



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING JUNE 30, 2015

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

2014-2015 Board of Education of Harford County



Nancy Reynolds
President
Appointed Member-at-Large



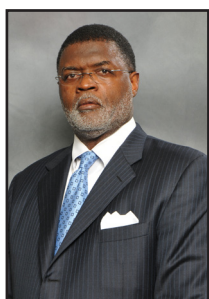
Francis F. "Rick" Grambo, III
Vice President
Elected Member
Councilmanic District D



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



Hannah E. Jones
Student Representative



Barbara P. Canavan
Superintendent of Schools

COVER, FROM TOP LEFT TO BOTTOM RIGHT: The Patterson Mill Key Club collected more than 400 pairs of shoes, for those less fortunate, in partnership with the Shoes2Share charity organization; Meadowvale Elementary School fourth and fifth grade students toured Annapolis and met Governor Larry Hogan following their completion of the Patriot Program; Aberdeen High School students with Vice President Joe Biden; Caroline Hickam (front center), junior at C. Milton Wright High School and Girl Scouts of America Gold Award candidate, organized a heart disease awareness event that served as a fundraiser to help equip schools with CPR kits; Magnolia Middle School sixth and seventh grade students planted 270 trees as a part of the restoration tree planting program; The Harford County Branch of the American Association of University Women (AAUW) honored 12 Harford County high school junior female students at the annual Dr. Judith Resnik Awards Luncheon.

Cover design by Stephanie Williams, Graphic Design & Technical Specialist, HCPS Communications Office.



HARFORD COUNTY

PUBLIC SCHOOLS

.....
Inspire • Prepare • Achieve

Comprehensive Annual Financial Report **For the Fiscal Year ended June 30, 2015**

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 Artwork:

<u>Student</u>	<u>Grade</u>	<u>School</u>	<u>Page</u>
Elizabeth Moorman	9	Fallston High School	1
Ashley Chan	7	Southampton Middle School	4
Jasanveer Aulakh	5	Emmorton Elementary School	5
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Elizabeth Moorman, Grade 9, Fallston High School
Teacher: Brenda McLeod

Harford County Public Schools

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Harford County Public Schools

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Introductory Section



**Ashley Chan, Grade 7, Southampton Middle School
Teacher: Sue Ellen North**

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.



**Jasanveer Aulakh, Grade 5, Emmorton Elementary School
Teacher: Carolyn Wolf**

Board of Education of Harford County

The members of the Board as of June 30, 2015, 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
	Cassandra R. Beverley, Esq.	Councilmanic District B	2015
	James D. Thornton	Appointed Member-at-Large	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	Hannah E. Jones	Student Member	2015
Secretary-Treasurer	Barbara P. Canavan	Superintendent of Schools	

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, 2015

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

Vacant
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

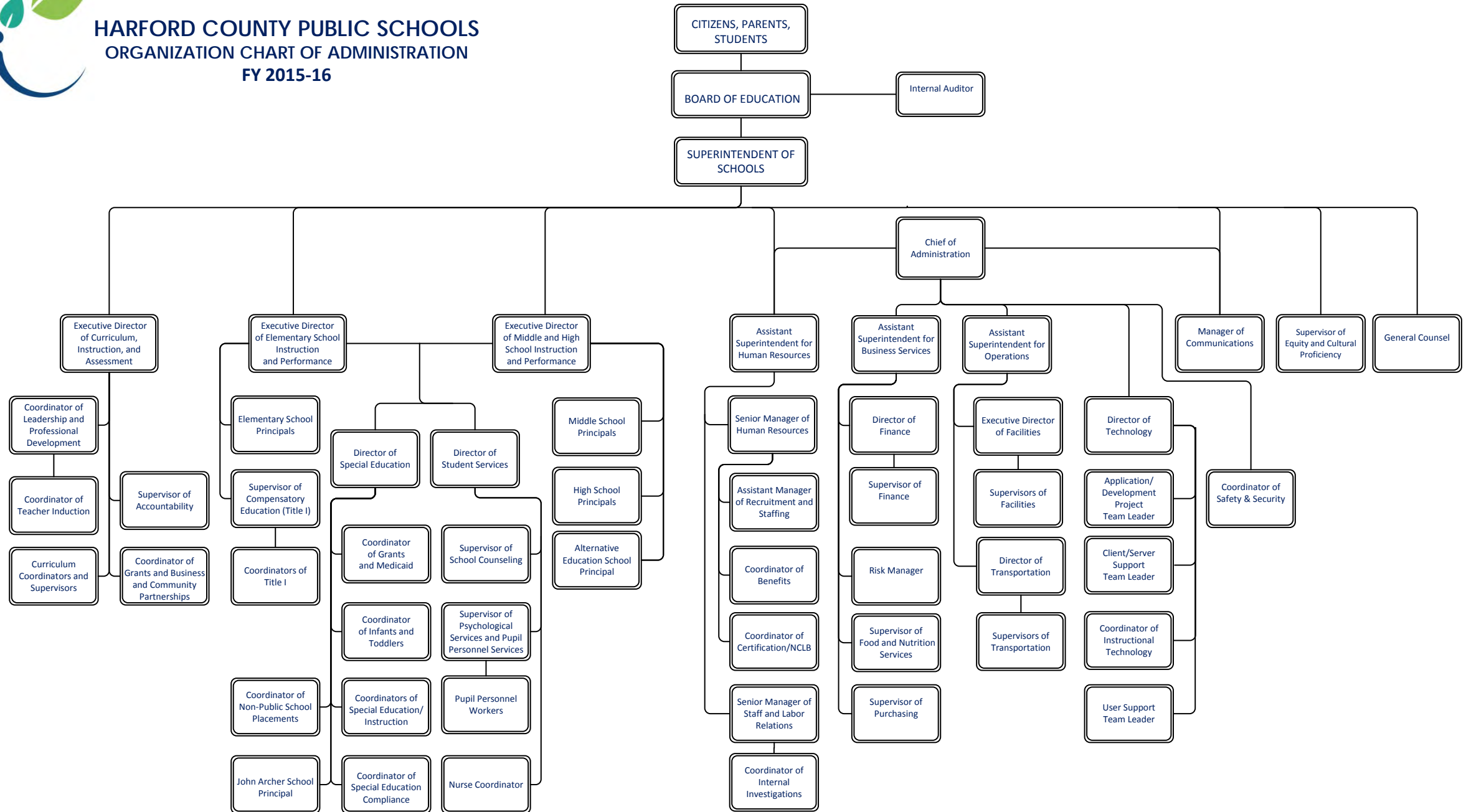
Charles L. Taibi
Director of Transportation

Dr. Susan Austin
Director of Special Education

John G. Staab, CPA
Director of Finance



HARFORD COUNTY PUBLIC SCHOOLS
ORGANIZATION CHART OF ADMINISTRATION
FY 2015-16



Business Services

John G. Staab, CPA
Acting Assistant Superintendent/Director of Finance
410-588-5321

September 30, 2015

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, 2015.

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, 2015. 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 37,543 students in fiscal 2015. HCPS is the 163rd largest school system of

the 13,515 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.² The student body will be served by a projected 4,968 FTE faculty and staff positions for fiscal 2016.

Citizens in the County have a choice of public or private schools. Harford County has 54 public schools and 46 non-public schools² located within the County. The number of students attending private schools is unknown. The 2014 estimated population of Harford County was 248,800³. According to the U.S. Census Bureau, the school-age population in 2013 was 43,334⁴, of which 36,780 (HCPS enrollment less preschool and prekindergarten) or 84.9% attended public schools. School enrollment was 35,963 in 1994 and reached a peak of 40,212 in 2005.

In 2009, the State legislature enacted changes to the Harford County Board of Education membership that would transition over time in order to expand the Board to nine members and one student member, with six of the members to be elected and three appointed by the governor. The Board membership transition is now complete with the Board seated July 1, 2015.

County Government perspective on local economy⁵

Local economy: The revenue outlook for fiscal year 2015 remained challenging while preparing the fiscal year 2016 budget. A lagging national economy and unfunded mandates from the State of Maryland have resulted in lean budgets for 2016.

The County's largest revenue source remains real property taxes. The fiscal year 2015 taxable assessable base resulted in an increase over the fiscal year 2014 assessable base of 1.0 percent. The assessable base growth rate is expected to increase by 1.0 percent in fiscal year 2016. General Fund property tax revenues net, of interest, discounts and credits are estimated to increase by 1.0 percent from fiscal year 2015 to fiscal year 2016. The real estate market has experienced a modest recovery in property assessments, which have increased, albeit slightly, for the past two years after declining for the previous 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 2015 using the modified accrual basis of accounting. The year over year increase for 2012 to 2013, 2013 to 2014 and 2014 to 2015 has been 2.3%, 3.7%, and 1.9%, respectively. Income tax is budgeted at \$203.4 million for fiscal year 2016.

¹U.S. Department of Education, National Center for Education Statistics, Common Core of Data(CCD), "Public Elementary/Secondary School Universe Survey," 2012-2013, Table 214.10.

² Maryland State Department of Education Fact Book for the Fiscal Year 2013-2014.

³ Harford County Department of Planning and Zoning.

⁴ United States Census Bureau, QuickFacts, Harford County, Maryland, Persons under 5 years/18 years, V2013

⁵ Excerpts from the Harford County Government Comprehensive Annual Financial Report for the year ended June 30, 2014.

Long-term financial planning for the school system

HCPS' major funding sources, Harford County and the State of Maryland, have started recovery from the last few years of the economic downturn. However, this has not translated into an increase in funding from these entities. In addition, declining enrollment has resulted in declining revenue from the State of Maryland's enrollment driven funding. Due to the prevailing low interest environment, investment earnings have provided a relatively negligible source of revenue. Sufficient resources from all funding sources were identified and reallocated with minimal impact to school-based programs or services. These factors continue to be a concern as we move forward and HCPS continues to examine ways to reduce costs and still maintain a higher level of service to our students and citizens.

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.

The Maryland General Assembly enacted Chapter 288, Acts of 2002 – the Bridge to Excellence in Public Schools Act, which established new primary State education aid formulas based on adequacy cost studies using the professional judgment and successful schools method and other education finance analyses that were conducted in 2000 and 2001 under the purview of the Commission on Education Finance, Equity and Excellence. State funding to implement the Bridge to Excellence Act was phased-in over six years, reaching full implementation in fiscal 2008. Chapter 288 required a follow up study of the adequacy of education funding in the State to be undertaken approximately 10 years after its enactment. The study must include, at a minimum, adequacy cost studies that identify a base funding level for students without special needs and per pupil weights for students with special needs to be applied to the base funding level, and an analysis of the effects of concentrations of poverty on adequacy targets. The adequacy cost study will be based on the Maryland College and Career Ready Standards (MCCRS) adopted by the State Board of Education and include two years of results from new State assessments aligned with the standards, which are scheduled to be administered beginning in the 2014-2015 school year.

There are several additional components mandated to be included in the study. These components include evaluations of: the impact of school size, the Supplemental Grants program, the use of Free and Reduced Price Meal eligibility as the proxy for identifying economic disadvantage, the federal Community Eligibility Program in Maryland, prekindergarten services and funding, the current wealth calculation, and the impact of increasing and decreasing enrollments on local school systems. The study must also include an update of the Maryland Geographic Cost of Education Index.

