8, Havre de Grace Middle School
Teacher: Laura Buscemi**

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 society.

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

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



**Hugh McFarland, Grade 11, Havre de Grace High School
Teacher: Jenna Zimmerman**

Board of Education of Harford County

The members of the Board as of June 30, 2014, 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	Nancy Reynolds	Appointed Member-at-Large	2015
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
	Alysson L. Krchnavy	Appointed Member-at-Large	2015
	Joseph A. Hau	Appointed Member-at-Large	2015
	Thomas Fitzpatrick	Appointed Member-at-Large	2015
	Arthur F. Kaff, Esq.	Appointed Member-at-Large	2015
Student member	Benjamin C. Barsam	Student Member	2014

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 July 1, 2014

Barbara P. Canavan
Superintendent until June 30, 2018

Dr. Susan Brown
Executive Director of Curriculum & Instruction

Joseph P. Licata
Chief of Administration

Patrick P. Spicer, Esquire
General Counsel

Cornell S. Brown, Jr.
Assistant Superintendent for Operations

Jean A. Mantegna
Assistant Superintendent for Human Resources

James M. Jewell, CPA
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

Angela Morton
Executive Director of Elementary School Performance

H. Andrew Moore, II
Director of Information and Technology

Joseph A. Schmitz
Executive Director of Middle & High School Performance

Charles L. Taibi
Director of Transportation

Dr. Susan Austin
Director of Special Education

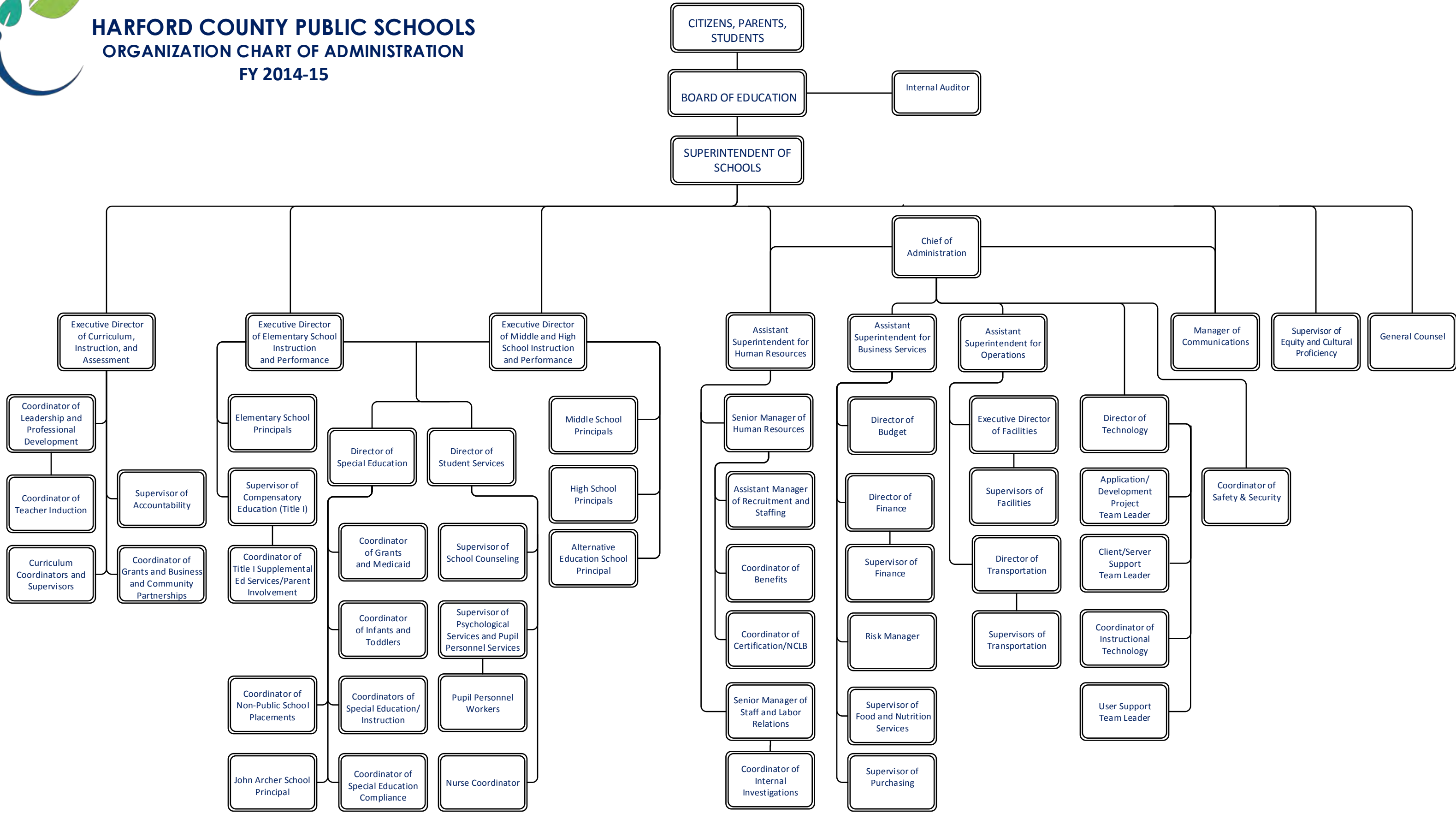
John G. Staab, CPA
Director of Finance



HARFORD COUNTY PUBLIC SCHOOLS

ORGANIZATION CHART OF ADMINISTRATION

FY 2014-15



Business Services
James M. Jewell, CPA, CPFA
Assistant Superintendent
410-588-5321

September 30, 2014

Members of the Board of Education:

The Public School Laws of the State of Maryland require school districts to publish within three months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014.

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 unmodified (“clean”) opinion on Harford County Public Schools (HCPS) financial statements for the fiscal year ended June 30, 2014. 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 37,842 students in fiscal 2014. HCPS is the 149th largest school system of

the 13,588 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 5,261 FTE faculty and staff positions for fiscal 2015.

Harford County has 54 public schools and 45 non-public schools² located within the County. Citizens in the County have a choice of public or private schools. 37,842 students attend public schools. The number of students attending private schools is unknown. The 2012 estimated population of Harford County was 247,570³. 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

Local economy: The revenue outlook for fiscal year 2014 remained challenging while preparing the fiscal year 2014 budget. A lagging national economy, unfunded mandates from Annapolis and lower tax revenues have resulted in lean budgets for 2014.

The County's largest revenue source remains real property taxes even though there have been recent declines in the real estate market. The fiscal year 2014 taxable assessable base resulted in a decrease over the fiscal year 2013 assessable base of 1.2 percent. The assessable base growth rate is expected to increase by 0.9 percent in fiscal year 2015. General Fund property tax revenues net of interest, discounts and credits are estimated to increase by 0.4 percent from fiscal year 2014 to fiscal year 2015. The real estate market appears to have bottomed out but it is too early to predict if the market will rebound in the coming year. The County property tax rate has remained the same for four years. Income tax revenue, the second largest revenue source in the County, is directly affected by population growth, employment levels and personal income. Income tax revenue has shown increases beginning in 2010 through 2014 using the modified accrual basis of accounting. The year over year increase for 2011 to 2012, 2012 to 2013 and 2013 to 2014 has been 7.6%, 2.3% and 3.7%, respectively. Income tax is budgeted at \$198.7 million for fiscal year 2015.

Long-term financial planning for the school system

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

¹U.S. Department of Education, National Center for Education Statistics, Common Core of Data(CCD), "Public Elementary/ Secondary School Universe Survey," 2010-2011, Table 98.

² Maryland State Department of Education Fact Book for the Fiscal Year 2012-2013.

³ Harford County Department of Planning and Zoning.

⁴ Excerpts from the Harford County Government Comprehensive Annual Financial Report for the year ended June 30, 2014.

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 contributions to education. In 2014, the State of Maryland is studying the funding formulas and will once again consider changes in the State Aid formulas for public 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 expenditures and supplemental appropriations during the fiscal year require approval of the Board of Education, Harford County Executive, and Harford County Council.

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

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

Awards and Acknowledgements

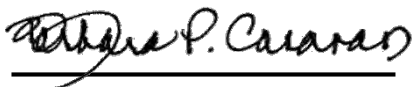
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Harford County Public Schools for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the ninth consecutive 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 accounting principles generally accepted in the United States of America and applicable legal requirements.

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

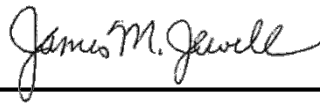
In addition, HCPS also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the Year Beginning July 1, 2013. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including 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, and 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.

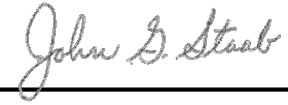
Sincerely,



Barbara P. Canavan
Superintendent



James M. Jewell, CPA, CPFA
Assistant Superintendent



John G. Staab, CPA
Finance Director

JMJ/MJP



Government Finance Officers Association

**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, 2013

Executive Director/CEO

Financial Section



**Drake Deriemaiker, Grade 9, Bel Air High School
Teacher: Jennifer Moss**



SB & COMPANY, LLC
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Report of Independent Public Accountants

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools (HCPS), a component unit of Harford County, Maryland as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise HCPS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools, as of June 30, 2014, and the respective changes in financial position, where applicable, cash flows thereof, and statement of revenues, expenditures and changes in fund balances – budget (non-GAAP basis) and actual – general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HCPS' basic financial statements. The accompanying food service fund schedule of revenues, expenditures and changes in fund balance compared to budget, school construction fund schedule of expenditures by project, school funds (agency funds) combining statement of increases, decreases, and fund balances, combining statement of fiduciary net position – agency funds and combining statement of changes in assets and liabilities – agency funds (collectively, the Supplemental Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections as listed in the accompanying table of contents have 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2014 on our consideration of HCPS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HCPS' internal control over financial reporting and compliance.

Hunt Valley, Maryland
September 10, 2014

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2014

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, 2014. 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 8-11 of this report.

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

The goal of 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 \$385.7 million. Net Position as of June 30, 2013 was \$421.8 million and decreased by \$36.1 million for the year ended June 30, 2014.
- The HCPS total liabilities increased by \$39.3 million during the current fiscal year. The key factor in this change was the increase of \$37.2 million in the noncurrent liabilities for Other Post-Employment Benefits (OPEB) Obligation
- The final Unrestricted General Fund budget increased by \$2,718,482 (or 0.6%) during the year from the originally adopted budget.
- The General Fund unrestricted, unassigned fund balance on a budgetary basis decreased from \$5,374,477 to \$3,281,858, a decrease of \$2,092,619 (or 38.9%). Maintaining an unassigned fund balance was also a strategic decision to prepare for additional funding reductions or unexpected expenditures.
- The unrestricted General Fund actual revenues were less than the final budget by \$1,488,928 (or 0.35%), and expenditures were \$5,136,684, (or 1.20%), under the final budget.

Overview of the Financial Statements

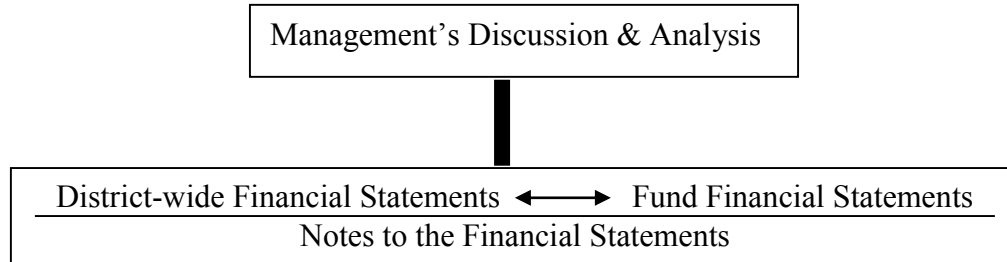
This discussion and analysis is intended to serve as an introduction to the Harford County Public Schools basic financial statements.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2014

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

These statements measure the change in total economic resources during the period utilizing the accrual basis of accounting. This means that any change in net assets is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (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, 2014

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)

June 30, 2014

District-wide Financial Analysis

Net position over time may serve as a useful indicator of a district's financial position. In the case of HCPS, assets exceeded liabilities by \$385.7 million at the close of the fiscal year, which represents a decrease from the prior year of \$36.1 million. Although capital assets increased by \$6.4 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, HCPS is fiscally dependent on and nearly all capital debt is carried by the County and State governments.

HCPS' net position as of June 30, 2014 and 2013, is illustrated in the below table and Exhibit 1.

Harford County Public Schools Governmental Funds Net Position

	<u>June 20, 2014</u>	<u>June 20, 2013</u>	<u>\$ Change</u>	<u>% Change</u>
Current and Other assets	\$ 40,475,616	\$ 43,617,712	\$ (3,142,096)	-7.204%
Capital Assets	594,135,977	587,765,261	6,370,716	1.084%
Total Assets	<u>634,611,593</u>	<u>631,382,973</u>	<u>3,228,620</u>	<u>0.511%</u>
Current and Other Liabilities	11,018,186	9,196,137	1,822,049	19.813%
Noncurrent Liabilities	237,923,020	200,425,632	37,497,388	18.709%
Total Liabilities	<u>248,941,206</u>	<u>209,621,769</u>	<u>39,319,437</u>	<u>38.522%</u>
Net Position	584,119,330	577,748,614	6,370,716	1.103%
Restricted Assets	6,579,782	10,298,709	(3,718,927)	-36.111%
Unrestricted	(205,028,725)	(166,286,119)	(38,742,606)	23.299%
Total Net Position	<u><u>\$ 385,670,387</u></u>	<u><u>\$ 421,761,204</u></u>	<u><u>\$ (36,090,817)</u></u>	<u><u>-8.557%</u></u>

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2014

The unrestricted deficit as of June 30, 2014 of \$205.0 million is the result of reducing the fund balance from the General Fund (Exhibit 3) of \$21.4 million by the compensated absences long-term liabilities of \$26.4 million and other post-employment benefits annual required contribution shortfall of \$200.0 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, 2015. A total of \$27.9 million exists as of June 30, 2014 with \$4.9 million due within one year. The amount attributable to vacation leave is \$4.5 million and \$23.4 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 \$559.0 million in expenditures 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. \$365.1 million in expenditures were supported 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 expenditures produced a net loss for this program.

The following table summarizes the district-wide cost of services for each program or function. About 90.3% of the total costs of services are directly related to students' instruction and welfare. Of the remaining 9.7%, all but about 2.97% 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.