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

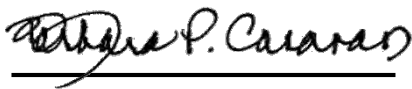
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Harford County Public Schools for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the tenth consecutive 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, 2014. 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



John G. Staab, CPA
Acting Assistant Superintendent/
Finance Director

JGS/MJP



**Maria Guadagno, Grade 11, C. Milton Wright High School
Teacher: Jana Thomas**



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, 2014

Executive Director/CEO

Financial Section



**Samantha Graziano, Grade 12, C. Milton Wright High School
Teacher: Carol Dunaway**



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, 2015, 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, 2015, 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.

Other Matters

Adoption of New Accounting Standards

As discussed in Note 11 to the financial statements, in 2015, HCPS adopted the new accounting guidance from GASB statements No. 68, “Accounting and Financial Reporting for Pensions” and No.71, “Pension Transition for Contributions Made Subsequent to the Measurement Date”. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and schedules of funding progress, proportionate share of net pension liability, and contributions, 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.



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

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.

Other Information

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 17, 2015 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.

A handwritten signature in black ink that reads "SB & Company, LLC". The signature is written in a cursive, flowing style.

Hunt Valley, Maryland
September 17, 2015

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 8-12 of this report.

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

The goal of 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 \$349.3 million. Net Position as of June 30, 2014 was \$365.5 million and decreased by \$16.2 million for the year ended June 30, 2015.
- Net Position as of June 30, 2014 was restated by \$20.2 million as a result of HCPS' adoption of GASB No. 68, accounting for pensions.
- The HCPS total liabilities increased by \$29.3 million during the current fiscal year. The key factor in this change was the increase of \$29.2 million in the noncurrent liabilities consisting primarily of an increase of \$32.0 million in Other Post-Employment Benefits (OPEB) Obligation.
- The final Unrestricted General Fund budget increased by \$2,436,566 (or 0.6%) during the year from the originally adopted budget.
- The General Fund unrestricted, unassigned fund balance on a budgetary basis increased from \$3,281,858 to \$6,999,944, an increase of \$3,718,086 (or 113.3%). Maintaining an unassigned fund balance was 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 \$194,070 (or 0.05%), and expenditures were \$8,662,156, (or 2.02%), under the final budget.

Overview of the Financial Statements

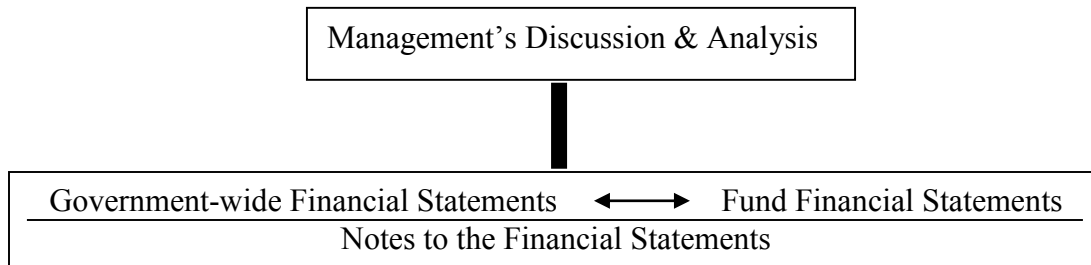
This discussion and analysis is intended to serve as an introduction to the Harford County Public Schools basic financial statements.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2015

Basic Financial Statements



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

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

The *statement of net position* presents information on all of the assets and 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 government-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. HCPS uses fund accounting to ensure and demonstrate compliance with finance-related requirements. HCPS' funds are in two categories, governmental funds and fiduciary funds. Harford County Public Schools does not operate any enterprise activities that are reported as proprietary funds.

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

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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.

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

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

Fiduciary responsibility – Retiree Health Plan Trust, Scholarship, and School Activity Funds (Exhibits 8 and 9). 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 government-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.

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Government-wide Financial Analysis

Net position over time may serve as a useful indicator of a government's financial position. In the case of HCPS, assets exceeded liabilities by \$349.3 million at the close of the fiscal year, which represents a decrease from the prior year of \$16.2 million. Although capital assets increased by \$13.8 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 position reflects the net investment in capital assets (i.e., land, buildings, machinery, and equipment). These capital assets are used to provide services to the students and citizens of Harford County and are not available for future spending. Although 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, 2015 and 2014, is illustrated in the table below and Exhibit 1.

Harford County Public Schools Governmental Funds Net Position

	June 30, 2015	June 30, 2014 (as restated)	\$ Change	% Change
ASSETS				
Current and other assets	\$ 41,843,909	\$ 40,475,616	\$ 1,368,293	3.381%
Capital assets	607,884,082	594,135,977	13,748,105	2.314%
Total assets	<u>649,727,991</u>	<u>634,611,593</u>	<u>15,116,398</u>	<u>2.382%</u>
Deferred outflows related to pensions	<u>2,979,924</u>	<u>2,726,147</u>	<u>253,777</u>	<u>9.309%</u>
LIABILITIES				
Current and other liabilities	11,136,193	11,018,186	118,007	1.071%
Noncurrent liabilities	290,034,962	260,811,920	29,223,042	11.205%
Total liabilities	<u>301,171,155</u>	<u>271,830,106</u>	<u>29,341,049</u>	<u>10.794%</u>
Deferred inflows related to pensions	<u>2,272,407</u>	<u>-</u>	<u>2,272,407</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	598,747,111	584,119,330	14,627,781	2.504%
Restricted	5,378,289	6,579,782	(1,201,493)	-18.260%
Unrestricted	(254,861,047)	(225,191,478)	(29,669,569)	13.175%
Total net position	<u>\$ 349,264,353</u>	<u>\$ 365,507,634</u>	<u>\$ (16,243,281)</u>	<u>-4.444%</u>

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The unrestricted deficit as of June 30, 2015 of \$254.9 million is the result of reducing the fund balance from the General Fund (Exhibit 3) of \$23.8 million by the compensated absences long-term liabilities of \$26.0 million, other post-employment benefits obligation of \$231.9 million and net pension liability of \$20.8 million. HCPS is committed by employee agreements to pay employees at retirement twenty-five percent (25%) of their earned but unused sick leave. For administrators, the limit is 300 days, all others are up to 200 days, plus any earned and unused vacation. The long-term portion is the amount we expect to pay beyond June 30, 2016. A total of \$27.7 million exists as of June 30, 2015 with \$4.9 million due within one year. The amount attributable to vacation leave is \$4.7 million and \$23.0 million for sick leave. Historically, this liability was funded on a "pay-as-you-go" basis from available current financial resources. This method is expected to continue. The remaining \$9.6 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 \$550.3 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. \$366.9 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 government-wide cost of services for each program or function. About 90.1% of the total costs of services are directly related to students' instruction and welfare. Of the remaining 9.9%, all but about 2.87% 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	\$ 366,370,559	\$ 250,081,335	68.26%
Pupil personnel	2,424,270	2,275,353	93.86%
Health services	6,291,603	6,291,603	100.00%
Pupil transportation	38,827,021	26,614,944	68.55%
Operation and maintenance of plant	65,379,086	48,223,861	73.76%
Food services	16,719,155	540,033	3.23%
All others	54,270,428	49,104,048	90.48%
Total	<u>\$ 550,282,122</u>	<u>\$ 383,131,177</u>	69.62%
All others			
Administration	\$ 15,194,713	\$ 13,646,779	89.81%
Mid-level administration	38,138,699	34,982,082	91.72%
Community services	532,304	70,475	13.24%
Depreciation - unallocated	77,168	77,168	100.00%
Interest on debt	327,544	327,544	100.00%
Total	<u>\$ 54,270,428</u>	<u>\$ 49,104,048</u>	90.48%

Harford County Public Schools

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Total revenues increased by 2.13% from the prior year, as shown in the table below. This increase is attributable to increases in unrestricted federal aid and capital grants and contributions. HCPS is fiscally dependent on local and state aid to fund its daily operations. State aid is largely formula driven based on student population and wealth. Local revenue, provided by the Harford County Government, is dependent upon the economic condition of the County. However, the education statute requires a minimum level of funding equal to the prior year's per pupil contribution times the current year projected enrollment. Most of the operating grant funding is from the State and Federal governments as well.

Expenses decreased by \$8.70 million (or 1.56%) with decreases in Administration, Instruction, Pupil Personnel Services, Transportation and Operation of Plant.

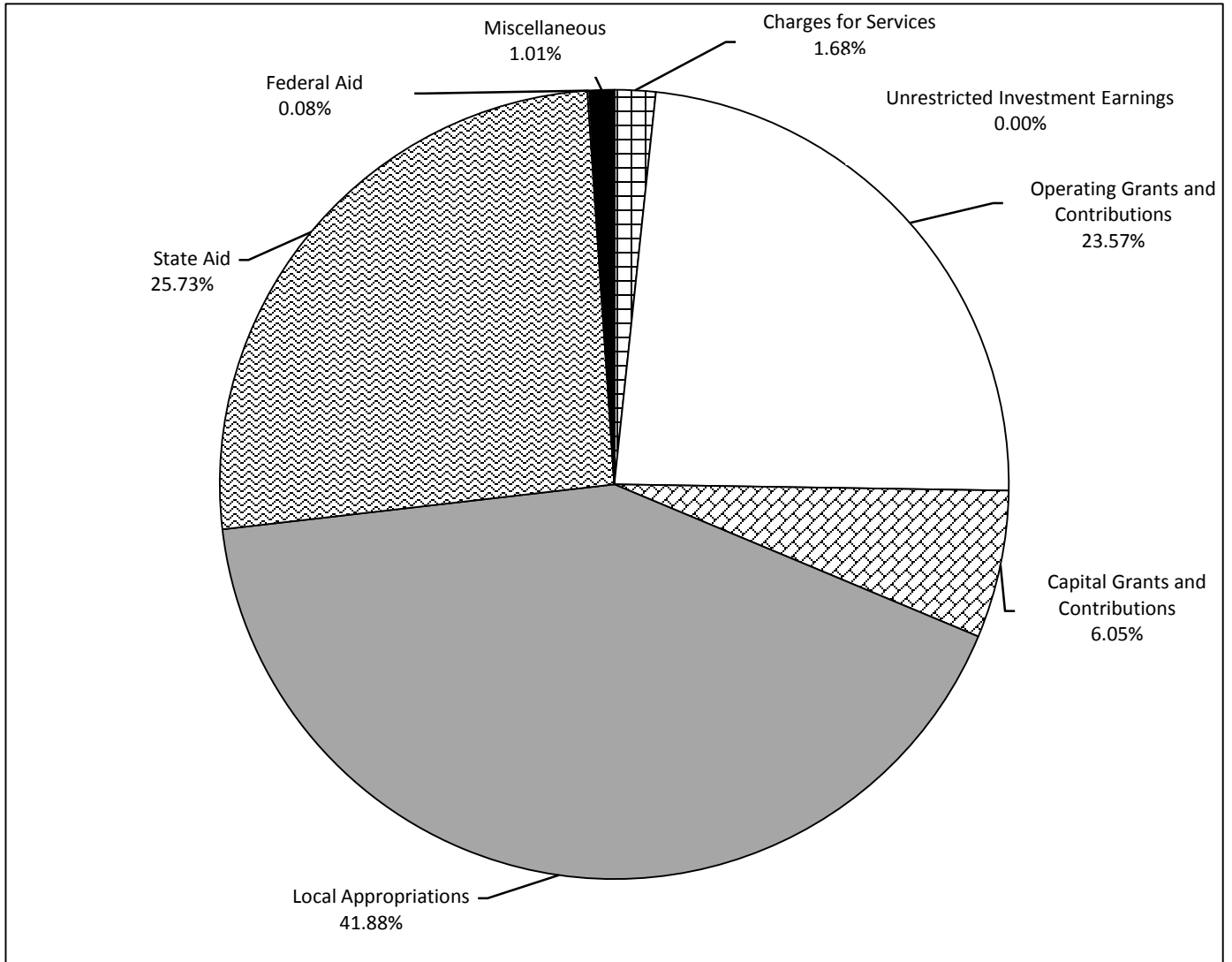
Harford County Public Schools Change in Net Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>% Change</u>
Revenues			
Program:			
Charges for services	\$ 8,981,349	\$ 8,669,149	3.60%
Operating grants and contributions	125,874,924	124,007,451	1.51%
Capital grants and contributions	32,294,672	25,114,629	28.59%
Local appropriations	223,667,302	221,300,729	1.07%
General:			
State aid	137,403,879	137,721,678	-0.23%
Federal aid	433,573	335,713	29.15%
Miscellaneous	5,369,872	5,723,475	-6.18%
Investment earnings	13,270	17,809	-25.49%
Total revenues	<u>534,038,841</u>	<u>522,890,633</u>	2.13%
Expenses			
Instruction	366,370,559	374,190,490	-2.09%
Support services:			
Administration	15,194,713	15,626,435	-2.76%
Mid-level administration	38,138,699	37,466,685	1.79%
Pupil personnel services	2,424,270	2,500,887	-3.06%
Health services	6,291,603	5,842,989	7.68%
Pupil transportation	38,827,021	39,504,324	-1.71%
Operation of plant	45,870,326	47,158,250	-2.73%
Maintenance of plant and equipment	19,508,760	19,022,159	2.56%
Community services	532,304	529,775	0.48%
Food services	16,719,155	16,730,478	-0.07%
Interest on long-term debt	327,544	327,544	0.00%
Depreciation - unallocated	77,168	81,084	-4.83%
Total expenses	<u>550,282,122</u>	<u>558,981,100</u>	-1.56%
Change in Net Position	(16,243,281)	(36,090,467)	-54.99%
Net position - beginning of year	365,507,634	421,761,204	-13.34%
Effect of restatement for GASB 68	-	(20,163,103)	-100.00%
Net position - end of year	<u>\$ 349,264,353</u>	<u>\$ 365,507,634</u>	-4.44%

Harford County Public Schools

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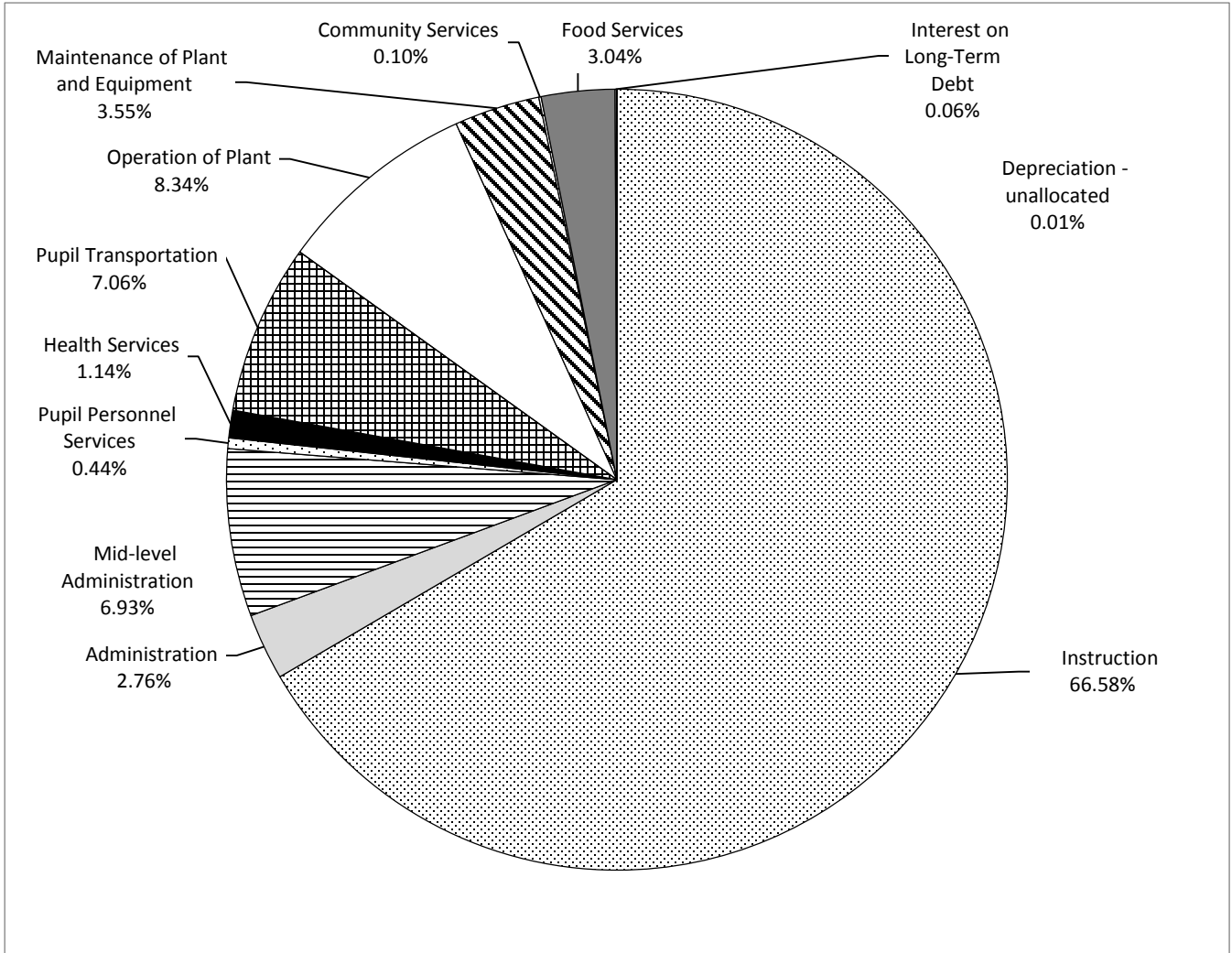
Sources of Revenues for Fiscal Year Ended June 30, 2015



Harford County Public Schools

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Expenditures for the Fiscal Year Ended June 30, 2015



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)

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

In the General Fund, revenues and expenditures are in line with the previous year with no significant increases or decreases warranting discussion. In the Food Services Fund, revenues and expenditures are in line with the previous year with no significant increases or decreases warranting discussion. In the Capital Projects Fund, revenues from local and state sources increased by \$8.3 million (or 99.11%) and \$4.71 million (or 45.16%), respectively. Expenditures increased by \$4.5 million (or 15.24%). The increases are due to an elementary school replacement project that commenced in FY15.

Harford County Public Schools Changes in Fund Balance

	<i>General Fund</i>		<i>Food Services Fund</i>		<i>Capital Projects Fund</i>		<i>Total</i>	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Revenues								
Intergovernmental Revenues								
Local Sources	\$ 223,667,302	\$ 221,300,729	\$ -	\$ -	\$ 16,683,422	\$ 8,378,854	\$ 240,350,724	\$ 229,679,583
State Sources	223,182,638	222,441,330	414,516	389,349	15,125,970	10,420,053	238,723,124	233,250,732
Special State and Federal Programs	31,020,081	30,562,219	-	-	-	-	31,020,081	30,562,219
Federal Sources	433,573	335,713	8,508,212	8,147,123	-	-	8,941,785	8,482,836
Earnings on Investments	13,270	17,809	-	-	40	502	13,310	18,311
Charges for Services	-	-	7,103,038	6,928,478	-	-	7,103,038	6,928,478
Miscellaneous Revenues	7,248,183	7,464,146	153,356	189,108	485,240	6,315,220	7,886,779	13,968,474
Total revenues	<u>485,565,047</u>	<u>482,121,946</u>	<u>16,179,122</u>	<u>15,654,058</u>	<u>32,294,672</u>	<u>25,114,629</u>	<u>534,038,841</u>	<u>522,890,633</u>
Expenditures								
Administration	10,162,846	10,102,810	-	-	-	-	10,162,846	10,102,810
Mid Level Administration	24,569,032	24,355,920	-	-	-	-	24,569,032	24,355,920
Instructional Salaries	153,388,296	156,873,320	-	-	-	-	153,388,296	156,873,320
Instructional Textbooks & Materials	7,101,050	6,849,363	-	-	-	-	7,101,050	6,849,363
Other Instructional Costs	3,340,161	2,391,758	-	-	-	-	3,340,161	2,391,758
Special Education	40,713,445	40,087,540	-	-	-	-	40,713,445	40,087,540
Student Personnel Services	1,645,187	1,641,697	-	-	-	-	1,645,187	1,641,697
Health services	3,358,875	3,206,526	-	-	-	-	3,358,875	3,206,526
Pupil transportation	30,113,433	30,299,718	-	-	-	-	30,113,433	30,299,718
Operation of plant	28,127,736	30,273,006	-	-	-	-	28,127,736	30,273,006
Maintenance of plant and equipment	12,707,352	12,109,929	-	-	-	-	12,707,352	12,109,929
Fixed Charges	136,098,606	134,256,424	-	-	-	-	136,098,606	134,256,424
Community services	444,114	456,302	-	-	-	-	444,114	456,302
Special State & Federal Programs	31,020,081	30,562,219	-	-	-	-	31,020,081	30,562,219
Costs of Operations - Food Services	-	-	15,967,825	15,431,413	-	-	15,967,825	15,431,413
Capital Outlay	388,988	37,408	-	-	33,669,871	29,217,876	34,058,859	29,255,284
Total expenditures	<u>483,179,202</u>	<u>483,503,940</u>	<u>15,967,825</u>	<u>15,431,413</u>	<u>33,669,871</u>	<u>29,217,876</u>	<u>532,816,898</u>	<u>528,153,229</u>
Excess (deficit) of revenue over expenditures	2,385,845	(1,381,994)	211,297	222,645	(1,375,199)	(4,103,247)	1,221,943	(5,262,596)
Other Financing Sources (Uses)								
Transfers	-	(206,500)	-	-	-	206,500	-	-
Net Change in Fund Balance	2,385,845	(1,588,494)	211,297	222,645	(1,375,199)	(3,896,747)	1,221,943	(5,262,596)
Fund Balances - beginning of year	21,391,883	22,980,377	2,801,769	2,623,949	3,778,013	7,674,760	27,971,665	33,279,086
Decrease in nonspendable fund balance	-	-	(37,591)	(44,825)	-	-	(37,591)	(44,825)
Fund Balances - end of year	<u>\$ 23,777,728</u>	<u>\$ 21,391,883</u>	<u>\$ 2,975,475</u>	<u>\$ 2,801,769</u>	<u>\$ 2,402,814</u>	<u>\$ 3,778,013</u>	<u>\$ 29,156,017</u>	<u>\$ 27,971,665</u>