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	\$ 374,190,490	\$ 272,781,061	72.90%
Pupil personnel	2,500,887	2,352,369	94.06%
Health services	5,842,989	5,842,989	100.00%
Pupil transportation	39,504,324	26,765,368	67.75%
Operation and maintenance of plant	66,180,409	43,513,005	65.75%
Food services	16,730,828	1,076,770	6.44%
All others	54,031,523	48,858,659	90.43%
Total	<u>\$ 558,981,450</u>	<u>\$ 401,190,221</u>	<u>71.77%</u>
All others			
Administration	\$ 15,626,435	\$ 14,143,922	90.51%
Mid-level administration	37,466,685	34,201,798	91.29%
Community services	529,775	104,311	19.69%
Depreciation - unallocated	81,084	81,084	100.00%
Interest on debt	327,544	327,544	100.00%
Total	<u>\$ 54,031,523</u>	<u>\$ 48,858,659</u>	<u>90.43%</u>

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2014

Total revenues decreased by 2.38% from the prior year, as shown in the table below. This decrease is attributable to decreases in unrestricted federal aid, capital grants and contributions and investment earnings as well as decreases in state aid. HCPS is fiscally dependent on local and state aid to fund its daily operations. State aid is largely formula driven based on student population and wealth. Local revenue, provided by the Harford County Government, is dependent upon the economic condition of the County. However, the education statute requires a minimum level of funding equal to the prior year's per pupil contribution times the current year projected enrollment. Most of the operating grant funding is from the State and Federal governments as well.

Expenditures decreased by \$7.49 million (or 1.32%) with decreases in Administration, Mid-Level Administration, Instruction and Transportation programs.

Harford County Public Schools Change in Net Position

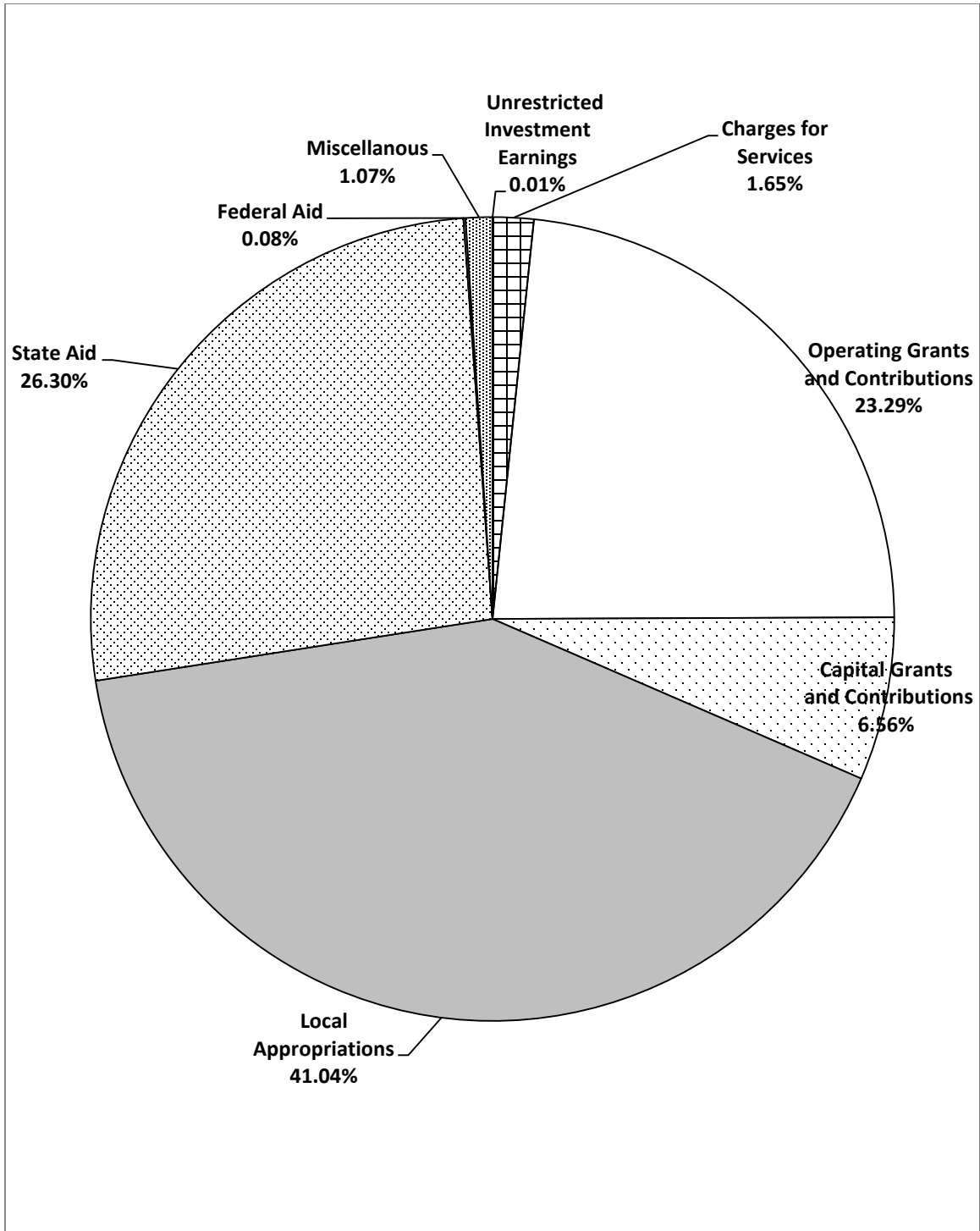
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>% Change</u>
Revenues			
Charges for services	\$ 8,669,149	\$ 8,811,091	-1.61%
Operating grants and contributions	124,007,451	124,751,029	-0.60%
Capital grants and contributions	25,114,629	35,158,834	-28.57%
Local appropriations	221,300,729	219,821,368	0.67%
State aid	137,721,678	140,878,658	-2.24%
Federal aid	335,713	448,890	-25.21%
Miscellaneous	5,723,475	5,717,630	0.10%
Unrestricted investment earnings	17,809	30,950	-42.46%
Total revenues	<u>522,890,633</u>	<u>535,618,450</u>	<u>-2.38%</u>
Expenses			
Instruction	374,190,490	386,274,998	-3.13%
Administration	15,626,435	15,682,249	-0.36%
Mid-level administration	37,466,685	37,698,530	-0.61%
Pupil personnel services	2,500,887	2,352,817	6.29%
Health services	5,842,989	5,914,634	-1.21%
Pupil transportation	39,504,324	39,753,623	-0.63%
Operation of plant	47,158,250	43,244,956	9.05%
Maintenance of plant and equipment	19,022,159	18,210,883	4.45%
Community services	529,775	496,615	6.68%
Food services	16,730,828	16,515,061	1.31%
Interest on long-term debt	327,544	246,568	32.84%
Depreciation - unallocated	81,084	84,250	-3.76%
Total expenses	<u>558,981,450</u>	<u>566,475,184</u>	<u>-1.32%</u>
Change in Net Position	(36,090,817)	(30,856,734)	-16.96%
Net position - beginning of year	<u>421,761,204</u>	<u>452,617,938</u>	-6.82%
Net position - end of year	<u>\$ 385,670,387</u>	<u>\$ 421,761,204</u>	-8.56%

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2014

Sources of Revenues for Fiscal Year Ended June 30, 2014

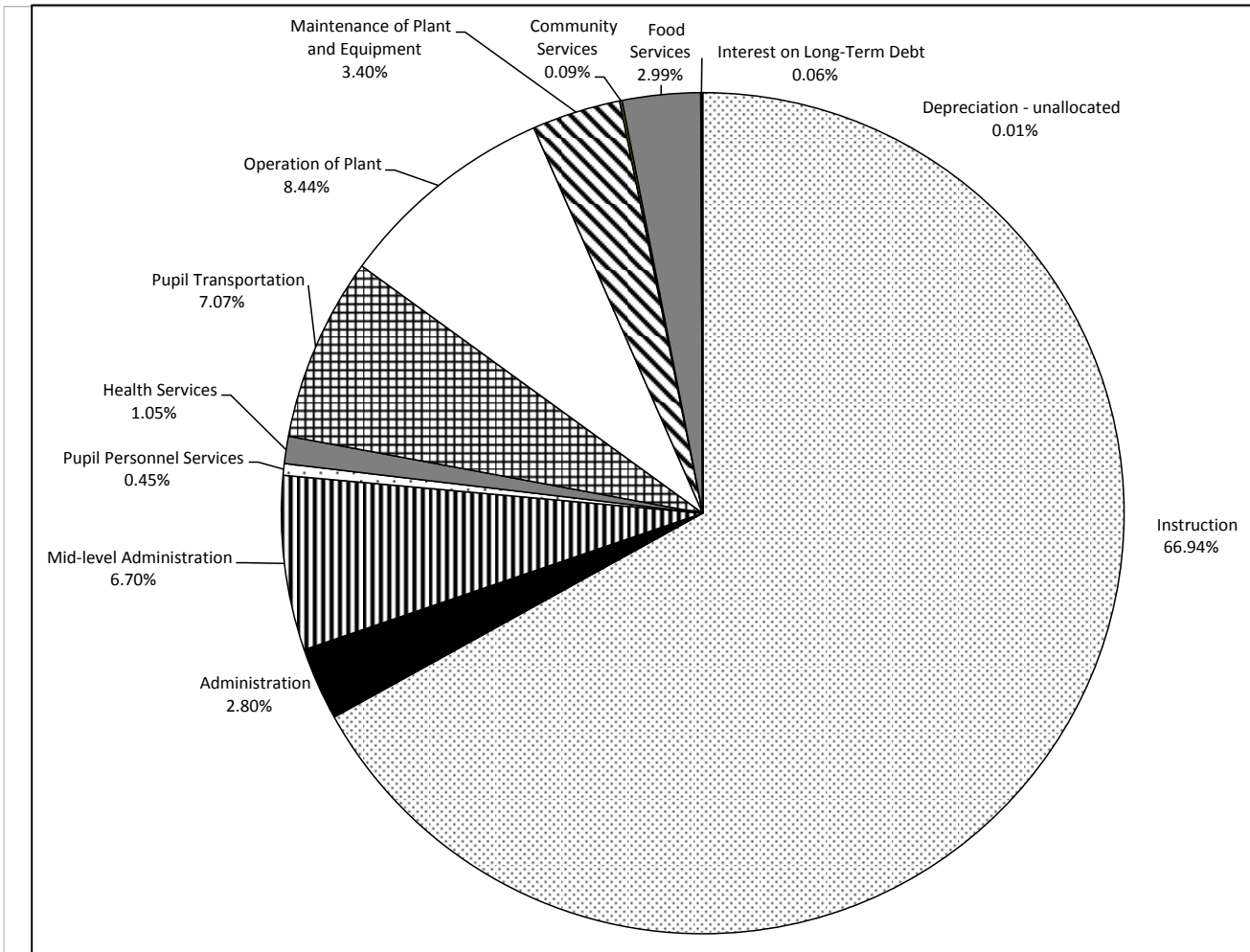


Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2014

Expenditures for the Fiscal Year Ended June 30, 2014



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.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2014

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

In the General Fund, local revenue increased by \$1.5 million (or 0.67%); Unrestricted State revenues decreased \$5.1 million (or 2.26%); Special State and Federal program revenues increased by \$.6 million (or 2%); earnings on investments decreased by \$23,000 (or 42.46%). Expenditures decreased by \$3.785 million (or 0.78%). In the Food Service Fund, revenues from State Sources and Federal Sources increased \$45,000 (or 13.25%) and \$474,000 (or 6.27%) respectively. Charges for services decreased by \$325,000 (or 4.49%). Expenditures were decreased by \$8,200 (or 0.05%). In the Capital Projects Fund, revenues from local and state sources decreased by \$3.6 million (or 30%) and \$3.473 million (or 25%) respectively.

Harford County Public Schools Change in Fund Balance

	<i>General Fund</i>		<i>Food Services Fund</i>		<i>Capital Projects Fund</i>		<i>Total</i>	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenues								
Intergovernmental Revenues								
Local Sources	\$ 221,300,729	\$ 219,821,368	\$ -	\$ -	\$ 8,378,854	\$ 11,980,732	\$ 229,679,583	\$ 231,802,100
State Sources	222,441,330	227,587,643	389,349	343,783	10,420,053	13,892,937	233,250,732	241,824,363
Special State and Federal Programs	30,562,219	29,937,575	-	-	-	-	30,562,219	29,937,575
Federal Sources	335,713	448,890	8,147,123	7,673,358	-	-	8,482,836	8,122,248
Earnings on Investments	17,809	30,950	-	-	502	452	18,311	31,402
Charges for Services	-	-	6,928,478	7,253,840	-	-	6,928,478	7,253,840
Miscellaneous Revenues	7,464,146	7,274,881	189,108	87,328	6,315,220	9,284,713	13,968,474	16,646,922
Total revenues	<u>482,121,946</u>	<u>485,101,307</u>	<u>15,654,058</u>	<u>15,358,309</u>	<u>25,114,629</u>	<u>35,158,834</u>	<u>522,890,633</u>	<u>535,618,450</u>
Expenditures								
Administration	10,102,810	10,677,721	-	-	-	-	10,102,810	10,677,721
Mid Level Administration	24,355,920	24,804,747	-	-	-	-	24,355,920	24,804,747
Instructional Salaries	156,873,320	162,657,653	-	-	-	-	156,873,320	162,657,653
Instructional Textbooks & Materials	6,849,363	6,689,098	-	-	-	-	6,849,363	6,689,098
Other Instructional Costs	2,391,758	2,446,172	-	-	-	-	2,391,758	2,446,172
Special Education	40,087,540	39,951,282	-	-	-	-	40,087,540	39,951,282
Student Personnel Services	1,641,697	1,621,361	-	-	-	-	1,641,697	1,621,361
Health services	3,206,526	3,295,152	-	-	-	-	3,206,526	3,295,152
Pupil transportation	30,299,718	31,151,279	-	-	-	-	30,299,718	31,151,279
Operation of plant	30,273,006	28,594,641	-	-	-	-	30,273,006	28,594,641
Maintenance of plant and equipment	12,109,929	12,249,212	-	-	-	-	12,109,929	12,249,212
Fixed Charges	134,256,424	132,708,998	-	-	-	-	134,256,424	132,708,998
Community services	456,302	440,428	-	-	-	-	456,302	440,428
Special State & Federal Programs	30,562,219	29,937,575	-	-	-	-	30,562,219	29,937,575
Costs of Operations -Food Services	-	-	15,431,413	15,439,666	-	-	15,431,413	15,439,666
Capital Outlay	37,408	63,647	-	-	29,217,876	37,191,795	29,255,284	37,255,442
Total Expenditures	<u>483,503,940</u>	<u>487,288,966</u>	<u>15,431,413</u>	<u>15,439,666</u>	<u>29,217,876</u>	<u>37,191,795</u>	<u>528,153,229</u>	<u>539,920,427</u>
Excess (deficit) of revenue over expenditures	(1,381,994)	(2,187,659)	222,645	(81,357)	(4,103,247)	(2,032,961)		(4,301,977)
Other Financing Sources (Uses)								
Transfers	(206,500)	(628,451)	-	-	206,500	628,451	-	-
Net Change in Fund Balances	(1,588,494)	(2,816,110)	222,645	(81,357)	(3,896,747)	(1,404,510)	(5,262,596)	(4,301,977)
Fund Balances - beginning of year	22,980,377	25,796,487	2,623,949	2,754,900	7,674,760	9,079,270	33,279,086	37,630,657
Decrease in nonspendable fund balance	-	-	(44,825)	-	-	-	(44,825)	-
Fund Balances - end of year	<u>\$ 21,391,883</u>	<u>\$ 22,980,377</u>	<u>\$ 2,801,769</u>	<u>\$ 2,623,949</u>	<u>\$ 3,778,013</u>	<u>\$ 7,674,760</u>	<u>\$ 27,971,665</u>	<u>\$ 33,279,086</u>

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2014

General Fund - Unrestricted (Exhibit 7)

Changes made to the original budget during the fiscal year were supplemental appropriations for funding the OPEB Trust Fund as well as electrical expenditures due to the unusually cold winter. Inter-categorical transfers were made from various categories to cover additional expenditures of materials of instruction, instructional equipment, and student health pupil expenditures.

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

	<u>Original Budget</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Change</u>	<u>Final Budget</u>
REVENUE					
Local	\$221,300,729	\$ -	\$ -	\$ -	\$221,300,729
State	194,167,270	-	-	-	194,167,270
Federal	390,000	-	-	-	390,000
Earnings on investments	40,000	-	-	-	40,000
Other Sources	3,239,272	2,218,482	-	2,218,482	5,457,754
Prior year's fund balance	5,600,000	500,000	-	500,000	6,100,000
Total revenues	<u>\$424,737,271</u>	<u>\$2,718,482</u>	<u>\$ -</u>	<u>\$ 2,718,482</u>	<u>\$427,455,753</u>
EXPENDITURES					
Administration	\$ 10,625,308	\$ -	\$ (50,000)	(\$50,000)	\$ 10,575,308
Mid-Level Administration	24,682,371	-	(110,000)	(\$110,000)	24,572,371
Instructional Salaries	158,456,792	-	-	-	158,456,792
Textbooks	6,964,548	75,000	-	\$75,000	7,039,548
Other Instructional Costs	2,527,987	475,000	-	\$475,000	3,002,987
Special Education	40,103,957	-	-	-	40,103,957
Student Personnel Services	1,665,167	-	-	-	1,665,167
Student Health Services	3,360,035	10,000	-	\$10,000	3,370,035
Student Transportation	31,315,615	-	-	-	31,315,615
Operation of Plant	29,467,584	1,100,000	(600,000)	\$500,000	29,967,584
Maintenance of Plant	12,678,317	-	(400,000)	(\$400,000)	12,278,317
Fixed Charges	102,309,040	2,218,482	-	\$2,218,482	104,527,522
Community Services	530,550	-	-	-	530,550
Capital Outlay	50,000	-	-	-	50,000
Total expenditures	<u>\$424,737,271</u>	<u>\$3,878,482</u>	<u>\$(1,160,000)</u>	<u>\$ 2,718,482</u>	<u>\$427,455,753</u>

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2014

It is critical for the reader to understand that local and state revenues account for 92.04% of the total General Fund unrestricted revenue. In the past, both had been stable and highly predictable; however, in the most recent few years, state and local revenues have declined with the general condition of the economy. Enrollment reductions and mid-year legislative and executive initiatives have 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 other revenue account are from the following:

Health/Dental Insurance rebates & settlements*	\$3,121,478
Medicare Part D*	1,247,231

*Part of the Contribution to the OPEB Investment Trust Fund appropriated for FY14

Over the past two years, restrictions over hiring, conference, and other expenditures were implemented early in the fiscal year and helped achieve spending 0.78% below budget in FY14.

Capital Asset and Debt Administration (See Notes 4 and 5)

As of June 30, 2014, HCPS had over \$773.3 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 \$22.6 million from the same time last year, excluding the effect of depreciation as shown in the table below.

Harford County Public Schools Changes to Capital Assets

	June 30, 2014	June 30, 2013	\$ Change	% Change
Land	\$ 9,672,942	\$ 9,672,942	\$ -	0.0%
Construction in Progress	22,379,098	16,526,507	5,852,591	35.4%
School Properties	700,221,331	686,681,796	13,539,535	2.0%
Furniture, Fixtures and Equipment	40,988,038	37,764,192	3,223,846	8.5%
Total Capital Assets	<u>\$ 773,261,409</u>	<u>\$ 750,645,437</u>	<u>\$ 22,615,972</u>	<u>3.0%</u>

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2014

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 in FY 2012 for the Administration Building from an interest rate of 4.974% to a lower rate of 3.27%, resulting in a savings of \$1,146,908 in the remaining term of the debt, without extending 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 30 year timeframe to achieve full funding. The current economic climate has been, and is forecast to continue to be, prohibitive to this objective. Meanwhile the unfunded liability continues to grow.

Federal grant programs are further clouding the fiscal picture. While the additional federal 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 for the last five fiscal years including FY 2015.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2014

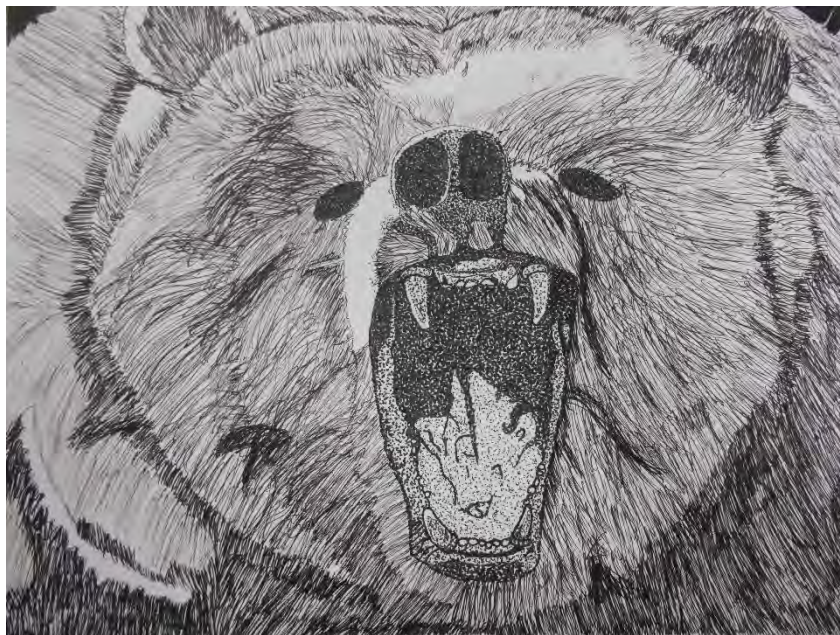
The continuing escalation and unpredictability of energy costs remains a vexing problem for this and all other districts. By action of the Board, a \$415,000 assignment of fund balance was set aside for future energy costs to offset whatever future unanticipated costs may arise.

HCPS has not escaped the souring economy. As the State continues to experience reductions in revenues, 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 in July 2012, the State transferred a percentage of the teacher pension cost to the local Boards of Education and mandated that county governments fund that cost. The specified percentage increases each fiscal year, until 2017, when the local government will be paying 100% of the normal cost for the county's teachers.

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 by mail at Harford County Public Schools, Business Services, 102 South Hickory Avenue, Bel Air, Maryland 21014.



**Trent Douglass, Grade 10, C. Milton Wright High School
Teacher: Carol Dunaway**

Harford County Public Schools

STATEMENT OF NET POSITION JUNE 30, 2014

Governmental Activities

ASSETS

Cash and cash equivalents	\$ 7,178,351
Investments	15,160,016
Due from other units of government	7,470,489
Other receivables	9,955,929
Inventory	710,831
Capital assets:	
Construction in progress	22,379,098
School properties	709,894,273
Furniture, fixtures and equipment	40,988,038
Less: accumulated depreciation	<u>(179,125,432)</u>
Total capital assets, net of depreciation	<u>594,135,977</u>
Total assets	<u>634,611,593</u>

LIABILITIES

Accounts payable	9,016,452
Accrued salaries and wages	1,044,091
Payroll taxes payable	381,793
Unearned revenue	575,850
Noncurrent liabilities:	
Due within one year	5,320,256
Due in more than one year	<u>232,602,764</u>
Total liabilities	<u>248,941,206</u>

NET POSITION

Invested in capital assets, net of related debt under capital lease	584,119,330
Restricted for:	
Food services	2,801,769
Capital projects	3,778,013
Unrestricted	<u>(205,028,725)</u>
Total net position	<u><u>\$ 385,670,387</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, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Revenue and</u> <u>Changes in</u> <u>Net Assets</u>
					<u>Governmental</u> <u>Activities</u>
Governmental activities:					
Instruction:					
Regular education	\$ 283,660,769	\$ 1,326,799	\$ 60,193,442	\$ 2,736,600	\$ (219,403,928)
Special education	90,529,721	-	37,152,588	-	(53,377,133)
Total instruction	<u>374,190,490</u>	<u>1,326,799</u>	<u>97,346,030</u>	<u>2,736,600</u>	<u>(272,781,061)</u>
Support services					
Administration	15,626,435	-	1,414,985	67,528	(14,143,922)
Mid-level administration	37,466,685	-	3,264,887	-	(34,201,798)
Pupil personnel services	2,500,887	-	148,518	-	(2,352,369)
Health services	5,842,989	-	-	-	(5,842,989)
Pupil transportation	39,504,324	-	12,079,468	659,488	(26,765,368)
Operation of plant	47,158,250	-	-	1,455,460	(45,702,790)
Maintenance of plant and equipment	19,022,159	-	1,016,391	20,195,553	2,189,785
Community services	529,775	413,872	11,592	-	(104,311)
Food services	16,730,828	6,928,478	8,725,580	-	(1,076,770)
Interest on long-term debt	327,544	-	-	-	(327,544)
Depreciation - unallocated	81,084	-	-	-	(81,084)
Total support services	<u>184,790,960</u>	<u>7,342,350</u>	<u>26,661,421</u>	<u>22,378,029</u>	<u>(128,409,160)</u>
Total governmental activities	<u>\$ 558,981,450</u>	<u>\$ 8,669,149</u>	<u>\$ 124,007,451</u>	<u>\$ 25,114,629</u>	<u>(401,190,221)</u>
General revenues:					
Local appropriations					221,300,729
State aid - unrestricted					137,721,678
Federal aid - unrestricted					335,713
Miscellaneous					5,723,475
Unrestricted investment earnings					17,809
Total general revenues					<u>365,099,404</u>
Change in net position					(36,090,817)
Net position - beginning of year					<u>421,761,204</u>
Net position - end of year					<u>\$ 385,670,387</u>

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

Harford County Public Schools

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	Current Expense (General)	Food Services (Special Revenue)	School Construction (Capital Projects)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,636,525	\$ 2,541,826	\$ -	\$ 7,178,351
Investments	15,160,016	-	-	15,160,016
Due from other units of government	3,385,412	409,127	3,675,950	7,470,489
Other receivables	7,976,642	-	1,979,287	9,955,929
Due from other funds	451,759	-	3,829,442	4,281,201
Inventory	296,253	414,578	-	710,831
Total assets	\$ 31,906,607	\$ 3,365,531	\$ 9,484,679	\$ 44,756,817
LIABILITIES				
Accounts payable	\$ 3,665,553	\$ 112,003	\$ 5,238,896	\$ 9,016,452
Accrued salaries and wages	1,044,091	-	-	1,044,091
Payroll taxes payable	381,793	-	-	381,793
Due to other funds	3,829,442	451,759	-	4,281,201
Unearned revenue	108,080	-	467,770	575,850
Compensated absences payable	1,485,765	-	-	1,485,765
Total liabilities	\$ 10,514,724	\$ 563,762	\$ 5,706,666	\$ 16,785,152
FUND BALANCES				
Nonspendable	-	142,208	-	142,208
Assigned	18,319,781	2,659,561	11,577,147	32,556,489
Unassigned	3,072,102	-	(7,799,134)	(4,727,032)
Total fund balances	\$ 21,391,883	\$ 2,801,769	\$ 3,778,013	\$ 27,971,665
Total liabilities and fund balances	\$ 31,906,607	\$ 3,365,531	\$ 9,484,679	\$ 44,756,817

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

Harford County Public Schools

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

Total fund balances - governmental funds (Exhibit 3)	\$ 27,971,665
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$773,261,409 and the accumulated depreciation is \$179,125,432.	594,135,977
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 (\$26,457,679), an obligation under capital lease (\$10,016,647) and net OPEB obligation (\$199,962,929).	<u>(236,437,255)</u>
Total net position - governmental activities (Exhibit 1)	<u><u>\$ 385,670,387</u></u>

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

Harford County Public Schools

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues				
<u>Intergovernmental revenues</u>				
Local sources	\$ 221,300,729	\$ -	\$ 8,378,854	\$ 229,679,583
State sources	222,441,330	389,349	10,420,053	233,250,732
Special state and federal programs	30,562,219	-	-	30,562,219
Federal sources	335,713	8,147,123	-	8,482,836
Earnings on investments	17,809	-	502	18,311
Charges for services	-	6,928,478	-	6,928,478
Miscellaneous revenues	7,464,146	189,108	6,315,220	13,968,474
Total revenues	<u>482,121,946</u>	<u>15,654,058</u>	<u>25,114,629</u>	<u>522,890,633</u>
Expenditures				
<u>Current</u>				
Administrative services	10,102,810	-	-	10,102,810
Mid-level administrative services	24,355,920	-	-	24,355,920
Instructional salaries	156,873,320	-	-	156,873,320
Instructional textbooks and supplies	6,849,363	-	-	6,849,363
Other instructional costs	2,391,758	-	-	2,391,758
Special education	40,087,540	-	-	40,087,540
Student personnel services	1,641,697	-	-	1,641,697
Health services	3,206,526	-	-	3,206,526
Pupil transportation services	30,299,718	-	-	30,299,718
Operation of plant	30,273,006	-	-	30,273,006
Maintenance of plant and equipment	12,109,929	-	-	12,109,929
Fixed charges	134,256,424	-	-	134,256,424
Community services	456,302	-	-	456,302
Special state and federal programs	30,562,219	-	-	30,562,219
Costs of operation - food services	-	15,431,413	-	15,431,413
Capital outlay	37,408	-	29,217,876	29,255,284
Total expenditures	<u>483,503,940</u>	<u>15,431,413</u>	<u>29,217,876</u>	<u>528,153,229</u>
Excess (deficit) of revenues over expenditures	(1,381,994)	222,645	(4,103,247)	(5,262,596)
Other financing sources (uses):				
Transfers	(206,500)	-	206,500	-
Net change in fund balances	(1,588,494)	222,645	(3,896,747)	(5,262,596)
Fund balances - beginning of year	22,980,377	2,623,949	7,674,760	33,279,086
Decrease in nonspendable fund balance	-	(44,825)	-	(44,825)
Fund balances - end of year	<u>\$ 21,391,883</u>	<u>\$ 2,801,769</u>	<u>\$ 3,778,013</u>	<u>\$ 27,971,665</u>