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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 a one month health and dental premium holiday for employees and retirees. Inter-categorical transfers were made from various categories to cover additional expenditures of materials of instruction, instructional equipment, student services and special education 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	\$223,667,302	\$ -	\$ -	\$ -	\$223,667,302
State	194,044,183	-	-	-	194,044,183
Federal	390,000	-	-	-	390,000
Earnings on investments	40,000	-	-	-	40,000
Other sources	3,295,928	2,436,566	-	2,436,566	5,732,494
Prior year's fund balance	5,533,875	-	-	-	5,533,875
Total revenues	<u>\$426,971,288</u>	<u>\$2,436,566</u>	<u>\$ -</u>	<u>\$ 2,436,566</u>	<u>\$429,407,854</u>
EXPENDITURES					
Administration	\$ 10,319,963	\$ -	\$ -	\$ -	\$ 10,319,963
Mid-level administration	24,780,126	-	-	-	24,780,126
Instructional salaries	156,017,794	-	-	-	156,017,794
Textbooks	7,276,537	14,500	-	14,500	7,291,037
Other instructional costs	2,641,563	285,500	-	285,500	2,927,063
Special education	40,605,477	500,000	-	500,000	41,105,477
Student personnel services	1,656,292	25,000	-	25,000	1,681,292
Student health services	3,504,222	-	-	-	3,504,222
Student transportation	30,732,242	-	(100,000)	(100,000)	30,632,242
Operation of plant	29,988,963	-	(100,000)	(100,000)	29,888,963
Maintenance of plant	12,616,970	-	-	-	12,616,970
Fixed charges	105,879,766	2,436,566	(625,000)	1,811,566	107,691,332
Community services	530,114	-	-	-	530,114
Capital outlay	421,259	-	-	-	421,259
Total expenditures	<u>\$426,971,288</u>	<u>\$3,261,566</u>	<u>\$ (825,000)</u>	<u>\$ 2,436,566</u>	<u>\$429,407,854</u>

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It is critical for the reader to understand that local and state revenues account for 92.03% 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 have also contributed to 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 includes 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*	\$2,767,578
Medicare Part D*	1,197,527

*Part of the Contribution to the OPEB Investment Trust Fund appropriated for FY15

A record number of retirements/separations during the year ending June 30, 2014 contributed to turnover savings of approximately \$3.6 million in salary and fixed charges expenditures in FY15.

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

As of June 30, 2015, HCPS had over \$804.8 million invested in a broad range of capital assets including land (over 1,891 acres), buildings (over 6.175 million square feet), improvements, furniture, vehicles and other equipment. Capital assets increased by just over \$31.5 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, 2015	June 30, 2014	\$ Change	% Change
Land	\$ 9,672,942	\$ 9,672,942	\$ -	-
Construction in progress	30,273,637	22,379,098	7,894,539	35.3%
School properties	720,349,886	700,221,331	20,128,555	2.9%
Furniture, fixtures and equipment	44,503,618	40,988,038	3,515,580	8.6%
Total Capital Assets	<u>\$ 804,800,083</u>	<u>\$ 773,261,409</u>	<u>\$ 31,538,674</u>	<u>4.1%</u>

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School districts in Maryland are in the uncommon position of owning assets but not the debt associated with those facilities as they are fully fiscally dependent on the State and County governments. Accordingly, HCPS carries no bond rating, but has an approved debt policy for lease transactions. In FY 2012, HCPS refinanced the capital lease 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

The State of Maryland Bridge to Excellence in Public Schools and the Federal No Child Left Behind Acts established certain requirements for public school systems. These requirements include, but are not limited to: highly qualified teachers and paraprofessionals; expanded school choice options for parents; more frequent testing of students; certification and assessment requirements for paraprofessionals; and extensive data tracking and reporting requirements. Additionally, the State of Maryland has adopted the Common Core State Standards (CCSS) – a set of high quality academic expectations in English/language arts and mathematics that define the knowledge and skills all students should master by the end of each grade level. Along with the CCSS, Maryland fully implemented new assessments, the Partnership for Assessment of Readiness for College and Careers (PARCC), in the 2014-2015 school year. The PARCC assessments replace the former Maryland State Assessments and are computer based, aligned with the CCSS, and allow for tracking of student progress over time. All of these requirements have significant cost impacts.

During FY15, HCPS implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pension Plans, an amendment of GASB Statement No. 27, which resulted in a net pension liability of \$20.8 million, and is reflected on the Statement of Net Position. GASB No. 68 is intended to improve accounting and financial reporting by state and local governments that provide pension benefits.

Future Issues

The school system must consider a multitude of factors as it prepares future budgets. Notable factors influencing future budgets are:

- expected higher costs for state retirement due to the shift of a portion of the pension responsibility from the state to the school system;
- increasing numbers of homeless students, those newly immigrated to this country, and growing socioeconomically eligible population require greater services;
- the uncertain state of the federal budget affecting funding decisions at the state and local levels;
- future capital budgets with funding for renovations and additions to existing schools, including major systemic renovations to many of the older school facilities as well as the construction of new schools;

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- the need for salary increases in order to be competitive with surrounding school systems in attracting highly qualified employees; and
- projected increases in the cost of employee health and dental benefits.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* that addressed how state and local governments 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.

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 at John G. Staab, Acting Assistant Superintendent of Business Services/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.



**Amber Gonzalez-Torres, Grade 12,
Harford Technical High School
Teacher: Judy Demond**

Harford County Public Schools

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STATEMENT OF NET POSITION
JUNE 30, 2015

Governmental Activities
ASSETS

Cash and cash equivalents	\$ 6,369,015
Investments	15,166,877
Due from other units of government	11,520,670
Other receivables	8,189,283
Inventory	598,064
Capital assets:	
Construction in progress	30,273,637
School properties	730,022,828
Furniture, fixtures and equipment	44,503,618
Less: accumulated depreciation	<u>(196,916,001)</u>
Total capital assets, net of depreciation	<u>607,884,082</u>
Total assets	<u>649,727,991</u>
Deferred outflows related to pensions	<u>2,979,924</u>

LIABILITIES

Accounts payable	8,326,278
Accrued salaries and wages	1,366,699
Payroll taxes payable	320,634
Unearned revenue	1,122,582
Noncurrent liabilities:	
Due within one year	5,372,788
Due in more than one year	<u>284,662,174</u>
Total liabilities	<u>301,171,155</u>
Deferred inflows related to pensions	<u>2,272,407</u>

NET POSITION

Net investment in capital assets	598,747,111
Restricted for:	
Food services	2,975,475
Capital projects	2,402,814
Unrestricted	<u>(254,861,047)</u>
Total net position	<u><u>\$ 349,264,353</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, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Governmental activities:					
Instruction:					
Regular education	\$ 277,886,937	\$ 1,449,539	\$ 63,107,927	\$ 15,312,328	\$ (198,017,143)
Special education	88,483,622	-	36,419,430	-	(52,064,192)
Total instruction	<u>366,370,559</u>	<u>1,449,539</u>	<u>99,527,357</u>	<u>15,312,328</u>	<u>(250,081,335)</u>
Support services					
Administration	15,194,713	-	1,463,759	84,175	(13,646,779)
Mid-level administration	38,138,699	-	3,156,617	-	(34,982,082)
Pupil personnel services	2,424,270	-	148,917	-	(2,275,353)
Health services	6,291,603	-	-	-	(6,291,603)
Pupil transportation	38,827,021	-	12,212,077	-	(26,614,944)
Operation of plant	45,870,326	-	77,341	422,478	(45,370,507)
Maintenance of plant and equipment	19,508,760	-	179,715	16,475,691	(2,853,354)
Community services	532,304	428,772	33,057	-	(70,475)
Food services	16,719,155	7,103,038	9,076,084	-	(540,033)
Interest on long-term debt	327,544	-	-	-	(327,544)
Depreciation - unallocated	77,168	-	-	-	(77,168)
Total support services	<u>183,911,563</u>	<u>7,531,810</u>	<u>26,347,567</u>	<u>16,982,344</u>	<u>(133,049,842)</u>
Total governmental activities	<u>\$ 550,282,122</u>	<u>\$ 8,981,349</u>	<u>\$ 125,874,924</u>	<u>\$ 32,294,672</u>	<u>(383,131,177)</u>
General revenues:					
Local appropriations					223,667,302
State aid					137,403,879
Federal aid					433,573
Miscellaneous					5,369,872
Investment earnings					13,270
Total general revenues					<u>366,887,896</u>
Change in net position					(16,243,281)
Net position - beginning of year, as restated					<u>365,507,634</u>
Net position - end of year					<u>\$ 349,264,353</u>

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

Harford County Public Schools

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,474,715	\$ 2,894,300	\$ -	\$ 6,369,015
Investments	15,166,877	-	-	15,166,877
Due from other units of government	2,879,670	633,510	8,007,490	11,520,670
Other receivables	8,189,283	-	-	8,189,283
Due from other funds	1,178,709	-	-	1,178,709
Inventory	253,627	344,437	-	598,064
Total assets	<u>\$ 31,142,881</u>	<u>\$ 3,872,247</u>	<u>\$ 8,007,490</u>	<u>\$ 43,022,618</u>
LIABILITIES				
Accounts payable	\$ 3,477,320	\$ 268,480	\$ 4,580,478	\$ 8,326,278
Accrued salaries and wages	1,366,699	-	-	1,366,699
Payroll taxes payable	320,634	-	-	320,634
Due to other funds	-	628,292	550,417	1,178,709
Unearned revenue	648,801	-	473,781	1,122,582
Compensated absences payable	1,551,699	-	-	1,551,699
Total liabilities	<u>7,365,153</u>	<u>896,772</u>	<u>5,604,676</u>	<u>13,866,601</u>
FUND BALANCES				
Nonspendable	-	104,617	-	104,617
Assigned	17,369,918	2,870,858	2,402,814	22,643,590
Unassigned	6,407,810	-	-	6,407,810
Total fund balances	<u>23,777,728</u>	<u>2,975,475</u>	<u>2,402,814</u>	<u>29,156,017</u>
Total liabilities and fund balances	<u>\$ 31,142,881</u>	<u>\$ 3,872,247</u>	<u>\$ 8,007,490</u>	<u>\$ 43,022,618</u>