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

Harford County Public Schools

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Total net change in fund balances - governmental funds (Exhibit 5)	\$ (5,262,596)
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 (\$23,161,348) exceeds depreciation expense (\$ 16,790,632).	6,370,716
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 \$25,888.	25,888
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.	(37,180,000)
In the statement of activities, all inventories are charged to expense as goods are used in operations (the consumption method). However, in the government funds, the value of U.S.D.A. commodities is recorded as an expenditure at the time the inventory is acquired (the purchase method) and reflected as a reservation of fund balance. The decrease in the amount of fund balance reserved for inventory during the year was \$44,825.	(44,825)
Change in net position of governmental activities (Exhibit 2)	\$ (36,090,817)

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, 2014**

	Unrestricted				Restricted			
	Original Budget	Final Budget	Actual (non-GAAP)	Variance - Favorable (Unfavorable)	Original Budget	Final Budget	Actual (non-GAAP)	Variance - Favorable (Unfavorable)
Revenues								
<u>Intergovernmental revenues</u>								
Local	\$ 221,300,729	\$ 221,300,729	\$ 221,300,729	\$ -	\$ -	\$ -	\$ -	\$ -
State	194,167,270	194,167,270	193,254,185	(913,085)	-	-	-	-
Federal	390,000	390,000	335,713	(54,287)	-	-	-	-
Special state and federal	-	-	-	-	27,697,222	34,776,078	29,727,813	(5,048,265)
Earnings on investments	40,000	40,000	9,172	(30,828)	-	-	-	-
Other sources	3,239,272	5,457,754	4,967,026	(490,728)	-	-	-	-
Fund balance at July 1, 2013 - assigned for year ended June 30, 2014	5,600,000	6,100,000	6,100,000	-	-	-	-	-
Total revenues	<u>\$ 424,737,271</u>	<u>\$ 427,455,753</u>	425,966,825	<u>\$ (1,488,928)</u>	<u>\$ 27,697,222</u>	<u>\$ 34,776,078</u>	<u>\$ 29,727,813</u>	<u>\$ (5,048,265)</u>
Expenditures								
<u>Current</u>								
Administrative services	\$ 10,625,308	\$ 10,575,308	10,100,617	\$ 474,691	\$ 515,000	\$ 662,260	\$ 544,159	\$ 118,101
Mid-level administration	24,682,371	24,572,371	24,354,809	217,562	614,804	700,307	611,046	89,261
Instructional salaries	158,456,792	158,456,792	156,873,320	1,583,472	3,894,965	4,861,064	4,065,425	795,639
Instructional textbooks and supplies	6,964,548	7,039,548	6,871,976	167,572	685,471	1,128,515	854,037	274,478
Other instructional costs	2,527,987	3,002,987	2,983,671	19,316	1,419,312	2,407,705	1,885,574	522,131
Special education	40,103,957	40,103,957	40,102,894	1,063	15,870,115	19,504,026	16,881,614	2,622,412
Student personnel services	1,665,167	1,675,167	1,640,337	34,830	-	-	-	-
Student health services	3,360,035	3,360,035	3,229,471	130,564	-	-	-	-
Student transportation	31,315,615	30,715,615	30,298,515	417,100	-	48,779	48,779	-
Operation of plant	29,467,584	30,567,584	30,132,957	434,627	-	128,765	50,000	78,765
Maintenance of plant	12,678,317	12,278,317	12,142,872	135,445	-	-	-	-
Fixed charges	102,309,040	104,527,522	103,110,660	1,416,862	4,580,376	5,116,804	4,613,314	503,490
Community services	530,550	530,550	456,302	74,248	-	39,984	-	39,984
Capital outlay	50,000	50,000	20,668	29,332	117,179	177,869	173,865	4,004
Total expenditures	<u>\$ 424,737,271</u>	<u>\$ 427,455,753</u>	422,319,069	<u>\$ 5,136,684</u>	<u>\$ 27,697,222</u>	<u>\$ 34,776,078</u>	<u>\$ 29,727,813</u>	<u>\$ 5,048,265</u>
Excess of revenues over expenditures			3,647,756					
Transfer to capital projects fund			(206,500)					
Excess of revenues over expenditures and transfer			3,441,256					
Total fund balance at July 1, 2013			13,114,643					
Assigned fund balance at July 1, 2013 (recognized as revenue above)			(6,100,000)					
Total fund balance			10,455,899					
Fund balance at June 30, 2014 - assigned			(7,174,041)					
Fund balance at June 30, 2014 - unassigned			<u>\$ 3,281,858</u>					

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

Harford County Public Schools

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STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014

	Retiree Health Plan Trust	Agency Funds
Assets	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 35,267,619	\$ 2,726,283
Total assets	<u>35,267,619</u>	<u>2,726,283</u>
 Liabilities		
Scholarship funds payable	-	85,877
School activity funds payable	-	2,640,406
Total liabilities	<u>-</u>	<u>2,726,283</u>
 Net position		
Held in trust for retiree health plan benefits	<u>35,267,619</u>	<u>-</u>
Total net position	<u><u>\$ 35,267,619</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 POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Retiree Health Plan Trust
Additions	
Contributions	\$ 3,261,212
Net investment portfolio results	<u>4,000,347</u>
Total additions	<u>7,261,559</u>
Deductions	
Administrative expenses	<u>15,602</u>
Total deductions	<u>15,602</u>
Change in net position	7,245,957
Net position as of July 1, 2013	<u>28,021,662</u>
Net position as of June 30, 2014	<u><u>\$ 35,267,619</u></u>

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Fiduciary Funds

Scholarship and School Funds (Agency Funds) - 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 but have not yet been awarded. The school funds account for student activities such as student organizations, yearbooks and field trips. School 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.

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

Assets, Liabilities and Net Position or Equity

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 as of June 30, 2014. Therefore, no valuation allowance is provided against the amounts due.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position or Equity (continued)

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. As inventory is consumed, the cost is charged to expenditures.

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.

Compensated Absences

As of June 30, 2014, annual and sick leave earned, applicable to governmental fund types, but not taken by Board employees, was \$27,943,444. This amount is based on vested accumulated leave as of June 30, 2014, 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 \$1,485,765 was made in the General Fund for the year ended June 30, 2014. 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, 2015. The remaining liability for accumulated annual and sick leave earned in the amount of \$26,457,679 is reported as a noncurrent liability in the government-wide financial statements.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position or Equity (continued)

Deferred Outflows/Inflows of Resources

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

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

Encumbrances

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

Net Position and Fund Balance

The difference between fund assets and liabilities is “Net Position” on the government-wide and fiduciary fund statements and “Fund Balance” on governmental fund statements. Net Position 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
.....

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

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

The budgetary basis differs from GAAP, which is used for the fund financial statements, in that encumbrances, which represent commitments to purchase goods and services, are treated as expenditures of the current period rather than 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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
.....

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (continued)

- 9) Requests for transfers between major categories must be submitted to the County Council for approval or denial. No action within thirty (30) days of submission constitutes approval.

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

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 of the Food Services Fund Budget to actual revenues and expenditures is presented as a supplementary schedule to these financial statements. Revenue from Federal sources in the Food Service Fund includes \$883,174 of donated commodities from the United States Department of Agriculture.

Capital Budget - School Construction Fund (Capital Projects Fund)

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

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

Reconciliation of Budgetary Data

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (continued)

The differences between the two methods are set forth below:

Revenues (non-GAAP budgetary basis - unrestricted and restricted)	\$ 455,694,638
Fund balance at June 30, 2013 assigned to current year expenditures	(6,100,000)
Revenues adjusted by restricted encumbrances of expenditure driven grants	834,406
Pension contributions made directly by the State of Maryland	29,187,145
Interest earned on rate stabilization deposit	8,637
Changes in value of rate stabilization fund	<u>2,497,120</u>

Revenues (GAAP basis) \$ 482,121,946

Expenditures (non-GAAP budgetary basis - unrestricted and restricted)	\$ 452,046,882
Net effect of encumbrances	311,294
Pension contributions made directly by the State of Maryland	29,187,145
Contribution for OPEB	<u>1,958,619</u>

Expenditures (GAAP basis) \$ 483,503,940

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

Unassigned Fund Balance (non-GAAP budgetary basis)	\$ 3,281,858
Cumulative effect of:	
Revenues adjusted by encumbrances of expenditure driven grants	<u>(209,756)</u>

Unassigned fund balance (GAAP basis) \$ 3,072,102

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

Assigned Fund Balance (non-GAAP budgetary basis)	\$ 7,174,041
Encumbrances	3,145,235
Rate stabilization fund balance	<u>8,000,505</u>

Assigned Fund Balance (GAAP basis) \$ 18,319,781

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**
.....

NOTE 3 – CASH AND INVESTMENTS

Cash on Hand

At year end, cash on hand for petty cash and change funds was \$1,080.

Deposits

As of June 30, 2014, the carrying amount of the Board’s deposits was \$9,903,554 and the bank balance was \$11,117,610. The Board’s deposits were not exposed to custodial credit risk as of June 30, 2014, as the deposits are covered by FDIC insurance or collateral held by the financial institution in the Board’s name.

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.

As of June 30, 2014, the Board’s investment balances were as follows:

	Fair Value
Maryland Local Government Investment Pool	<u>\$ 15,160,016</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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NOTE 3 – CASH AND INVESTMENTS (continued)

Interest Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Board’s exposure to interest rate risk arising from increasing interest rates, the Board’s investment policy limits the term of investment maturities, except in the fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. The Board’s management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Board from having to sell investments below original cost for that purpose. The investments as of June 30, 2014, complied with the Board’s investment policy as of that date.

Investment income includes the following for the year ended June 30, 2014:

Net interest and dividends	\$ 18,311
Less: Restricted net investment income	<u>502</u>
Total Net Investment Income Per Statement of Activities	<u><u>\$ 17,809</u></u>

Credit Risk

In order to control credit risk, State statutes authorize the Board to invest in obligations of the United States Government, federal government agency obligations, secured time deposits in Maryland banks, bankers’ acceptances, the 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. The Board’s investment policy states that all investments must be fully collateralized. As of June 30, 2014, all of the Board’s investments were insured or registered, were held by the custodian in the Board’s name or were invested in MLGIP. As of June 30, 2014, the Board’s investments were not exposed to custodial credit risk.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

.....

NOTE 3 – CASH AND INVESTMENTS (continued)

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

Cash on hand	\$ 1,080
Carrying amount of deposits	45,171,173
Carrying amount of investments	<u>15,160,016</u>
Total cash and investments	60,332,269
Less: Amounts in fiduciary funds	<u>37,993,902</u>
Total Cash and Investments per Statement of Net Position	<u><u>\$22,338,367</u></u>
Cash and cash equivalents	\$ 7,178,351
Investments	<u>15,160,016</u>
Total Cash and Investments per Statement of Net Position	<u><u>\$22,338,367</u></u>

Investment in External Investment Pool

The Board has funds designated for Other Postemployment Benefits (OPEB) that are held by Maryland Association of Boards of Education (MABE). As of June 30, 2014, MABE held \$35,267,619 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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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NOTE 4 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014, were as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>June 30, 2014</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 9,672,942	\$ -	\$ -	\$ 9,672,942
Construction in progress	16,526,507	16,861,809	(11,009,218)	22,379,098
Total nondepreciable capital assets	<u>26,199,449</u>	<u>16,861,809</u>	<u>(11,009,218)</u>	<u>32,052,040</u>
Depreciable capital assets:				
Land improvements	15,181,925	1,011,686	1,145,047	17,338,658
Buildings	671,499,871	1,518,631	9,864,171	682,882,673
Furniture and equipment	37,764,192	3,769,222	(545,376)	40,988,038
Total depreciable capital assets	<u>724,445,988</u>	<u>6,299,539</u>	<u>10,463,842</u>	<u>741,209,369</u>
Less accumulated depreciation for:				
Land improvements	4,834,024	731,420	-	5,565,444
Buildings	134,652,653	12,968,970	-	147,621,623
Furniture and equipment	23,393,499	3,090,242	(545,376)	25,938,365
Total accumulated depreciation	<u>162,880,176</u>	<u>16,790,632</u>	<u>(545,376)</u>	<u>179,125,432</u>
Total depreciable capital assets, net	<u>561,565,812</u>	<u>(10,491,093)</u>	<u>11,009,218</u>	<u>562,083,937</u>
Governmental activities capital assets, net	<u>\$ 587,765,261</u>	<u>\$ 6,370,716</u>	<u>\$ -</u>	<u>\$ 594,135,977</u>

Depreciation expense for the year ended June 30, 2014, was charged to governmental functions on the Statement of Activities as follows:

Depreciation not allocated to specific functions	\$ 81,084
Administration	295,426
Mid-level administration	4,035
Instruction	9,941,723
Special Education	5,607
Transportation	721,115
Operations	3,499,428
Maintenance	2,021,128
Food Service	221,086
Total	<u>\$ 16,790,632</u>

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

.....

NOTE 4 - CAPITAL ASSETS (continued)

The Board has active school construction projects as of June 30, 2014, as follows:

Project:	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Aberdeen High Stadium/Weight Room	\$ 265,091	\$ 1,309,558
C. Milton Wright Burner Replacement	150,500	17,859
Campus Hills Elementary	1,187,718	79,696
Fallston High HVAC	2,446,632	3,829,302
George D. Lisby @ Hillsdale Elementary Roof	343,084	344,416
Havre de Grace High School	223,093	955
John Archer	83,045	-
Joppatowne High	169,450	-
Joppatowne High Weight Room	18,340	960
Magnolia Middle HVAC	7,331,468	1,579,266
Norrisville Elementary HVAC	718,705	2,209,210
North Harford Elementary HVAC	4,464,740	189,805
William S. James Elementary HVAC	2,752,598	496,549
Youth's Benefit Elementary Modernization	2,224,634	26,466
Total	<u>\$ 22,379,098</u>	<u>\$ 10,084,042</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, 2014

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NOTE 5 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance as of			Due	
	July 1, 2013	Increases	Reductions	Balance as of	Within
				July 1, 2014	One Year
Capital lease	\$ 10,016,647	\$ -	\$ -	\$ 10,016,647	\$ 371,258
Compensated absences	27,626,056	5,386,380	5,068,992	27,943,444	4,948,998
OPEB obligation	162,782,929	59,125,000	21,945,000	199,962,929	-
Total Governmental Activities	<u>\$ 200,425,632</u>	<u>\$ 64,511,380</u>	<u>\$ 27,013,992</u>	<u>\$ 237,923,020</u>	<u>\$ 5,320,256</u>

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 2006. 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	<u>1,844,907</u>
Net Book Value	<u><u>\$ 9,007,488</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2015	\$ 698,803
2016	823,822
2017	823,822
2018	823,822
2019	823,822
2020 - 2024	4,119,110
2025 - 2029	4,119,110
2030	<u>823,822</u>
Total minimum lease payments	13,056,133
Less: Amount representing interest	<u>3,039,486</u>
Present value of minimum lease payments	<u><u>\$ 10,016,647</u></u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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NOTE 6 - FUND BALANCE

Fund balance as of June 30, 2014, consisted of the following:

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Capital Projects Fund</u>
Non-spendable for:			
Inventory - U.S.D.A.	\$ -	\$ 142,208	\$ -
Total non-spendable	-	142,208	-
Assigned to:			
Encumbrances	3,145,235	16,728	11,577,147
Fiscal year 2015 expenditures	5,533,875	-	-
Rate stabilization receivable	8,000,505	-	-
Future health insurance call	1,225,166	-	-
Emergency fuel reserve	415,000	-	-
Cost of Operation - Food Services		2,642,833	-
Total assigned	18,319,781	2,659,561	11,577,147
Unassigned	3,072,102	-	(7,799,134)
Total fund balances	<u>\$ 21,391,883</u>	<u>\$ 2,801,769</u>	<u>\$ 3,778,013</u>

Non-spendable fund balance reports resources that cannot be spent because of their form, or due to legal or contractual requirements. Committed fund balance reports resources with self-imposed limitation approved by the Board to the end of the period. Formal action is required to remove or modify a constraint reflected in the committed fund balance. There were no committed fund balances as of June 30, 2014. Assigned fund balance records the portion of fund balance that reflects the Board’s intended use of resources. For assigned fund balance, the Board’s upper-level management is authorized to assign amounts to a specific purpose and is the highest level of decision-making for assigned fund balance. Unlike committed fund balance, formal action is not required to impose, remove, or modify assigned fund balance. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Fund, and Capital Projects Fund. Encumbrances outstanding at year-end are reported as assignments of fund balances since they do not constitute expenditures or liabilities.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
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NOTE 7 - PENSION PLANS

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 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, 2014, 2013, and 2012 were \$29,187,145, \$30,575,369 and \$33,360,568 respectively, which were equal to the required contributions for each year. The Board's contribution for the years ended June 30, 2014, 2013 and 2012 were \$9,735,249, \$7,967,776 and \$2,946,759 respectively, which were equal to the required contributions for each year.

NOTE 8 - 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, 2014 was \$19,791,029. As of June 30, 2014, 2,217 of approximately 2,411 eligible retirees were receiving benefits.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

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, 2014 was \$1,011,166. As of June 30, 2014, 2,256 of approximately 2,411 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, 2014 was \$52,015. As of June 30, 2014, 2,101 of approximately 2,411 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.

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, 2014, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation:

Annual required contribution	\$ 60,023,000
Interest on net OPEB Obligation	6,918,000
Amortization of net OPEB obligation	<u>(7,816,000)</u>
Annual OPEB cost (expense)	59,125,000
Contributions made	<u>21,945,000</u>
Increase in net OPEB obligation	37,180,000
Net OPEB obligation - beginning of year	<u>162,782,929</u>
Net OPEB obligation - end of year	<u><u>\$ 199,962,929</u></u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 59,125,000	37.12%	\$ 199,962,929
6/30/2013	55,980,000	36.81%	162,782,929
6/30/2012	42,027,000	58.40%	127,410,929

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

Funded Status and Funding Progress

As of July 1, 2013, the plan was 4.02% funded. The actuarial accrued liability for benefits was \$696,905,000, and the actuarial value of assets was \$28,024,880, resulting in an unfunded actuarial accrued liability (UAAL) of \$668,880,120. The covered payroll (annual payroll of active employees covered by the plan) was \$265,952,457, and the ratio of the UAAL to the covered payroll was 251.50%.

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

Actuarial Methods and Assumptions

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

Significant valuation methods and assumptions are as follows:

Valuation Date	July 1, 2013
Actuarial Cost Method	Projected Unit Credit method
Amortization Method	Closed, level percent of payroll over 25 years (as of 7/1/13)
Asset Valuation Method	Market value
Actuarial Assumptions:	
Discount Rate	4.25%
Investment Rate of Return	7.00% per year compounded annually
Payroll Growth Rate	3.00%
Inflation Rate	2.90%
Healthcare Cost Trend Rates:	
Medical and prescription	7.00% initial year of valuation (not applicable to Life) 3.80% 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 7% interest and contributions are assumed to be made in the middle of the year.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

Actuarial Methods and Assumptions (continued)

The unfunded liability was amortized over a closed period of 25 years using level percentage of pay for the fiscal year ended June 30, 2014.

Schedule of Funding Progress

	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2008	\$ 12,136,368	\$ 361,962,000	\$ 349,825,632	3.35%	\$ 274,153,946	127.60%
July 1, 2008	12,136,368	589,795,000	577,658,632	2.06%	278,038,509	207.76%
July 1, 2009	10,233,348	626,155,000	615,921,652	1.63%	278,636,614	221.05%
July 1, 2010	10,962,506	534,277,000	523,314,494	2.05%	278,479,993	187.92%
July 1, 2011	15,255,626	462,698,000	447,442,374	3.30%	276,823,307	161.63%
July 1, 2012	23,541,000	660,933,000	637,392,000	3.56%	273,638,115	232.93%
July 1, 2013	28,024,880	696,905,000	668,880,120	4.02%	265,952,457	251.50%

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

NOTE 9 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Board participates in the 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 the Board pays an annual premium for the coverage provided. In addition to general liability insurance, the Group Insurance Pool also provides coverage for property liability and automobile liability. Coverage above these limits is provided by third party insurance carriers. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
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NOTE 10 - CONTINGENCIES AND COMMITMENTS

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

The Board leases certain equipment and properties for storage and other uses under long-term operating leases. Expenditures under operating leases amounted to approximately \$1,299,362 for the year ended June 30, 2014.

NOTE 11- IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

The Board has adopted the provision of Governmental Accounting Standard Board (GASB) issued Statement No. 65, entitled Items Previously Reported as Assets and Liabilities; Statement No. 66, entitled Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62; Statement No. 67, entitled Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25 and Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees.

GASB also issued Statement No. 68, entitled Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27, Statement No. 69, entitled Government Combinations and Disposals of Government Operations, and Statement No. 71, entitled Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. The Board is analyzing the effects of these pronouncements, which it expects to be material, and plans to adopt them as applicable by their effective dates. As part of GASB 68, the Board will be required to record its share of the State’s net unfunded pension liability. The Board’s share of the unfunded liability will be calculated by dividing the Board’s contribution to the Maryland State Retirement System (the System) by the total contributions to the System multiplied by the System’s unfunded liability. Currently, the System’s total unfunded liability and contributions are not known.



Jessirhee Carlee, Grade 3, Emmorton Elementary School
Teacher: Carolyn Wolf

Required Supplemental Information

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**Niara Tolliver, Grade 9, Harford Technical High School
Teacher: Judy Demond**

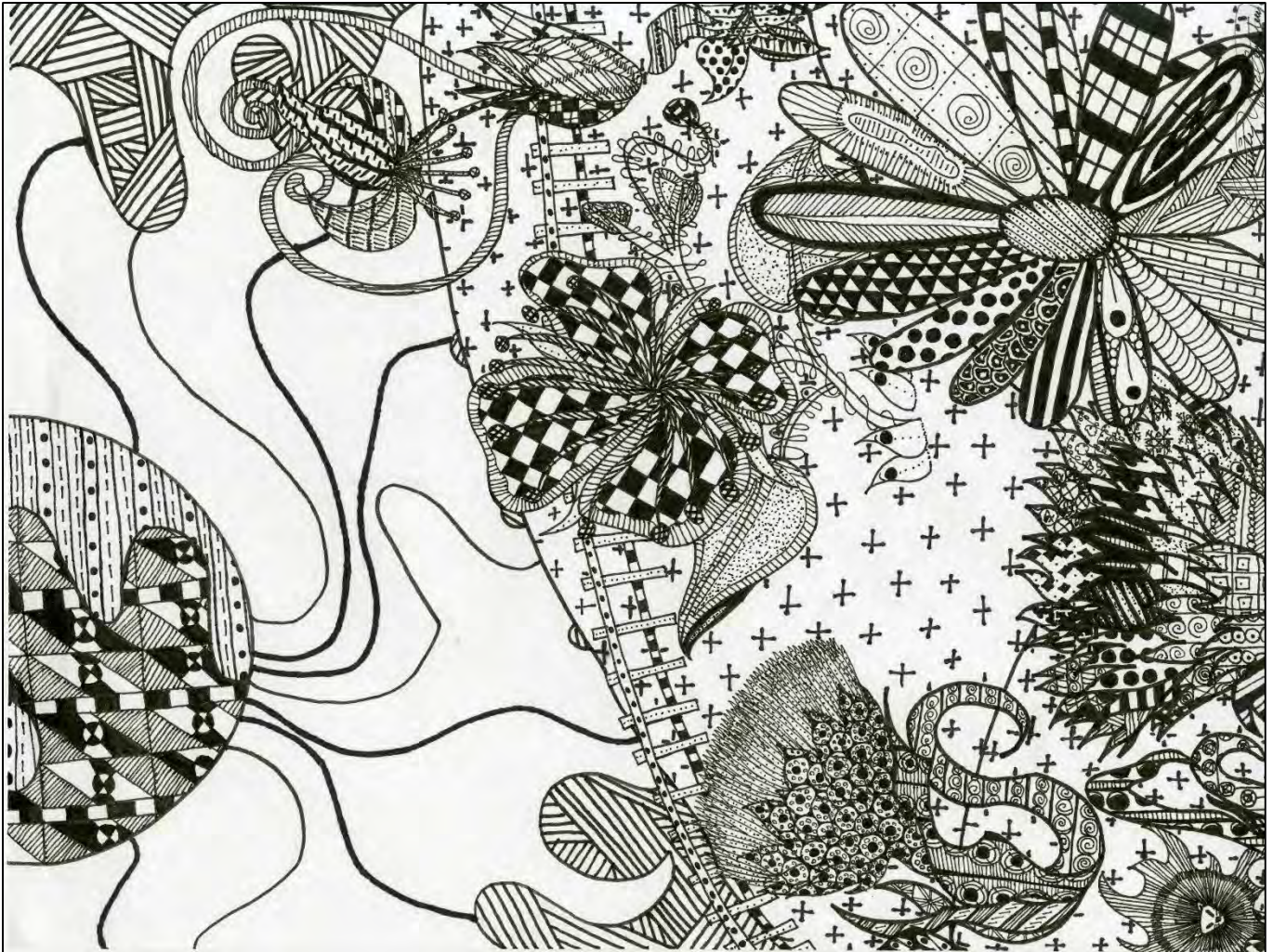
**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR OTHER POSTEMPLOYMENT BENEFIT PLAN
 June 30, 2014**

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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
June 30, 2008	\$ 12,136,368	\$ 361,962,000	\$ 349,825,632	3.35%	\$ 274,153,946	127.60%
July 1, 2008	12,136,368	589,795,000	577,658,632	2.06%	278,038,509	207.76%
July 1, 2009	10,233,348	626,155,000	615,921,652	1.63%	278,636,614	221.05%
July 1, 2010	10,962,506	534,277,000	523,314,494	2.05%	278,479,993	187.92%
July 1, 2011	15,255,626	462,698,000	447,442,374	3.30%	276,823,307	161.63%
July 1, 2012	23,541,000	660,933,000	637,392,000	3.56%	273,638,115	232.93%
July 1, 2013	28,024,880	696,905,000	668,880,120	4.02%	265,952,457	251.50%

Other Supplemental Information



Emily McClaskey, Grade 8, Aberdeen Middle School
Teacher: Roxanne Dodson

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, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Cafeteria sales	\$ 7,880,000	\$ 6,928,478	\$ (951,522)
<u>Federal Aid</u>			
School Lunch Program	4,857,405	5,208,499	351,094
School Breakfast Program	1,551,093	1,778,467	227,374
Summer Food Program	92,700	181,639	88,939
Fresh Fruits and Vegetables Program	-	23,800	23,800
U.S.D.A. Commodities	892,500	954,718	62,218
Total federal aid	7,393,698	8,147,123	753,425
<u>State Aid</u>			
Child Feeding Program	341,870	389,349	47,479
<u>Local Aid</u>			
Local revenue	-	-	-
Interest earned	-	-	-
Miscellaneous revenue	-	189,108	189,108
Total revenues	\$ 15,615,568	15,654,058	38,490
Expenditures			
Salaries and wages	5,459,973	5,221,894	238,079
Contracted services	383,500	305,479	78,021
Supplies and materials	6,380,620	6,637,005	(256,385)
Other charges	2,114,554	2,069,413	45,141
Furniture and equipment	384,421	193,120	191,301
U.S.D.A. commodities	892,500	999,543	(107,043)
Total expenditures	\$ 15,615,568	15,426,454	189,114
Excess of revenues over expenditures		227,604	
Total fund balance at July 1, 2013		2,602,262	
Increase (decrease) in nonspendable fund balance - U.S.D.A. inventory		(44,825)	
Total fund balance		2,785,041	
Nonspendable fund balance - U.S.D.A. inventory - end of year		(142,208)	
Fund balance at June 30, 2014 - unassigned		\$ 2,642,833	

Harford County Public Schools

**SCHOOL CONSTRUCTION FUND
(CAPITAL PROJECTS FUND)
SCHEDULE OF EXPENDITURES BY PROJECT
FOR THE YEAR ENDED JUNE 30, 2014**