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

Harford County Public Schools

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2015**

Total fund balances - governmental funds (Exhibit 3)	\$ 29,156,017
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 \$804,800,083 and the accumulated depreciation is \$196,916,001.	607,884,082
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 (\$26,112,128), an obligation under capital lease (\$9,645,389), net OPEB obligation (\$231,964,929) and net pension liability (\$20,760,817).	(288,483,263)
Deferred outflows related to pensions.	2,979,924
Deferred inflows related to pensions.	<u>(2,272,407)</u>
Total net position - governmental activities (Exhibit 1)	<u><u>\$ 349,264,353</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, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Intergovernmental revenues:				
Local sources	\$ 223,667,302	\$ -	\$ 16,683,422	\$ 240,350,724
State sources	223,182,638	414,516	15,125,970	238,723,124
Special state and federal programs	31,020,081	-	-	31,020,081
Federal sources	433,573	8,508,212	-	8,941,785
Earnings on investments	13,270	-	40	13,310
Charges for services	-	7,103,038	-	7,103,038
Miscellaneous revenues	7,248,183	153,356	485,240	7,886,779
Total revenues	<u>485,565,047</u>	<u>16,179,122</u>	<u>32,294,672</u>	<u>534,038,841</u>
Expenditures				
Current:				
Administrative services	10,162,846	-	-	10,162,846
Mid-level administrative services	24,569,032	-	-	24,569,032
Instructional salaries	153,388,296	-	-	153,388,296
Instructional textbooks and supplies	7,101,050	-	-	7,101,050
Other instructional costs	3,340,161	-	-	3,340,161
Special education	40,713,445	-	-	40,713,445
Student personnel services	1,645,187	-	-	1,645,187
Health services	3,358,875	-	-	3,358,875
Pupil transportation services	30,113,433	-	-	30,113,433
Operation of plant	28,127,736	-	-	28,127,736
Maintenance of plant and equipment	12,707,352	-	-	12,707,352
Fixed charges	136,098,606	-	-	136,098,606
Community services	444,114	-	-	444,114
Special state and federal programs	31,020,081	-	-	31,020,081
Costs of operation - food services	-	15,967,825	-	15,967,825
Capital outlay	388,988	-	33,669,871	34,058,859
Total expenditures	<u>483,179,202</u>	<u>15,967,825</u>	<u>33,669,871</u>	<u>532,816,898</u>
Excess (deficiency) of revenues over expenditures	2,385,845	211,297	(1,375,199)	1,221,943
Net change in fund balances	2,385,845	211,297	(1,375,199)	1,221,943
Fund balances - beginning of year	21,391,883	2,801,769	3,778,013	27,971,665
Decrease in nonspendable fund balance	-	(37,591)	-	(37,591)
Fund balances - end of year	<u>\$ 23,777,728</u>	<u>\$ 2,975,475</u>	<u>\$ 2,402,814</u>	<u>\$ 29,156,017</u>

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

Harford County Public Schools

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Total net change in fund balances - governmental funds (Exhibit 5)	\$ 1,221,943
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 (\$31,595,282) exceeds depreciation expense (\$17,847,177).	13,748,105
Capital lease provides current financial resources to government funds but increases long-term liabilities in the statement of net assets. Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, the net effect of capital lease borrowings and repayment was \$371,258.	371,258
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 \$345,551.	345,551
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.	(32,002,000)
Pension costs reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	109,453
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 \$37,591.	(37,591)
Change in net position of governmental activities (Exhibit 2)	<u><u>\$ (16,243,281)</u></u>

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

Harford County Public Schools

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Unrestricted				Restricted			
	Original Budget	Final Budget	Actual (non-GAAP)	Variance - Favorable (Unfavorable)	Original Budget	Final Budget	Actual (non-GAAP)	Variance - Favorable (Unfavorable)
Revenues								
Intergovernmental revenues:								
Local	\$ 223,667,302	\$ 223,667,302	\$ 223,667,302	\$ -	\$ -	\$ -	\$ -	\$ -
State	194,044,183	194,044,183	193,925,226	(118,957)	-	-	-	-
Federal	390,000	390,000	433,573	43,573	-	-	-	-
Special state and federal	-	-	-	-	29,411,452	37,026,484	31,402,459	(5,624,025)
Earnings on investments	40,000	40,000	7,192	(32,808)	-	-	-	-
Other sources	3,295,928	5,732,494	5,646,616	(85,878)	-	-	-	-
Fund balance at July 1, 2014 - assigned for year ended June 30, 2015	5,533,875	5,533,875	5,533,875	-	-	-	-	-
Total revenues	<u>\$ 426,971,288</u>	<u>\$ 429,407,854</u>	429,213,784	<u>\$ (194,070)</u>	<u>\$ 29,411,452</u>	<u>\$ 37,026,484</u>	<u>\$ 31,402,459</u>	<u>\$ (5,624,025)</u>
Expenditures								
Current:								
Administrative services	\$ 10,319,963	\$ 10,319,963	10,048,385	\$ 271,578	\$ 515,000	\$ 691,745	\$ 594,231	\$ 97,514
Mid-level administration	24,780,126	24,780,126	24,555,597	224,529	451,537	506,812	496,640	10,172
Instructional salaries	156,017,794	156,017,794	153,388,296	2,629,498	4,023,602	5,304,242	4,475,873	828,369
Instructional textbooks and supplies	7,276,537	7,291,037	7,098,258	192,779	577,151	1,346,576	1,130,836	215,740
Other instructional costs	2,641,563	2,927,063	2,873,967	53,096	1,677,871	3,372,568	2,903,361	469,207
Special education	40,605,477	41,105,477	40,698,605	406,872	16,883,753	20,467,660	16,760,733	3,706,927
Student personnel services	1,656,292	1,681,292	1,644,312	36,980	-	-	-	-
Student health services	3,504,222	3,504,222	3,355,917	148,305	-	-	-	-
Student transportation	30,732,242	30,632,242	30,182,754	449,488	-	38,361	38,361	-
Operation of plant	29,988,963	29,888,963	28,366,757	1,522,206	-	78,765	77,341	1,424
Maintenance of plant	12,616,970	12,616,970	12,394,993	221,977	-	-	-	-
Fixed charges	105,879,766	107,691,332	105,312,655	2,378,677	5,047,935	4,940,125	4,663,676	276,449
Community services	530,114	530,114	444,114	86,000	-	39,657	21,434	18,223
Capital outlay	421,259	421,259	381,088	40,171	234,603	239,973	239,973	-
Total expenditures	<u>\$ 426,971,288</u>	<u>\$ 429,407,854</u>	420,745,698	<u>\$ 8,662,156</u>	<u>\$ 29,411,452</u>	<u>\$ 37,026,484</u>	<u>\$ 31,402,459</u>	<u>\$ 5,624,025</u>
Excess of revenues over expenditures			8,468,086					
Total fund balance at July 1, 2014			10,455,899					
Assigned fund balance at July 1, 2014 (recognized as revenue above)			(5,533,875)					
Total fund balance			13,390,110					
Fund balance at June 30, 2015 - assigned			(6,390,166)					
Fund balance at June 30, 2015 - unassigned			<u>\$ 6,999,944</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, 2015

	Retiree Health Plan Trust	Agency Funds
Assets	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 38,473,117	\$ 2,548,867
Total assets	<u>38,473,117</u>	<u>2,548,867</u>
 Liabilities		
Scholarship funds payable	-	80,454
School activity funds payable	-	2,468,413
Total liabilities	<u>-</u>	<u>2,548,867</u>
 Net position		
Held in trust for retiree health plan benefits	<u>38,473,117</u>	<u>-</u>
Total net position	<u><u>\$ 38,473,117</u></u>	<u><u>\$ -</u></u>

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

Harford County Public Schools

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	Retiree Health Plan Trust
Additions	
Contributions	\$ 2,993,853
Net investment portfolio results	226,915
Total additions	3,220,768
Deductions	
Administrative expenses	15,270
Total deductions	15,270
Change in net position	3,205,498
Net position as of July 1, 2014	35,267,619
Net position as of June 30, 2015	\$ 38,473,117

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
.....

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, 2015
.....

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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Governmental Funds

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

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

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

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

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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2015. Therefore, no valuation allowance is provided against the amounts due.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the general fund consists of supplies maintained in the distribution center. Inventory in the food service fund consists of expendable food and supplies held for consumption. The cost is recorded as an asset at the time individual inventory items are purchased. 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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position or Equity (continued)

Compensated Absences

As of June 30, 2015, annual and sick leave earned, applicable to governmental fund types, but not taken by Board employees, was \$27,663,827. This amount is based on vested accumulated leave as of June 30, 2015, for employees eligible to receive annual leave benefits at retirement. Sick leave is accrued for employees with at least ten years of service and calculated at 25% of their annual daily rate up to a maximum ranging from 200 to 300 days. An accrual in the amount of \$1,551,699 was made in the General Fund for the year ended June 30, 2015. This amount was an estimate of the accumulated annual and sick leave which is due and payable as of June 30, 2015 as it will be paid to retirees during the first month of the fiscal year ending June 30, 2016. The remaining liability for accumulated annual and sick leave earned in the amount of \$26,112,128 is reported as a noncurrent liability in the government-wide financial statements.

Pensions

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of TPS and ERS and additions to/deductions from TPS and ERS' fiduciary net position have been determined on the same basis as they are reported by TPS and ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
.....

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 deferred outflows and liabilities and deferred inflows is “Net Position” on the government-wide and fiduciary fund statements and “Fund Balance” on governmental fund statements. Net Position is classified as “Net investment in capital assets,” legally “Restricted” for a specific purpose, or “Unrestricted” and available for appropriation for general purposes.

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, 2015
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NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

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

The budgetary basis differs from GAAP, which is used for the fund financial statements, in that encumbrances, which represent commitments to purchase goods and services, are treated as expenditures of the current period rather than 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 state-mandated categories of expenditures include Administration, Mid-level Administration, Instructional Salaries, Textbooks and Instructional Supplies, Other Instructional Costs, Special Education, Pupil Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, Community Services and Capital Outlay.

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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
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NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (continued)

Operating Budget (General Fund) (continued)

- 7) Budgets are normally adopted on a basis consistent with GAAP except for the inclusion of portions of the prior year’s fund balance as revenues, the inclusion of encumbrances as expenditures and the exclusion of retirement payments made on the Board’s behalf by the State of Maryland as revenues and expenditures. Budget comparisons presented are on a non-GAAP budgetary basis.
- 8) Transfers may be made within the major categories by the Board of Education without the approval of the County Council as budgetary control is at the major category level.
- 9) Requests 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 \$948,268 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, 2015

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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)	\$ 460,616,243
Fund balance at June 30, 2014 assigned to current year expenditures	(5,533,875)
Revenues adjusted by restricted encumbrances of expenditure driven grants	(382,378)
Pension contributions made directly by the State of Maryland	29,257,412
Interest earned on rate stabilization deposit	6,078
Changes in value of rate stabilization fund	<u>1,601,567</u>
Revenues (GAAP basis)	<u>\$ 485,565,047</u>
Expenditures (non-GAAP budgetary basis - unrestricted and restricted)	\$ 452,148,157
Net effect of encumbrances	245,094
Pension contributions made directly by the State of Maryland	29,257,412
Contribution for OPEB	<u>1,528,539</u>
Expenditures (GAAP basis)	<u>\$ 483,179,202</u>

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

Unassigned Fund Balance (non-GAAP budgetary basis)	\$ 6,999,944
Cumulative effect of:	
Revenues adjusted by encumbrances of expenditure driven grants	<u>(592,134)</u>
Unassigned fund balance (GAAP basis)	<u>\$ 6,407,810</u>

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

Assigned Fund Balance (non-GAAP budgetary basis)	\$ 6,390,166
Encumbrances	2,900,141
Rate stabilization fund balance	<u>8,079,611</u>
Assigned Fund Balance (GAAP basis)	<u>\$ 17,369,918</u>

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**
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NOTE 3 – CASH AND INVESTMENTS

Cash on Hand

At year end, cash on hand for petty cash and change funds was \$740.

Deposits

As of June 30, 2015, the carrying amount of the Board’s deposits was \$8,917,142 and the bank balance was \$11,657,605. The Board’s deposits were not exposed to custodial credit risk as of June 30, 2015, 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, 2015, the Board’s investment balances were as follows:

	Fair Value
Maryland Local Government Investment Pool	<u>\$ 15,166,877</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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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, 2015, complied with the Board’s investment policy as of that date.