Campus Hills Elementary	\$ 7,098
Red Pump Elementary	163,911
Patterson Mill Middle/High	37,152
Aberdeen High School addition	58,060
Joppatowne Elementary modernization	24,923
Youth's Benefit Elementary Replacement	639,577
Bel Air High modernization	110,589
Edgewood High modernization	33,165
Havre de Grace High modernization	30,096
Technology education lab refresh	14,854
Music lab refresh	147,579
Special education facilities	15,657
George D. Lisby @ Hillsdale Elementary roof	345,586
Jarrettsville Elementary HVAC	237,332
Norrisville Elementary HVAC	734,792
North Harford Elementary HVAC	2,499,498
North Bend Elementary roof	13,000
Youth's Benefit Elementary air conditioning	1,000
Havre de Grace High HVAC	4,610
Fallston High HVAC	2,510,110
Magnolia Middle HVAC	6,427,536
William Paca Elementary air conditioning	78,515
Havre de Grace High Field improvements	41,063
Outdoor track reconditioning	23,684
Relocatables	86,488
Homestead/Wakefield Elementary electrical support for technology	250,000
Edgewood Middle computer laboratory	78,217
Wiring	581,946
Milestone	6,694
Technology refresh	414,439
Integrated business systems	79,479
Bel Air Elementary chillers	23,007
Major HVAC repairs - Church Creek Elementary	9,436
Major HVAC repairs - Havre de Grace Elementary	2,951
Joppatowne High stadium ADA improvements	190
Alarms	5,575
Septic pretreat facility	247,136
Backflow prevention	3,427
Storm water management, erosion and sediment control	330,160
ADA improvements	15,520
Paving - overlay and maintenance	7,348
Bleachers	46,950
Building envelope improvements	203,710
Energy efficiency performance projects	7,614,694
Athletic fields	66,696
Floor coverings	20,000
HVAC major repairs	1,106,225
Aberdeen High stadium and weight room upgrades	215,907
Joppatowne High weight room upgrades	18,340
William S. James Elementary playground	99,896
Prospect Mill Elementary playground	80,000
Furniture	39,647
Buses	813,735
Music refresh	60,917
Security cameras	85,222
Math refresh	63,782
Textbooks	729,203
Career and technology education equipment refresh	12,246
John Archer playground	205,176
Swimming pools	27,800
Security Initiative program	1,366,330
	<u>\$ 29,217,876</u>

Harford County Public Schools

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AGENCY FUNDS
SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

School Activity Funds

	Balance <u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2014</u>
<u>Elementary Schools</u>				
Abingdon	\$ 21,932	\$ 32,811	\$ 29,829	\$ 24,914
Bakerfield	8,658	32,454	33,771	7,341
Bel Air	8,537	23,913	19,186	13,264
Church Creek	17,203	41,325	43,123	15,405
Churchville	20,816	31,697	26,475	26,038
Darlington	7,115	16,303	17,805	5,613
Deerfield	54,516	49,938	47,420	57,034
Dublin	26,149	27,221	34,969	18,401
Edgewood	16,179	15,327	14,257	17,249
Emmorton	17,681	44,239	35,719	26,201
Forest Hill	11,052	30,307	31,245	10,114
Forest Lakes	22,969	49,779	34,778	37,970
Fountain Green	16,520	23,085	26,663	12,942
George D. Lisby at Hillsdale	21,974	43,826	52,966	12,834
Hall's Cross Roads	16,843	29,634	34,628	11,849
Harford Glen	4,354	3,875	2,699	5,530
Havre de Grace	26,929	31,578	37,928	20,579
Hickory	62,218	86,471	72,313	76,376
Homestead-Wakefield	13,430	78,730	81,107	11,053
Jarrettsville	25,731	74,436	79,445	20,722
John Archer	64,407	37,638	39,680	62,365
Joppatowne	25,416	30,719	29,496	26,639
Magnolia	6,373	10,787	9,862	7,298
Meadowvale	12,935	33,526	36,713	9,748
Norrisville	15,061	10,295	12,903	12,453
North Bend	18,379	18,340	16,987	19,732
North Harford	25,233	64,335	57,363	32,205
Prospect Mill	19,148	31,683	32,625	18,206
Red Pump	17,236	56,456	52,354	21,338
Ring Factory	16,834	42,858	47,835	11,857
Riverside	13,248	30,043	30,841	12,450
Roye-Williams	26,674	19,098	22,992	22,780
William S. James	17,940	47,313	48,315	16,938
William Paca - Old Post	15,291	5,969	16,844	4,416
Youth's Benefit	14,427	52,755	52,111	15,071
Total elementary schools	<u>729,408</u>	<u>1,258,764</u>	<u>1,263,247</u>	<u>724,925</u>

Harford County Public Schools
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**AGENCY FUNDS
SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

School Activity Funds

	<u>Balance</u> <u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Middle Schools</u>				
Aberdeen	97,623	146,136	150,279	93,480
Bel Air	61,537	190,960	215,709	36,788
Edgewood	30,328	192,611	169,954	52,985
Fallston	71,774	107,245	106,678	72,341
Havre de Grace	27,981	84,731	80,376	32,336
Magnolia	24,823	59,375	55,047	29,151
North Harford	55,468	89,852	92,351	52,969
Patterson Mill	34,941	112,898.00	99,733	48,106
Southampton	48,467	154,849	173,410	29,906
Total middle schools	<u>452,942</u>	<u>1,138,657</u>	<u>1,143,537</u>	<u>448,062</u>
<u>High Schools</u>				
Aberdeen	207,828	434,854	453,538	189,144
Alternative Education	4,682	7,451	8,492	3,641
Bel Air	199,276	475,149	470,828	203,597
C. Milton Wright	198,036	472,098	501,336	168,798
Edgewood	133,751	275,832	277,210	132,373
Fallston	124,742	458,058	453,654	129,146
Harford Technical	193,298	545,590	607,581	131,307
Havre de Grace	130,736	219,726	231,671	118,791
Joppatowne	62,803	169,672	164,715	67,760
North Harford	200,088	368,287	362,031	206,344
Patterson Mill	108,302	459,045	450,829	116,518
Total high schools	<u>1,563,542</u>	<u>3,885,762</u>	<u>3,981,885</u>	<u>1,467,419</u>
Total - all School Activity Funds	<u>2,745,892</u>	<u>6,283,183</u>	<u>6,388,669</u>	<u>2,640,406</u>
Scholarship Funds	<u>87,300</u>	<u>77</u>	<u>1,500</u>	<u>85,877</u>
Total - Agency Funds	<u>\$ 2,833,192</u>	<u>\$ 6,283,260</u>	<u>\$ 6,390,169</u>	<u>\$ 2,726,283</u>

Harford County Public Schools

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AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	<u>Scholarship Funds</u>	<u>Student Activity Funds</u>	<u>Total Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 85,877	\$ 2,640,406	\$ 2,726,283
Total assets	<u>\$ 85,877</u>	<u>\$ 2,640,406</u>	<u>\$ 2,726,283</u>
Liabilities			
Scholarship funds payable	\$ 85,877	\$ -	\$ 85,877
School activity funds payable	<u>-</u>	<u>2,640,406</u>	<u>2,640,406</u>
Total liabilities	<u>\$ 85,877</u>	<u>\$ 2,640,406</u>	<u>\$ 2,726,283</u>

Harford County Public Schools

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
JUNE 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
SCHOLARSHIP FUNDS				
ASSETS				
Cash and cash equivalents	\$ 87,300	\$ 77	\$ 1,500	\$ 85,877
LIABILITIES				
Scholarship funds payable	\$ 87,300	\$ 77	\$ 1,500	\$ 85,877
STUDENT ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,745,892	\$ 6,283,183	\$ 6,388,669	\$ 2,640,406
LIABILITIES				
Student activity funds payable	\$ 2,745,892	\$ 6,283,183	\$ 6,388,669	\$ 2,640,406
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,833,192	\$ 6,283,260	\$ 6,390,169	\$ 2,726,283
LIABILITIES				
Scholarship funds payable	\$ 87,300	\$ 77	\$ 1,500	\$ 85,877
Student activity funds payable	2,745,892	6,283,183	6,388,669	2,640,406
Total liabilities	\$ 2,833,192	\$ 6,283,260	\$ 6,390,169	\$ 2,726,283



**Maria Barba, Grade 10, Aberdeen High School
Teacher: Richard Morris**

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 - 85

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year after June 30, 2005 and from the Independent Auditors' Report, Financial Statements and Supplemental Information for the relevant year prior to that.

Harford County Public Schools

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Invested in capital assets, net of related debt	\$224,456	\$265,089	\$297,606	\$379,249	\$472,628	\$533,572	\$560,834	\$568,870	\$577,748	\$584,119
Restricted for food services	3,005	2,976	2,699	2,456	2,066	2,196	2,408	2,755	2,624	2,802
Restricted for capital projects	-	-	25	8,072	5,802	7,551	7,454	9,079	7,675	3,778
Unrestricted	(11,933)	(4,063)	1,827	(16,540)	(51,542)	(84,761)	(110,678)	(128,086)	(166,286)	(205,029)
Total governmental activities net position	<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>	<u>\$421,761</u>	<u>\$385,670</u>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Functions/Programs										
Expenses										
Governmental activities:										
Instruction:										
Regular education	\$200,144	\$229,007	\$247,876	\$277,212	\$290,266	\$294,136	\$289,527	\$285,182	\$296,379	\$283,661
Special education	47,269	54,113	60,048	69,664	77,461	89,247	94,112	86,373	89,896	90,529
Total Instruction	<u>247,413</u>	<u>283,120</u>	<u>307,924</u>	<u>346,876</u>	<u>367,727</u>	<u>383,383</u>	<u>383,639</u>	<u>371,555</u>	<u>386,275</u>	<u>374,190</u>
Support services										
Administration	9,101	11,094	13,474	15,093	15,934	15,989	15,341	16,114	15,682	15,626
Mid level administration	25,130	28,393	31,195	35,358	36,855	37,516	36,621	37,070	37,698	37,467
Pupil personnel services	1,504	1,777	1,948	2,198	2,312	2,338	2,223	2,322	2,353	2,501
Health services	3,434	3,487	4,106	4,740	5,103	5,069	4,850	5,255	5,915	5,843
Pupil transportation	20,884	23,234	25,716	31,197	32,724	33,647	35,424	37,332	39,754	39,504
Operation of plant	24,925	27,912	31,282	36,304	37,614	39,310	38,716	40,267	43,245	47,158
Maintenance of plant and equipment	10,489	11,671	12,742	14,528	14,522	15,130	15,789	16,989	18,211	19,022
Community services	420	434	498	499	480	399	451	421	497	530
Food services	11,329	12,229	13,519	14,179	15,144	15,391	14,848	15,829	16,515	16,731
Interest on long-term debt	-	814	567	554	541	527	512	615	246	328
Depreciation - unallocated	103	103	94	89	89	89	87	86	84	81
Total Support Services	<u>107,319</u>	<u>121,148</u>	<u>135,141</u>	<u>154,739</u>	<u>161,318</u>	<u>165,405</u>	<u>164,862</u>	<u>172,300</u>	<u>180,200</u>	<u>184,791</u>
Total governmental activities	<u>354,732</u>	<u>404,268</u>	<u>443,065</u>	<u>501,615</u>	<u>529,045</u>	<u>548,788</u>	<u>548,501</u>	<u>543,855</u>	<u>566,475</u>	<u>558,981</u>
Program revenues										
Charges for services:										
Regular education	1,133	1,529	1,500	1,730	1,688	1,648	1,471	1,214	1,135	1,327
Community services	378	439	466	488	415	338	348	348	422	414
Food services	7,186	7,666	8,132	8,348	8,059	7,839	7,875	7,858	7,254	6,928
Operating grants and contributions	69,930	79,547	89,364	102,132	106,729	122,436	136,196	128,527	124,751	124,007
Capital grants and contributions	38,598	56,320	47,943	101,153	104,871	85,054	47,667	28,383	35,159	25,115
Total governmental activities program revenues	<u>117,225</u>	<u>145,501</u>	<u>147,405</u>	<u>213,851</u>	<u>221,762</u>	<u>217,315</u>	<u>193,557</u>	<u>166,330</u>	<u>168,721</u>	<u>157,791</u>
Total governmental net expense	<u>(237,507)</u>	<u>(258,767)</u>	<u>(295,660)</u>	<u>(287,764)</u>	<u>(307,283)</u>	<u>(331,473)</u>	<u>354,944</u>	<u>377,525</u>	<u>397,754</u>	<u>401,190</u>
General Revenues and Other Changes in Net Position										
General revenues:										
Local appropriations	154,047	175,415	189,415	199,615	206,979	210,415	211,067	217,782	219,821	221,301
State Aid	112,468	125,158	138,061	152,542	153,313	147,510	140,638	143,456	140,879	137,722
Federal Aid	371	411	443	340	279	625	696	1,345	449	336
Miscellaneous	2,060	5,464	4,525	5,083	2,204	2,487	3,960	7,508	5,717	5,723
Unrestricted investment earnings	323	793	1,371	1,264	226	40	43	33	31	18
Total general revenues	<u>269,269</u>	<u>307,241</u>	<u>333,815</u>	<u>358,844</u>	<u>363,001</u>	<u>361,077</u>	<u>356,404</u>	<u>370,124</u>	<u>366,897</u>	<u>365,100</u>
Change in Net Position	<u>31,762</u>	<u>48,474</u>	<u>38,155</u>	<u>71,080</u>	<u>55,718</u>	<u>29,604</u>	<u>1,460</u>	<u>(7,401)</u>	<u>(30,857)</u>	<u>(36,090)</u>
Net position - beginning of year	178,897	215,528	264,002	302,157	373,237	428,955	458,559	460,019	\$452,618	421,761
Adjustment to Restate Beginning Net Position	4,869	-	-	-	-	-	-	-	-	-
Net position - beginning of year, as Restated	<u>183,766</u>	<u>215,528</u>	<u>264,002</u>	<u>302,157</u>	<u>373,237</u>	<u>428,955</u>	<u>458,559</u>	<u>460,019</u>	<u>452,618</u>	<u>421,761</u>
Net position - end of year	<u>\$215,528</u>	<u>\$264,002</u>	<u>\$302,157</u>	<u>\$373,237</u>	<u>\$428,955</u>	<u>\$458,559</u>	<u>\$460,019</u>	<u>\$452,618</u>	<u>\$421,761</u>	<u>\$385,671</u>

Harford County Public Schools

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund										
Assigned	\$3,523	\$4,230	\$5,338	\$2,937	\$2,261	\$2,405	\$12,976	\$12,628	\$18,650	\$18,320
Unassigned	7,635	16,188	22,128	16,152	18,113	22,626	13,143	13,169	4,330	3,072
Total general fund	<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>	<u>\$22,980</u>	<u>\$21,392</u>
All other governmental funds										
Non Spendable -										
Special Revenue Fund	\$277	\$239	\$160	\$122	\$186	\$278	\$294	\$237	\$187	\$142
Assigned - reported in:										
Special revenue fund	2,729	2,737	2,539	2,334	1,880	1,918	2,115	2,518	2,437	2,660
Capital projects fund	-	-	25	8,072	5,802	7,551	7,454	9,079	10,322	11,577
Unassigned - Capital projects fund	-	-	-	-	-	-	-	-	(2,647)	(7,799)
Total all other governmental funds	<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>	<u>\$10,299</u>	<u>\$6,580</u>

Harford County Public Schools

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Intergovernmental revenues										
Local	\$177,486	\$224,683	\$228,930	\$278,735	\$299,449	\$275,213	\$241,501	\$230,041	\$231,802	229,680
State	168,141	183,301	205,345	245,316	241,878	247,758	242,653	251,283	241,824	233,251
Special state and federal programs	21,833	23,558	24,835	24,881	24,357	33,330	41,992	28,817	29,938	30,562
Federal	4,711	5,036	5,177	5,358	5,907	6,860	7,629	8,485	8,122	8,483
Earnings on investments	501	1,066	1,530	1,348	235	40	43	33	31	18
Charges for services	7,186	7,666	8,132	8,348	8,059	7,839	7,875	7,858	7,254	6,929
Donation of land from county	3,063	-	-	-	-	-	-	-	-	-
Miscellaneous revenues	3,574	7,432	7,271	8,709	4,878	7,352	8,268	9,937	16,647	13,968
Total revenues	386,495	452,742	481,220	572,695	584,763	578,392	549,961	536,454	535,618	522,891
Expenditures										
Current										
Administrative services	6,781	8,381	9,906	10,732	11,044	10,708	10,473	10,776	10,678	9,775
Mid level administrative services	18,638	21,411	23,592	25,282	25,556	25,417	25,182	24,959	24,805	24,356
Instructional salaries	126,644	143,325	158,371	167,938	168,953	166,084	165,998	165,118	162,658	156,873
Instructional textbooks and supplies	6,070	8,584	9,885	9,962	8,405	7,758	7,316	8,067	6,689	6,849
Other instructional costs	2,208	2,409	2,103	2,848	3,406	2,904	3,173	2,839	2,446	2,392
Special education	23,921	27,764	31,751	35,782	38,054	39,030	39,674	40,322	39,951	40,088
Student personnel services	1,180	1,373	1,524	1,621	1,629	1,615	1,610	1,614	1,621	1,642
Health services	2,272	2,512	3,047	3,222	3,400	3,255	3,200	3,292	3,295	3,207
Pupil transportation services	18,642	20,632	22,617	26,889	27,321	27,655	29,522	30,917	31,151	30,300
Operation of plant	21,128	23,603	26,036	28,859	29,063	29,129	28,913	28,974	28,595	30,273
Maintenance of plant and equipment	8,511	9,239	10,096	11,269	10,701	11,014	11,757	12,607	12,249	12,110
Fixed charges	72,732	79,308	87,680	112,302	107,064	115,194	116,016	133,275	132,463	134,256
Community services	377	398	455	450	429	352	403	373	440	456
Special state and federal programs	21,833	23,558	24,835	24,880	24,357	33,330	41,992	28,817	29,938	30,562
Costs of operations - food services	11,600	12,652	13,517	13,977	14,435	14,315	14,911	15,275	15,440	15,431
Capital outlay	41,242	66,394	48,138	96,394	111,561	83,365	47,809	26,759	37,255	29,255
Debt service										
Principal	-	10	257	269	283	297	312	327	-	-
Interest	-	814	567	554	541	527	512	615	246	328
Total expenditures	383,779	452,367	474,377	573,230	586,202	571,949	548,773	534,926	539,920	528,153
Excess (deficit) of revenues over expenditures	2,716	375	6,843	(535)	(1,439)	6,443	1,188	1,528	(4,302)	(5,262)
Other financing sources (uses)										
Proceeds from capital lease	2,475	8,893	32	-	-	-	-	178	-	-
Increase (decrease) in nonspendable fund balance	(62)	(38)	-	(38)	-	92	16	-	(50)	(45)
Net change in fund balances	\$5,129	\$9,230	\$6,875	(\$573)	(\$1,439)	\$6,535	\$1,204	\$1,706	(\$4,352)	(\$5,307)

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Capacity #s	Capacity %
Abingdon Elementary	841	822	751	769	795	766	798	893	882	836	864	102.08%
Bakerfield Elementary	507	463	447	463	477	457	444	366	409	396	500	81.80%
Bel Air Elementary	533	524	505	487	512	508	505	488	484	516	500	96.80%
Church Creek Elementary	754	778	755	736	743	774	781	699	745	785	789	94.42%
Churchville Elementary	383	383	371	359	363	371	376	375	395	378	388	101.80%
Darlington Elementary	137	139	130	126	125	123	123	124	115	131	157	73.25%
Deerfield Elementary	670	584	569	545	520	514	633	797	793	805	816	97.18%
Dublin Elementary	268	239	250	246	247	247	246	289	299	301	295	101.36%
Edgewood Elementary	506	473	422	419	393	434	422	451	426	421	511	83.37%
Emmorton Elementary	617	617	653	667	676	704	732	539	505	551	549	91.99%
Forest Hill Elementary	603	579	585	575	564	579	550	557	507	493	581	87.26%
Forest Lakes Elementary	679	714	707	695	664	682	681	511	483	482	546	88.46%
Fountain Green Elementary	616	664	643	662	651	604	567	562	513	521	571	89.84%
George D. Lisby Elementary at Hillsdale	378	347	333	311	350	333	347	427	434	428	455	95.38%
Halls Cross Roads Elementary	364	383	415	437	430	446	492	475	463	507	562	82.38%
Havre de Grace Elementary	461	413	368	373	393	416	424	443	421	405	566	74.38%
Hickory Elementary	667	696	664	693	702	687	720	653	681	687	655	103.97%
Homestead-Wakefield Elementary	970	958	934	919	905	937	937	892	897	901	907	98.90%
Jarrettsville Elementary	455	455	423	443	414	416	434	470	480	460	548	87.59%
Joppatowne Elementary	567	581	522	515	546	548	581	667	629	597	653	96.32%
Magnolia Elementary	574	515	512	526	536	563	466	385	470	495	518	90.73%
Meadowvale Elementary	574	603	571	549	545	538	512	532	535	554	568	94.19%
Norrisville Elementary	184	207	221	206	192	170	181	199	186	182	252	73.81%
North Bend Elementary	470	449	428	399	402	389	401	377	378	360	500	75.60%
North Harford Elementary	534	551	518	502	469	490	453	442	432	421	500	86.40%
Prospect Mill Elementary	907	976	1,008	980	951	931	902	651	612	557	680	90.00%
Red Pump Elementary							-	596	669	688	696	96.12%
Ring Factory Elementary	555	541	530	527	500	513	511	542	549	557	548	100.18%
Riverside Elementary	559	554	568	547	504	502	523	501	505	520	522	96.74%
Roye-Williams Elementary	641	577	546	493	426	440	388	440	474	543	683	69.40%
William Paca/Old Post Road Elementary	1,026	1,052	1,044	1,010	1,020	1,005	845	663	766	806	954	80.29%
William S. James Elementary	520	498	496	501	487	481	521	514	451	421	522	86.40%
Youths Benefit Elementary	1,008	1,029	1,044	1,067	1,072	1,041	1,029	998	973	962	958	101.57%
Total Elementary Schools	18,528	18,364	17,933	17,747	17,574	17,609	17,525	17,518	17,561	17,667	19,314	90.92%
Aberdeen Middle	1,301	1,247	1,207	1,095	1,120	1,095	1,087	1,043	1,034	1,113	1,444	71.61%
Bel Air Middle	1,402	1,434	1,403	1,244	1,249	1,267	1,291	1,296	1,271	1,287	1,318	96.43%
Edgewood Middle	1,275	1,216	1,164	1,151	1,028	1,046	1,022	1,073	1,046	1,109	1,370	76.35%
Fallston Middle	1,224	1,212	1,180	925	905	892	887	929	879	875	1,105	79.55%
Havre de Grace Middle	605	589	599	609	613	584	530	529	532	545	775	68.65%
Magnolia Middle	913	916	869	874	785	795	735	710	688	717	1,073	64.12%
North Harford Middle	1,118	1,123	1,085	1,153	1,134	1,113	1,056	1,019	974	974	1,243	78.36%
Patterson Mill Middle	-	-	-	735	763	775	753	732	700	685	711	98.45%
Southampton Middle	1,528	1,535	1,549	1,252	1,295	1,256	1,270	1,276	1,235	1,260	1,540	80.19%
Total Middle Schools	9,366	9,272	9,056	9,038	8,892	8,823	8,631	8,607	8,359	8,565	10,579	79.02%
Aberdeen High	1,357	1,543	1,589	1,569	1,504	1,464	1,459	1,411	1,411	1,420	1,679	84.04%
Bel Air High	1,636	1,639	1,683	1,403	1,380	1,431	1,574	1,633	1,647	1,656	1,668	98.74%
C. Milton Wright High	1,911	1,834	1,850	1,746	1,587	1,591	1,555	1,491	1,494	1,403	1,678	89.03%
Edgewood High	1,357	1,316	1,261	1,177	1,123	1,194	1,226	1,211	1,236	1,291	1,743	70.91%
Fallston High	1,635	1,643	1,606	1,453	1,365	1,209	1,113	1,090	1,064	1,074	1,529	69.59%
Harford Technical High	1,069	1,052	1,056	1,056	1,040	1,026	1,024	1,019	1,010	1,013	920	109.78%
Havre de Grace High	705	721	717	769	764	775	745	691	674	585	850	79.29%
Joppatowne High	1,108	1,118	1,063	1,004	969	952	940	872	840	762	1,126	74.60%
North Harford High	1,447	1,445	1,437	1,385	1,367	1,393	1,383	1,447	1,420	1,358	1,603	88.58%
Patterson Mill High	-	-	-	436	701	949	964	991	941	922	924	101.84%
Total High Schools	12,225	12,311	12,262	11,998	11,800	11,984	11,983	11,856	11,737	11,484	13,720	85.55%
Total Secondary Schools	21,591	21,583	21,318	21,036	20,692	20,807	20,614	20,463	20,096	20,049	24,299	82.70%
Centerfor Educational Opportunity	17	113	139	155	106	76	112	86	86	84	250	34.40%
Restoration Academy (Charter)	-	-	21	78	79	-	-	-	-	-	-	-
John Archer	158	152	160	159	159	147	143	128	125	113	210	59.52%
Total Special Schools	175	265	320	392	344	223	255	214	211	197	460	45.87%
Total All Schools	40,294	40,212	39,571	39,175	38,610	38,639	38,394	38,222	37,868	37,913	44,073	85.92%
Teachers & Therapists Staff (1)	2,357	2,437	2,589	2,809	2,835	2,778	2,831	2,819	2,774	2,772		
Student/Teacher Ratio	17.10	16.50	15.28	13.95	13.62	13.91	13.56	13.56	13.65	13.68		

Source: Monthly Report on Enrollment at September 30.

Source (1): Maryland State Department of Education Fact Book for relevant year, estimated for 2013

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**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Elementary School:										
Preschool	83	66	55	53	49	61	-	38	-	-
Prekindergarten	849	825	841	813	825	837	773	738	753	768
Kindergarten	2,653	2,811	2,611	2,823	2,704	2,734	2,681	2,792	2,740	2,819
Grade 1	2,908	2,778	2,849	2,603	2,836	2,736	2,808	2,715	2,820	2,787
2	2,953	2,907	2,756	2,848	2,643	2,873	2,757	2,809	2,703	2,830
3	2,937	2,964	2,894	2,761	2,862	2,670	2,904	2,796	2,809	2,751
4	3,006	2,971	2,947	2,906	2,762	2,925	2,691	2,919	2,815	2,851
5	<u>3,139</u>	<u>3,042</u>	<u>2,980</u>	<u>2,940</u>	<u>2,893</u>	<u>2,773</u>	<u>2,911</u>	<u>2,711</u>	<u>2,921</u>	<u>2,861</u>
Total Elementary School	<u>18,528</u>	<u>18,364</u>	<u>17,933</u>	<u>17,747</u>	<u>17,574</u>	<u>17,609</u>	<u>17,525</u>	<u>17,518</u>	<u>17,561</u>	<u>17,667</u>
Middle School:										
Grade 6	2,983	3,090	2,995	2,948	2,904	2,912	2,791	2,905	2,691	2,892
7	3,137	3,010	3,052	3,042	2,967	2,927	2,928	2,777	2,902	2,752
8	<u>3,249</u>	<u>3,189</u>	<u>3,040</u>	<u>3,090</u>	<u>3,069</u>	<u>2,991</u>	<u>2,923</u>	<u>2,941</u>	<u>2,775</u>	<u>2,930</u>
Total Middle School	<u>9,369</u>	<u>9,289</u>	<u>9,087</u>	<u>9,080</u>	<u>8,940</u>	<u>8,830</u>	<u>8,642</u>	<u>8,623</u>	<u>8,368</u>	<u>8,574</u>
High School:										
Grade 9	3,640	3,508	3,402	3,340	3,285	3,380	3,241	3,164	3,118	3,030
10	3,071	3,220	3,107	3,029	3,005	3,041	3,145	3,038	2,948	2,896
11	2,825	2,931	2,995	2,869	2,841	2,856	2,934	2,973	2,909	2,812
12	<u>2,703</u>	<u>2,748</u>	<u>2,887</u>	<u>2,951</u>	<u>2,806</u>	<u>2,776</u>	<u>2,764</u>	<u>2,778</u>	<u>2,839</u>	<u>2,821</u>
Total High School	<u>12,239</u>	<u>12,407</u>	<u>12,391</u>	<u>12,189</u>	<u>11,937</u>	<u>12,053</u>	<u>12,084</u>	<u>11,953</u>	<u>11,814</u>	<u>11,559</u>
Special Education	<u>158</u>	<u>152</u>	<u>160</u>	<u>159</u>	<u>159</u>	<u>147</u>	<u>143</u>	<u>128</u>	<u>125</u>	<u>113</u>
Total Enrollment	<u>40,294</u>	<u>40,212</u>	<u>39,571</u>	<u>39,175</u>	<u>38,610</u>	<u>38,639</u>	<u>38,394</u>	<u>38,222</u>	<u>37,868</u>	<u>37,913</u>

Source: Monthly Report on Enrollment at September 30.