Investment income includes the following for the year ended June 30, 2015:

Net interest and dividends	\$ 13,310
Less: Restricted net investment income	<u>40</u>
Total Net Investment Income Per Statement of Activities	<u><u>\$ 13,270</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, 2015, 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, 2015, the Board’s investments were not exposed to custodial credit risk.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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NOTE 3 – CASH AND INVESTMENTS (continued)

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

Cash on hand	\$ 740
Carrying amount of deposits	47,390,259
Carrying amount of investments	<u>15,166,877</u>
Total cash and investments	62,557,876
Less: Amounts in fiduciary funds	<u>41,021,984</u>
Total Cash and Investments per Statement of Net Position	<u><u>\$ 21,535,892</u></u>
Cash and cash equivalents	\$ 6,369,015
Investments	<u>15,166,877</u>
Total Cash and Investments per Statement of Net Position	<u><u>\$ 21,535,892</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, 2015, MABE held \$38,473,117 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, 2015

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NOTE 4 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015, were as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>June 30, 2015</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 9,672,942	\$ -	\$ -	\$ 9,672,942
Construction in progress	22,379,098	26,761,229	(18,866,690)	30,273,637
Total nondepreciable capital assets	<u>32,052,040</u>	<u>26,761,229</u>	<u>(18,866,690)</u>	<u>39,946,579</u>
Depreciable capital assets:				
Land improvements	17,338,658	358,061	-	17,696,719
Buildings	682,882,673	903,804	18,866,690	702,653,167
Furniture and equipment	40,988,038	3,572,188	(56,608)	44,503,618
Total depreciable capital assets	<u>741,209,369</u>	<u>4,834,053</u>	<u>18,810,082</u>	<u>764,853,504</u>
Less accumulated depreciation for:				
Land improvements	5,565,444	777,961	-	6,343,405
Buildings	147,621,623	13,618,533	-	161,240,156
Furniture and equipment	25,938,365	3,450,683	(56,608)	29,332,440
Total accumulated depreciation	<u>179,125,432</u>	<u>17,847,177</u>	<u>(56,608)</u>	<u>196,916,001</u>
Total depreciable capital assets, net	<u>562,083,937</u>	<u>(13,013,124)</u>	<u>18,866,690</u>	<u>567,937,503</u>
Governmental activities capital assets, net	<u><u>\$ 594,135,977</u></u>	<u><u>\$ 13,748,105</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 607,884,082</u></u>

Depreciation expense for the year ended June 30, 2015, was charged to governmental functions on the Statement of Activities as follows:

Depreciation not allocated to specific functions	\$ 77,168
Administration	292,697
Mid-level administration	3,701
Instruction	10,136,520
Special Education	4,029
Transportation	606,965
Operations	4,075,120
Maintenance	2,420,721
Food Service	230,256
Total	<u><u>\$ 17,847,177</u></u>

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

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NOTE 4 - CAPITAL ASSETS (continued)

The Board has active school construction projects as of June 30, 2015, as follows:

Project:	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Aberdeen High Stadium/Weight Room	\$ 1,659,926	\$ 6,044
C. Milton Wright Burner Replacement	150,500	17,859
Darlington Elementary HVAC	132,100	21,900
Dublin Elementary HVAC	807,229	2,773,866
Fallston High HVAC	11,844,298	3,513,578
Havre de Grace High School	2,478,836	1,058,174
John Archer	83,045	-
Joppatowne High	169,450	-
Joppatowne High Weight Room	18,340	96,507
Norrisville Elementary HVAC	2,948,600	56,678
Ring Factory Elementary HVAC Equipment	73,047	1,085,335
Youth's Benefit Elementary Modernization	9,908,266	33,756,808
Total	<u>\$ 30,273,637</u>	<u>\$ 42,386,749</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, 2015

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NOTE 5 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Balance as of			Due	
	July 1, 2014	Increases	Reductions	Balance as of	Within
				July 1, 2015	One Year
Capital lease	\$ 10,016,647	\$ -	\$ 371,258	\$ 9,645,389	\$ 508,418
Compensated absences	27,943,444	4,513,265	4,792,882	27,663,827	4,864,370
OPEB obligation	199,962,929	56,570,000	24,568,000	231,964,929	-
Net pension liability	22,888,900	-	2,128,083	20,760,817	-
Total Governmental Activities	\$ 260,811,920	\$ 61,083,265	\$ 31,860,223	\$ 290,034,962	\$5,372,788

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>2,061,955</u>
Net Book Value	<u>\$ 8,790,440</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2016	\$ 823,822
2017	823,822
2018	823,822
2019	823,822
2020	823,822
2021 - 2025	4,119,110
2026 - 2030	<u>4,119,110</u>
Total minimum lease payments	12,357,330
Less: Amount representing interest	<u>2,711,941</u>
Present value of minimum lease payments	<u>\$ 9,645,389</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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NOTE 6 - FUND BALANCE

Fund balance as of June 30, 2015, 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.	\$ -	\$ 104,617	\$ -
Total non-spendable	-	104,617	-
Assigned to:			
Encumbrances	2,900,141	13,477	2,402,814
Fiscal year 2016 expenditures	4,750,000	-	-
Rate stabilization receivable	8,079,611	-	-
Future health insurance call	1,225,166	-	-
Emergency fuel reserve	415,000	-	-
Cost of Operation - Food Services		2,857,381	-
Total assigned	17,369,918	2,870,858	2,402,814
Unassigned	6,407,810	-	-
Total fund balances	<u>\$ 23,777,728</u>	<u>\$ 2,975,475</u>	<u>\$ 2,402,814</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, 2015. 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.

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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
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NOTE 7 - PENSION PLANS

General Information about the Pension Plan

Plan Description

Teachers employed by the Board are provided with pensions through the Teachers' Pension System of the State of Maryland (TPS)—a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). Certain employees of the Board are provided with pensions through the Employees Retirement System of the State of Maryland (ERS)—a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of TPS and ERS to the MSRPS Board of Trustees. MSRPS issues a publicly available financial report that can be obtained at www.sra.state.md.us/Agency/Downloads/CAFR/.

Benefits Provided

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

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

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

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

General Information about the Pension Plan (continued)

Benefits Provided (continued)

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

Early Service Retirement

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

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

Disability and Death Benefits

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

Cost of Living Adjustment

The benefit attributable to service on or after July 1, 2011 now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
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NOTE 7 - PENSION PLANS (continued)

General Information about the Pension Plan (continued)

Contributions (ERS)

The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The Board's contractually required contribution rate for ERS for the year ended June 30, 2015, was approximately \$2.7 million, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to ERS from the Board was approximately \$2.7 million for the year ended June 30, 2015.

Contributions (TPS)

The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The State of Maryland is responsible for the net pension liability of TPS. The Board's required contribution is for the normal cost and does not include any contribution for past service cost. As such, the State of Maryland is responsible for 100% of the net pension liability related to TPS and qualifies for as a special funding situation. The State of Maryland's contribution on behalf of the Board for the year ended June 30, 2015 was approximately \$29.3 million. The Board's contractually required contribution rate for TPS for the year ended June 30, 2015, was approximately \$9.0 million, actuarially determined as an amount that, when combined with the State of Maryland and employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (State only). Contributions to ERS from the Board was approximately \$9.0 million for the year ended June 30, 2015.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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NOTE 7 - PENSION PLANS (continued)

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

As of June 30, 2015, the Board reported a liability of approximately \$20.8 million for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board’s proportion of the ERS net pension liability was based on a projection of the Board’s long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2015, the Board’s proportion for ERS was 0.12 percent, which was substantially the same from its proportion measured as of June 30, 2014. For the year ended June 30, 2015, the Board recognized pension expense for ERS of approximately \$2.6 million. As of June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 300,321	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,272,407
Total	<u>\$ 300,321</u>	<u>\$ 2,272,407</u>

\$2,679,603 reported as deferred outflows of resources related to ERS resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the ERS net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows: Changes in assumptions: Fiscal years 2016-2019, \$75,080 per year; Difference between projected and actual earnings on pension plan investments: Fiscal years 2016-2019, \$568,101 per year.

As of June 30, 2015, the State of Maryland’s proportionate share of the TPS net pension liability associated with Board is approximately \$275,650,000. The TPS net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. State of Maryland’s proportionate share of the TPS net pension liability associated with Board was based on a projection of the State’s long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
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NOTE 7 - PENSION PLANS (continued)

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

Information Included in the MSRPS Financial Statements

Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at www.sra.state.md.us/Agency/Downloads/CAFR/.

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

The Board's proportionate share of the ERS net pension liability calculated using the discount rate of 7.65 percent is \$20,760,817. Additionally, the Board's proportionate share of the ERS net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) is \$29,918,952 or 1-percentage-point higher (8.65 percent) is \$13,089,724.

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, 2015 was \$21,281,009. As of June 30, 2015, 2,306 of approximately 2,506 eligible retirees were receiving benefits.

Dental Benefits - The Board pays 90% of dental insurance premiums for retirees with at least 10 years service. The dental benefits paid by the Board for the year ended June 30, 2015 was \$1,067,883. As of June 30, 2015, 2,347 of approximately 2,506 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, 2015 was \$57,889. As of June 30, 2015, 2,186 of approximately 2,506 eligible retirees were receiving benefits.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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, 2015, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation:

Annual required contribution	\$ 57,802,000
Interest on net OPEB Obligation	8,998,000
Amortization of net OPEB obligation	<u>(10,230,000)</u>
Annual OPEB cost (expense)	56,570,000
Contributions made	<u>24,568,000</u>
Increase in net OPEB obligation	32,002,000
Net OPEB obligation - beginning of year	<u>199,962,929</u>
Net OPEB obligation - end of year	<u><u>\$ 231,964,929</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
6/30/2015	\$ 56,570,000	43.40%	\$ 231,964,929
6/30/2014	59,125,000	37.12%	199,962,929
6/30/2013	55,980,000	36.81%	162,782,929

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

Funded Status and Funding Progress

As of July 1, 2014, the plan was 4.75% funded. The actuarial accrued liability for benefits was \$673,727,000, and the actuarial value of assets was \$31,986,622, resulting in an unfunded actuarial accrued liability (UAAL) of \$641,740,378. The covered payroll (annual payroll of active employees covered by the plan) was \$262,513,165, and the ratio of the UAAL to the covered payroll was 244.46%.

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, 2014
Actuarial Cost Method	Projected Unit Credit method
Amortization Method	Closed, level percent of payroll over 24 years (as of 7/1/14)
Asset Valuation Method	Market value of Assets
Actuarial Assumptions:	
Discount Rate	4.50%
Investment Rate of Return	7.00% per year compounded annually
Payroll Growth Rate	3.00%
Inflation Rate	2.80%
Healthcare Cost Trend Rates:	
Medical and prescription	8.00% initial year of valuation (not applicable to Life) 4.30% 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, 2015

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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 24 years using level percentage of pay for the fiscal year ended June 30, 2015.

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%
July 1, 2014	31,986,622	673,727,000	641,740,378	4.75%	262,514,165	244.46%

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, 2015
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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 \$1,296,832 for the year ended June 30, 2015.

NOTE 11- IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

The Board adopted Governmental Accounting Standard Board (GASB) 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.

Net position of governmental activities has been restated by a negative \$20,162,753, due to the implementation of GASB Statements No. 68 and 71 in recording the beginning net pension liability and the beginning deferred outflow of resources for contributions subsequent to the measurement date for all the defined benefit pension plans.

As of the year ended June 30, 2015, GASB issued Statement No. 72, entitled *Fair Value Measurement and Application*; Statement No. 73, entitled *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68*, and *Amendments to certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 74 entitled, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75 entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 76 entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. These statements may have a material effect on the County's financial statements once implemented. The County will be analyzing the effects of these pronouncements and plans to adopt them a applicable by their effective date.

Required Supplemental Information



**Elisha Burkes, Grade 10, Aberdeen High School
Teacher: Richard Morris**

**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR OTHER POSTEMPLOYMENT BENEFIT PLAN
 June 30, 2015**

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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%
July 1, 2014	31,986,622	673,727,000	641,740,378	4.75%	262,514,165	244.46%

**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR PENSIONS
 June 30, 2015**

Schedule of Proportionate Share of Net Pension Liability

	<u>Fiscal Year</u> <u>2015</u>
Board's proportion of the ERS net pension liability (asset)	0.127%
Board's proportionate share of the ERS net pension liability (asset)	\$ 20,760,817
State's proportionate share of the TRS net pension liability (asset) associated with the Board	<u>275,650,000</u>
Total	<u>\$ 296,410,817</u>
Board's covered-employee payroll	\$ 262,514,165
Board's proportionate share of the net	7.00%
Plan fiduciary net position as a	71.87%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR PENSIONS
 June 30, 2015**

Schedule of Contributions

	<u>Fiscal Year</u> <u>2015</u>
Contractually required contribution (ERS)	\$ 2,726,147
Contributions in relation to the contractually required contribution	<u>(2,726,147)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Board's covered-employee payroll	\$262,514,165
Contributions as a percentage of covered-employee payroll	1.04%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.



**Jace Williams, Grade 2, Red Pump Elementary School
 Teacher: Sharon Boyle**

Other Supplemental Information



**Sasha Taylor, Grade K, Riverside Elementary School
Teacher: Alice Flaherty**

Harford County Public Schools

**FOOD SERVICES FUND
(SPECIAL REVENUE FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE COMPARED TO BUDGET (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Cafeteria sales	\$ 7,412,229	\$ 7,103,038	\$ (309,191)
<u>Federal Aid</u>			
School Lunch Program	5,268,944	5,399,403	130,459
School Breakfast Program	1,687,127	1,988,472	301,345
Summer Food Program	124,440	146,140	21,700
Fresh Fruits and Vegetables Program		24,999	24,999
Child and Adult Care Food Program		930	930
U.S.D.A. Commodities	925,000	948,268	23,268
Total federal aid	8,005,511	8,508,212	502,701
<u>State Aid</u>			
Child Feeding Program	361,000	414,516	53,516
<u>Local Aid</u>			
Local revenue	-	-	-
Interest earned	-	-	-
Miscellaneous revenue	-	153,356	153,356
Total revenues	\$ 15,778,740	16,179,122	400,382
Expenditures			
Salaries and wages	5,476,573	5,245,748	230,825
Contracted services	353,000	346,274	6,726
Supplies and materials	6,626,793	6,999,986	(373,193)
Other charges	2,132,374	2,118,918	13,456
Furniture and equipment	265,000	267,788	(2,788)
U.S.D.A. commodities	925,000	985,859	(60,859)
Total expenditures	\$ 15,778,740	15,964,573	(185,833)
Excess of revenues over expenditures		214,549	
Total fund balance at July 1, 2014		2,785,041	
Increase (decrease) in nonspendable fund balance - U.S.D.A. inventory		(37,591)	
Total fund balance		2,961,999	
Nonspendable fund balance - U.S.D.A. inventory - end of year		(104,617)	
Fund balance at June 30, 2015 - unassigned		\$ 2,857,382	

Harford County Public Schools

**SCHOOL CONSTRUCTION FUND
(CAPITAL PROJECTS FUND)
SCHEDULE OF EXPENDITURES BY PROJECT
FOR THE YEAR ENDED JUNE 30, 2015**

Campus Hills Elementary	\$ 6,310
Red Pump Elementary	12,371
Patterson Mill Middle/High	44,761
Deerfield Elementary modernization	24,652
Youth's Benefit Elementary Replacement	8,171,512
Bel Air High modernization	29,936
Edgewood High modernization	62,561
Havre de Grace High modernization	2,289,726
North Harford High modernization	1,688
Technology education lab refresh	43,164
Music lab refresh	2,421
Special education facilities	8,329
George D. Lisby @ Hillsdale Elementary roof	343,200
Darlington Elementary HVAC	139,050
Dublin Elementary HVAC	819,666
Jarrettsville Elementary HVAC	(5,403)
Norrisville Elementary HVAC	2,299,359
North Harford Elementary HVAC	234,364
Fallston High HVAC	9,532,051
Magnolia Middle HVAC	1,863,932
Roofing projects	34,014
William Paca Elementary air conditioning	23,377
Relocatables	251,218
Fountain Green Elementary technology	200,000
Hickory Elementary technology	100,000
Wiring	27,784
Milestone	14,640
Technology refresh	3,160,241
Integrated business systems	258,533
Ring Factory Elementary HVAC equipment	73,047
Joppatowne High stadium ADA improvements	267,583
Environmental compliance	95,518
Backflow prevention	20,049
Storm water management, erosion and sediment control	63,493
ADA improvements	65,189
Building envelope improvements	207,000
Energy conservation	27,246
Energy efficiency performance projects	507,611
Athletic fields	4,940
Floor coverings	924
HVAC major repairs	412,430
Aberdeen High stadium and weight room upgrades	1,348,283
Forest Hill Elementary playground	78,956
Furniture	40,288
Music refresh	21,675
Career and technology education equipment refresh	12,786
John Archer playground	67,461
Swimming pools	4,646
Security Initiative program	357,289
	<u>\$ 33,669,871</u>

Harford County Public Schools

AGENCY FUNDS
(SCHOOL ACTIVITY FUNDS AND SCHOLARSHIP FUNDS)
SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Balance <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2015</u>
School Activity Funds				
<u>Elementary Schools</u>				
Abingdon	\$ 24,914	\$ 37,842	\$ 36,247	\$ 26,509
Bakerfield	7,341	34,808	35,053	7,096
Bel Air	13,264	38,967	37,900	14,331
Church Creek	15,405	40,334	32,727	23,012
Churchville	26,038	32,161	42,928	15,271
Darlington	5,613	11,222	10,841	5,994
Deerfield	57,034	56,360	74,809	38,585
Dublin	18,401	44,881	19,761	43,521
Edgewood	17,249	11,405	17,504	11,150
Emmorton	26,201	35,991	45,924	16,268
Forest Hill	10,114	34,594	33,322	11,386
Forest Lakes	37,970	37,658	36,866	38,762
Fountain Green	12,942	34,573	26,231	21,284
George D. Lisby at Hillsdale	12,834	35,405	26,188	22,051
Hall's Cross Roads	11,849	21,458	25,719	7,588
Harford Glen	5,530	2,867	5,290	3,107
Havre de Grace	20,579	45,570	44,492	21,657
Hickory	76,376	51,516	81,632	46,260
Homestead-Wakefield	11,053	58,180	63,466	5,767
Jarrettsville	20,722	41,901	41,264	21,359
John Archer	62,365	38,585	33,694	67,256
Joppatowne	26,639	21,667	21,043	27,263
Magnolia	7,298	10,220	10,692	6,826
Meadowvale	9,748	46,705	48,955	7,498
Norrisville	12,453	11,478	13,846	10,085
North Bend	19,732	13,952	15,799	17,885
North Harford	32,205	36,123	43,625	24,703
Prospect Mill	18,206	57,969	61,865	14,310
Red Pump	21,338	62,383	64,653	19,068
Ring Factory	11,857	60,168	65,752	6,273
Riverside	12,450	20,669	23,656	9,463
Roye-Williams	22,780	25,933	26,137	22,576
William S. James	16,938	31,938	31,501	17,375
William Paca - Old Post	4,416	26,418	19,087	11,747
Youth's Benefit	15,071	80,556	81,414	14,213
Total elementary schools	<u>724,925</u>	<u>1,252,457</u>	<u>1,299,883</u>	<u>677,499</u>

Harford County Public Schools

**AGENCY FUNDS
(SCHOOL ACTIVITY FUNDS AND SCHOLARSHIP FUNDS)
SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
School Activity Funds				
<u>Middle Schools</u>				
Aberdeen	93,480	158,020	157,424	94,076
Bel Air	36,788	172,685	164,628	44,845
Edgewood	52,985	175,595	182,252	46,328
Fallston	72,341	134,405	160,043	46,703
Havre de Grace	32,336	93,561	95,213	30,684
Magnolia	29,151	67,589	72,582	24,158
North Harford	52,969	81,607	86,219	48,357
Patterson Mill	48,106	82,256	87,865	42,497
Southampton	29,906	150,287	148,087	32,106
Total middle schools	<u>448,062</u>	<u>1,116,005</u>	<u>1,154,313</u>	<u>409,754</u>
<u>High Schools</u>				
Aberdeen	189,144	431,671	491,372	129,443
Alternative Education	3,641	18,276	11,315	10,602
Bel Air	203,597	436,291	430,132	209,756
C. Milton Wright	168,798	485,121	504,417	149,502
Edgewood	132,373	271,428	291,823	111,978
Fallston	129,146	409,482	404,806	133,822
Harford Technical	131,307	265,794	246,706	150,395
Havre de Grace	118,791	613,181	613,979	117,993
Joppatowne	67,760	159,261	167,560	59,461
North Harford	206,344	342,397	371,907	176,834
Patterson Mill	116,518	389,716	374,860	131,374
Total high schools	<u>1,467,419</u>	<u>3,822,618</u>	<u>3,908,877</u>	<u>1,381,160</u>
Total - all School Activity Funds	<u>2,640,406</u>	<u>6,191,080</u>	<u>6,363,073</u>	<u>2,468,413</u>
Scholarship Funds	<u>85,877</u>	<u>77</u>	<u>5,500</u>	<u>80,454</u>
Total - Agency Funds	<u>\$ 2,726,283</u>	<u>\$ 6,191,157</u>	<u>\$ 6,368,573</u>	<u>\$ 2,548,867</u>

Harford County Public Schools

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AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	<u>Scholarship Funds</u>	<u>School Activity Funds</u>	<u>Total Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 80,454	\$ 2,468,413	\$ 2,548,867
Total assets	<u>\$ 80,454</u>	<u>\$ 2,468,413</u>	<u>\$ 2,548,867</u>
Liabilities			
Scholarship funds payable	\$ 80,454	\$ -	\$ 80,454
School activity funds payable	<u>-</u>	<u>2,468,413</u>	<u>2,468,413</u>
Total liabilities	<u>\$ 80,454</u>	<u>\$ 2,468,413</u>	<u>\$ 2,548,867</u>

Harford County Public Schools

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
JUNE 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
SCHOLARSHIP FUNDS				
ASSETS				
Cash and cash equivalents	\$ 85,877	\$ 77	\$ 5,500	\$ 80,454
LIABILITIES				
Scholarship funds payable	\$ 85,877	\$ 77	\$ 5,500	\$ 80,454
SCHOOL ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,640,406	\$ 6,191,080	\$ 6,363,073	\$ 2,468,413
LIABILITIES				
Student activity funds payable	\$ 2,640,406	\$ 6,191,080	\$ 6,363,073	\$ 2,468,413
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,726,283	\$ 6,191,157	\$ 6,368,573	\$ 2,548,867
LIABILITIES				
Scholarship funds payable	\$ 85,877	\$ 77	\$ 5,500	\$ 80,454
Student activity funds payable	2,640,406	6,191,080	6,363,073	2,468,413
Total liabilities	\$ 2,726,283	\$ 6,191,157	\$ 6,368,573	\$ 2,548,867