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

Harford County Public Schools

Operating Indicators by Function

Fiscal Year	Per Pupil Expenditures*		Number of School Bus Riders***	Food Services****	
	Dollars	State Rank**		Breakfasts Served	Lunches Served
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	12,504	15	33,992	1,064,341	3,667,354
2012	12,520	14	33,873	1,237,425	3,622,066
2013	not available		33,716	1,303,755	3,504,788
2014	not available		32,760	1,346,713	3,381,641

* 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Instructional Buildings										
Elementary Schools	32	32	32	32	32	32	33	33	33	33
Middle Schools ¹	8	8	9	9	9	9	9	9	9	9
High Schools ¹	9	9	10	10	10	10	10	10	10	10
Special Needs School	1	1	1	1	1	1	1	1	1	1
Alternative Education Ctr/Staff Training Ctr	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	53	55	55	54	54	55	55	55	55
Support Buildings										
Central Administration Building	1	1	1	1	1	1	1	1	1	1
Transportation/Facilities Operations Ctr	1	1	1	1	1	1	1	1	1	1
Food Services/Warehouse Facility	1	1	1	1	1	1	1	1	1	1
Total	3	3	3	3	3	3	3	3	3	3

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 2013 Test Results

2013 Scholastic Assessment Test (SAT)

	<u>Harford</u>	<u>State</u>	<u>Nation</u>
	<i>Average Score</i>		
Mathematics	520	500	514
Critical Reading	509	497	496
Writing	486	486	488

2013 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	92.3%	84.4%	94.9%	88.7%	93.6%	88.3%
Biology	88.2%	84.0%	93.4%	88.2%	90.8%	85.8%
English	79.5%	77.0%	89.4%	85.8%	89.1%	86.4%
Government	53.9%	74.8%	89.4%	83.5%	91.9%	84.6%

2013 Maryland School Assessments (MSA) - Reading

	<u>Harford</u>	<u>State</u>
Advanced and Proficient	<i>Percent Passing</i>	
Grade 3	88.7%	82.6%
Grade 4	91.8%	88.2%
Grade 5	92.1%	88.4%
Grade 6	87.8%	84.1%
Grade 7	90.6%	85.0%
Grade 8	85.3%	81.0%

2013 Maryland School Assessments (MSA) - Mathematics

	<u>Harford</u>	<u>State</u>
Advanced and Proficient	<i>Percent Passing</i>	
Grade 3	87.1%	82.2%
Grade 4	91.5%	88.8%
Grade 5	88.1%	80.9%
Grade 6	85.1%	77.1%
Grade 7	79.5%	72.6%
Grade 8	74.7%	67.0%

Harford County Public Schools

Insurance Summary FY 2015

Type of Coverage	Name of Company	Policy Number	Policy Period	Limits
Workers Compensation	MABE Group Self-Insurance Fur	N/A	7/1/14-6/30/15	Statutory up to \$475,000
Excess Workers Compensation	Safety National	SP 4051376	7/1/14-6/30/15	Statutory excess of \$475,000
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/1/14-6/30/15	\$100,000 per occurrence \$1 million per occurrence
Personal Injury Liability	MABE Group Insurance Pool	N/A	7/1/14-6/30/15	\$100,000 per occurrence \$1 million per occurrence
Automobile Liability	MABE Group Insurance Pool	N/A	7/1/14-6/30/15	\$100,000 combined single limit \$1 million combined single limit for Bus Contractors
Personal Injury Protection	MABE Group Insurance Pool	N/A	7/1/14-6/30/15	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/1/14-6/30/15	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	N/A	7/1/14-6/30/15	\$100,000 per loss
Criminal Proceeding and Intentional Conduct Defense Reimbursement	MABE Group Insurance Pool	N/A	7/1/14-6/30/15	\$50,000 per covered person \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/1/14-6/30/15	\$500,000 per occurrence
Excess Property	APIP	017471590/01	7/1/14-6/30/15	\$1 billion per occurrence excess of \$500,000
Excess Boiler and Machinery	Federal Insurance Company	76431229	7/1/14-6/30/15	\$100 million per occurrence excess of \$100,000
Crime	Travelers Casualty and Surety Axis Insurance Company	105957875 MON71938201201	7/1/14-6/30/15 7/1/14-6/30/15	\$2,500,000 per loss \$2,500,000 excess of Travelers
School Board Legal Liability	MABE Group Insurance Pool	N/A	7/1/14-6/30/15	\$250,000 per occurrence \$5 million per occurrence
School Board Legal Liability Reinsuranc	United Educators Insurance	RCN2013043071	7/1/14-6/30/15	\$5,000,000 per occurrence excess of \$250,000
Catastrophic Student Accident	AIG	SRG 0009100979	8/01/14-8/01/15	\$5,000,000 Medical Expense \$1,000,000 Catastrophic Cash

Harford County Public Schools

Facilities Information as of June 30, 2014

	Gross Square Feet	Acres	Year Constructed	Age in Years
Central Offices				
102 S. Hickory	73,122	0.77	2005	9
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	n/a
John Archer	63,984	15.00	1971	
Center for Educational Opportunity	107,087	3.04	1965	
High Schools				
1 Aberdeen High	229,000	20.42	2004	10
2 Bel Air High	262,454	53.17	2009	5
3 C. Milton Wright High	220,910	60.00	1980	34
4 Edgewood High	268,354	44.35	2010	4
5 Fallston High	233,500	62.00	1977	37
6 Harford Technical High	218,225	55.00	1978	36
7 Havre de Grace High	144,815	35.00	1955	59
8 Joppatowne High	184,070	65.16	1972	42
9 North Harford High	245,238	73.00	2007	7
10 Patterson Mill High & Middle	132,500	39.92	2007	7
Middle Schools				
11 Aberdeen Middle	196,800	43.83	1973	41
12 Bel Air Middle	164,900	25.84	1961	53
13 Edgewood Middle	166,530	34.86	1965	49
14 Fallston Middle	130,284	34.59	1993	21
15 Havre de Grace Middle	102,000	37.34	1967	47
16 Magnolia Middle	149,100	69.33	1979	35
Patterson Mill Middle	132,500	39.92	2007	7
17 North Harford Middle	173,728	40.00	1976	38
18 Southampton Middle	188,134	35.99	1970	
Elementary Schools				
19 Abingdon Elementary	91,229	28.49	1992	22
20 Bakersfield Elementary	65,691	10.00	1961	53
21 Bel Air Elementary	49,748	6.31	1984	30
22 Church Creek Elementary	85,801	20.51	1994	20
23 Churchville Elementary	52,360	6.46	1931	83
24 Darlington Elementary	24,237	7.89	1938	76
25 Deerfield Elementary	103,200	20.76	2010	4
26 Dublin Elementary	44,385	24.69	1941	73
27 Edgewood Elementary	67,341	36.95	1969	45
28 Emmorton Elementary	63,000	22.04	1994	20
29 Forest Hill Elementary	64,722	8.44	2000	14
30 Forest Lakes Elementary	68,971	20.03	1997	17
31 Fountain Green Elementary	60,000	23.87	1993	21
32 George D. Lisby Elementary	56,295	20.01	1968	46
33 Halls Cross Roads Elementary	63,082	12.73	1943	71
34 Havre de Grace Elementary	65,085	10.25	1949	65
35 Hickory Elementary	77,958	33.11	1950	64
36 Homestead-Wakefield Elementary	115,458	36.53	1958	56
37 Jarrettsville Elementary	61,275	27.44	1962	52
38 Joppatowne Elementary	89,985	17.19	1965	49
39 Magnolia Elementary	59,900	17.00	1975	39
40 Meadowvale Elementary	69,000	13.26	1959	55
41 Norrisville Elementary	37,417	11.54	1967	47
42 North Bend Elementary	60,221	18.23	1991	23
43 North Harford Elementary	49,703	20.00	1984	30
44 Prospect Mill Elementary	75,538	15.00	1973	41
45 Red Pump Elementary	100,573	23.67	2011	3
46 Ring Factory Elementary	59,132	34.26	1990	24
47 Riverside Elementary	55,711	13.18	1968	46
48 Roye Williams Elementary	78,126	28.00	1953	61
49 William Paca/Old Post Rd. Elementary	112,417	46.00	1964	50
50 William S. James Elementary	58,500	15.00	1976	38
51 Youths Benefit Elementary	96,616	26.18	1953	61
Total	6,175,384	1,890.93		

Source: Educational Facilities Master Plan 2014

Harford County Public Schools

Principal Employers in Harford County

	2013 ¹			2005		
	<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	16,221	1	18.3%	11,484	1	13.9%
Harford County Public Schools	5,107	2	5.8%	4,512	2	5.5%
Harford County Government	1,938	4	2.2%	1,786	4	2.2%
Private Sector:						
Upper Chesapeake Health Systems	3,129	3	3.5%	1,380	3	1.7%
Rite Aid Mid-Atlantic Customer Distrib (1,167	5	1.3%	850	6	1.0%
Kohl's	1,165	6		-		
Harford Community College	999	7	1.1%	1,205 ³	5	14.6%
Walmart	900	8	1.0%	568	7	-
Jacobs Technology, Inc.	865	9	1.0%	-		-
Kleins Shoprite	800	10	0.9%	-		-
Sverdrup Technology				500	8	0.6%
Home Depot	-		-	451	9	0.5%
Bechtel National				450	10	0.5%
Top Employers' Jobs	32,291		36.4%	23,186		28.1%
Total Jobs in Harford County⁴	88,744		100.0%	82,385		100.0%

Sources:

¹2013 data is the most current yearly information available

²Data from the Harford County Office of Economic Development

³Data taken from 2004; 2005 data unavailable

⁴Maryland Department of Labor, Licensing & Regulation, 4th quarter data

Harford County Public Schools

**Outstanding Capital Lease
Direct Debt
as of June 30, 2014**

Fiscal Year	Principal	Interest	Total Debt Service
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>\$ 3,039,485</u>	<u>\$ 13,056,132</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 2005 - 2014

State Category	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration	91	108	122	124	124	123	124	126	123	120
Mid Level - Office of the Principal	256	264	269	275	277	282	281	306	298	294
Mid Level - Admin & Supervision	61	70	74	80	79	74	76	54	54	56
Instructional Salaries	2,735	2,829	2,881	2,912	2,868	2,848	2,868	2,835	2,781	2,696
Special Education	727	824	876	936	941	1,028	1,124	1,085	1,070	1,046
Student Services	18	20	20	20	20	20	20	20	20	21
Health Services	63	64	66	71	71	71	71	72	72	72
Transportation	142	147	159	171	183	193	203	211	217	217
Operation of Plant	294	314	315	332	333	333	334	342	345	345
Maintenance of Plant	124	130	128	128	126	126	124	125	126	126
Community Services	1	1	1	1	1	1	1	1	1	1
Totals	4,512	4,769	4,910	5,049	5,022	5,097	5,225	5,177	5,107	4,994

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

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

Harford County Public Schools

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Principal & Interest	\$ -	\$ -	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 246,568	\$327,544
Total Expenditures	N/A	N/A	474,376,581	573,229,967	586,201,560	571,948,961	548,772,658	534,926,033	539,920,427	528,153,229
Less capitalized Expenditures	N/A	N/A	32,292,167	81,373,305	93,096,620	60,646,936	26,950,319	8,080,063	8,878,160	6,370,716
Net expenditures	N/A	N/A	442,084,414	491,856,662	493,104,940	511,302,025	521,822,339	526,845,970	531,042,267	521,782,513
Ratio of Principal & Interest to Net Expenditures	N/A	N/A	0.19%	0.17%	0.17%	0.16%	0.16%	0.16%	0.05%	0.06%

No Debt prior to 2007

Harford County Public Schools

Schedule of Total Debt Service to Student Enrollment (accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Principal & Interest	\$ -	\$ -	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 246,568	\$327,544
Student Enrollment	40,294	40,212	39,571	39,175	38,610	38,639	38,394	38,222	37,868	37,913
Ratio of debt to Student Enrollment	N/A	N/A	\$ 20.82	\$ 21.03	\$ 21.34	\$ 21.32	\$ 21.46	\$ 21.55	\$ 6.51	\$ 8.64

No Debt prior to 2007

REVISED 10 21 2014

Compliance Section



Erin O'Leary, Grade 5, North Bend Elementary School
Teacher: Dawn Stone



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**Independent Public Accountants' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools (HCPS) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise HCPS' basic financial statements, and have issued our report thereon dated September 10, 2014.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HCPS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.



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Purpose of this Report

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

Hunt Valley, Maryland
September 10, 2014

SB & Company, LLC



**Wade Scheaffer, Grade 5, Fountain Green Elementary School
Teacher: Jacqueline Quigley-Lanphear**

HCPS Faculty and Staff Noteworthy Accomplishments



FROM TOP, LEFT TO RIGHT: Dawn Higinbothom of Fallston High School selected as the 2014 HCPS Nurse of the Year; Baltimore Ravens defensive tackle, Brandon Williams, visits Magnolia Middle School to recognize teacher Jasmine Blanks, winner of the Touchdown for Teachers program; Larry Jehnert (right), third grade teacher at Edgewood Elementary School and 2014 HCPS Teacher of the Year, poses with Principal Jennifer Drumgoole and his new car, a donated one-year lease courtesy of Cook Auto; Jessica Merlette, English teacher at Aberdeen Middle School, took first place in the 2014 HCPS Curriculum Awards for original lesson plans designed to enhance student achievement; Gary Childress, HCPS supervisor of food and nutrition services, was selected as the School Nutrition Association's Outstanding Director of the Year Award for the state of Maryland and the Mideast Region; Supervisor of Equity and Cultural Proficiency, Laurie Namey, was chosen to partake in the 2014 Class of Emerging Leaders program held by ASCD (formerly the Association for Supervision and Curriculum Development); Darlington, Dublin, Forest Lakes, Jarrettsville (pictured) and Red Pump Elementary schools were recognized at this year's Custodial Awards Luncheon; HCPS honored employees who have served the county and its students for 10, 20, 30 and 40 years, 40-year employees pictured; Ron Wooden, assistant principal at Havre de Grace Elementary School was named the 2014 National Outstanding Assistant Principal of the Year by the Maryland Association of Elementary School Principals; Larissa Santos, principal at Edgewood High School earned the High School Principal of the Year award from the Maryland Association of Secondary School Principals.