**Shelby Gahler, Grade 11,
Bel Air High School
Teacher: Laura Crocker**



**Ambriel Deere, Grade 12,
Harford Technical High School
Teacher: Judy Demond**

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 Board's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the Board's financial performance and well-being have changed over time.</i>	78 - 81
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Board's financial activities take place.</i>	82 - 83
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Board's financial report relates to the services it provides and activities it performs.</i>	84 - 93

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year after June 30, 2006 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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Invested in capital assets, net of related debt	\$265,089	\$297,606	\$379,249	\$472,628	\$533,572	\$560,834	\$568,870	\$577,748	\$584,119	\$598,747
Restricted for food services	2,976	2,699	2,456	2,066	2,196	2,408	2,755	2,624	2,802	2,975
Restricted for capital projects	-	25	8,072	5,802	7,551	7,454	9,079	7,675	3,778	2,403
Unrestricted	(4,063)	1,827	(16,540)	(51,542)	(84,761)	(110,678)	(128,086)	(166,286)	(205,029)	(254,861)
Total governmental activities net position	<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>	<u>\$349,264</u>

Harford County Public Schools

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Functions/Programs										
Expenses										
Governmental activities:										
Instruction:										
Regular education	\$229,007	\$247,876	\$277,212	\$290,266	\$294,136	\$289,527	\$285,182	\$296,379	\$283,661	\$277,887
Special education	54,113	60,048	69,664	77,461	89,247	94,112	86,373	89,896	90,529	88,484
Total Instruction	283,120	307,924	346,876	367,727	383,383	383,639	371,555	386,275	374,190	366,371
Support services										
Administration	11,094	13,474	15,093	15,934	15,989	15,341	16,114	15,682	15,626	15,195
Mid level administration	28,393	31,195	35,358	36,855	37,516	36,621	37,070	37,698	37,467	38,139
Pupil personnel services	1,777	1,948	2,198	2,312	2,338	2,223	2,322	2,353	2,501	2,424
Health services	3,487	4,106	4,740	5,103	5,069	4,850	5,255	5,915	5,843	6,292
Pupil transportation	23,234	25,716	31,197	32,724	33,647	35,424	37,332	39,754	39,504	38,827
Operation of plant	27,912	31,282	36,304	37,614	39,310	38,716	40,267	43,245	47,158	45,870
Maintenance of plant and equipment	11,671	12,742	14,528	14,522	15,130	15,789	16,989	18,211	19,022	19,509
Community services	434	498	499	480	399	451	421	497	530	532
Food services	12,229	13,519	14,179	15,144	15,391	14,848	15,829	16,515	16,731	16,719
Interest on long-term debt	814	567	554	541	527	512	615	246	328	328
Depreciation - unallocated	103	94	89	89	89	87	86	84	81	77
Total Support Services	121,148	135,141	154,739	161,318	165,405	164,862	172,300	180,200	184,791	183,912
Total governmental activities	404,268	443,065	501,615	529,045	548,788	548,501	543,855	566,475	558,981	550,283
Program revenues										
Charges for services:										
Regular education	1,529	1,500	1,730	1,688	1,648	1,471	1,214	1,135	1,327	1,450
Community services	439	466	488	415	338	348	348	422	414	428
Food services	7,666	8,132	8,348	8,059	7,839	7,875	7,858	7,254	6,928	7,103
Operating grants and contributions	79,547	89,364	102,132	106,729	122,436	136,196	128,527	124,751	124,007	125,875
Capital grants and contributions	56,320	47,943	101,153	104,871	85,054	47,667	28,383	35,159	25,115	32,295
Total governmental activities program revenues	145,501	147,405	213,851	221,762	217,315	193,557	166,330	168,721	157,791	167,151
Total governmental net expense	(258,767)	(295,660)	(287,764)	(307,283)	(331,473)	354,944	377,525	397,754	401,190	383,132
General Revenues and Other Changes in Net Position										
General revenues:										
Local appropriations	175,415	189,415	199,615	206,979	210,415	211,067	217,782	219,821	221,301	223,667
State Aid	125,158	138,061	152,542	153,313	147,510	140,638	143,456	140,879	137,722	137,404
Federal Aid	411	443	340	279	625	696	1,345	449	336	434
Miscellaneous	5,464	4,525	5,083	2,204	2,487	3,960	7,508	5,717	5,723	5,370
Unrestricted investment earnings	793	1,371	1,264	226	40	43	33	31	18	13
Total general revenues	307,241	333,815	358,844	363,001	361,077	356,404	370,124	366,897	365,100	366,888
Change in Net Position	48,474	38,155	71,080	55,718	29,604	1,460	(7,401)	(30,857)	(36,090)	(16,244)
Net position - beginning of year	215,528	264,002	302,157	373,237	428,955	458,559	460,019	452,618	421,761	385,671
Adjustment to Restate Beginning Net Position	-	-	-	-	-	-	-	-	-	(20,163)
Net position - beginning of year, as Restated	215,528	264,002	302,157	373,237	428,955	458,559	460,019	452,618	421,761	365,508
Net position - end of year	\$264,002	\$302,157	\$373,237	\$428,955	\$458,559	\$460,019	\$452,618	\$421,761	\$385,671	\$349,264

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	2015
General fund											
Assigned	\$3,523	\$4,230	\$5,338	\$2,937	\$2,261	\$2,405	\$12,976	\$12,628	\$18,650	\$18,320	\$17,370
Unassigned	7,635	16,188	22,128	16,152	18,113	22,626	13,143	13,169	4,330	3,072	6,408
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>	<u>\$23,778</u>
All other governmental funds											
Non Spendable -											
Special Revenue Fund	\$277	\$239	\$160	\$122	\$186	\$278	\$294	\$237	\$187	\$142	\$105
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	2,871
Capital projects fund	-	-	25	8,072	5,802	7,551	7,454	9,079	10,322	11,577	2,403
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>	<u>\$5,379</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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Intergovernmental revenues										
Local	\$224,683	\$228,930	\$278,735	\$299,449	\$275,213	\$241,501	\$230,041	\$231,802	\$229,680	\$240,351
State	183,301	205,345	245,316	241,878	247,758	242,653	251,283	241,824	233,251	238,723
Special state and federal programs	23,558	24,835	24,881	24,357	33,330	41,992	28,817	29,938	30,562	31,020
Federal	5,036	5,177	5,358	5,907	6,860	7,629	8,485	8,122	8,483	8,942
Earnings on investments	1,066	1,530	1,348	235	40	43	33	31	18	13
Charges for services	7,666	8,132	8,348	8,059	7,839	7,875	7,858	7,254	6,929	7,103
Donation of land from county	-	-	-	-	-	-	-	-	-	-
Miscellaneous revenues	7,432	7,271	8,709	4,878	7,352	8,268	9,937	16,647	13,968	7,887
Total revenues	452,742	481,220	572,695	584,763	578,392	549,961	536,454	535,618	522,891	534,039
Expenditures										
Current										
Administrative services	8,381	9,906	10,732	11,044	10,708	10,473	10,776	10,678	9,775	9,464
Mid level administrative services	21,411	23,592	25,282	25,556	25,417	25,182	24,959	24,805	24,356	24,569
Instructional salaries	143,325	158,371	167,938	168,953	166,084	165,998	165,118	162,658	156,873	153,388
Instructional textbooks and supplies	8,584	9,885	9,962	8,405	7,758	7,316	8,067	6,689	6,849	7,101
Other instructional costs	2,409	2,103	2,848	3,406	2,904	3,173	2,839	2,446	2,392	3,340
Special education	27,764	31,751	35,782	38,054	39,030	39,674	40,322	39,951	40,088	40,714
Student personnel services	1,373	1,524	1,621	1,629	1,615	1,610	1,614	1,621	1,642	1,645
Health services	2,512	3,047	3,222	3,400	3,255	3,200	3,292	3,295	3,207	3,359
Pupil transportation services	20,632	22,617	26,889	27,321	27,655	29,522	30,917	31,151	30,300	30,113
Operation of plant	23,603	26,036	28,859	29,063	29,129	28,913	28,974	28,595	30,273	28,128
Maintenance of plant and equipment	9,239	10,096	11,269	10,701	11,014	11,757	12,607	12,249	12,110	12,707
Fixed charges	79,308	87,680	112,302	107,064	115,194	116,016	133,275	132,463	134,256	136,099
Community services	398	455	450	429	352	403	373	440	456	444
Special state and federal programs	23,558	24,835	24,880	24,357	33,330	41,992	28,817	29,938	30,562	31,020
Costs of operations - food services	12,652	13,517	13,977	14,435	14,315	14,911	15,275	15,440	15,431	15,968
Capital outlay	66,394	48,138	96,394	111,561	83,365	47,809	26,759	37,255	29,255	34,059
Debt service										
Principal	10	257	269	283	297	312	327	-	-	371
Interest	814	567	554	541	527	512	615	246	328	328
Total expenditures	452,367	474,377	573,230	586,202	571,949	548,773	534,926	539,920	528,153	532,817
Excess (deficit) of revenues over expenditures	375	6,843	(535)	(1,439)	6,443	1,188	1,528	(4,302)	(5,262)	1,222
Other financing sources (uses)										
Proceeds from capital lease	8,893	32	-	-	-	-	178	-	-	-
Increase (decrease) in nonspendable fund balance	(38)	-	(38)	-	92	16	-	(50)	(45)	(38)
Net change in fund balances	\$9,230	\$6,875	(\$573)	(\$1,439)	\$6,535	\$1,204	\$1,706	(\$4,352)	(\$5,307)	\$1,184

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

	<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>	<u>2014</u>
Elementary School:										
Preschool	66	55	53	49	61	-	38	-	-	70
Prekindergarten	825	841	813	825	837	773	738	753	768	693
Kindergarten	2,811	2,611	2,823	2,704	2,734	2,681	2,792	2,740	2,819	2,648
Grade 1	2,778	2,849	2,603	2,836	2,736	2,808	2,715	2,820	2,787	2,831
2	2,907	2,756	2,848	2,643	2,873	2,757	2,809	2,703	2,830	2,788
3	2,964	2,894	2,761	2,862	2,670	2,904	2,796	2,809	2,751	2,829
4	2,971	2,947	2,906	2,762	2,925	2,691	2,919	2,815	2,851	2,775
5	<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>	<u>2,874</u>
Total Elementary School	<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>	<u>17,508</u>
Middle School:										
Grade 6	3,090	2,995	2,948	2,904	2,912	2,791	2,905	2,691	2,892	2,807
7	3,010	3,052	3,042	2,967	2,927	2,928	2,777	2,902	2,752	2,910
8	<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>	<u>2,711</u>
Total Middle School	<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>	<u>8,428</u>
High School:										
Grade 9	3,508	3,402	3,340	3,285	3,380	3,241	3,164	3,118	3,030	3,196
10	3,220	3,107	3,029	3,005	3,041	3,145	3,038	2,948	2,896	2,755
11	2,931	2,995	2,869	2,841	2,856	2,934	2,973	2,909	2,812	2,800
12	<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>	<u>2,737</u>
Total High School	<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>	<u>11,488</u>
Special Education	<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>	<u>119</u>
Total Enrollment	<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>	<u>37,543</u>

Source: Monthly Report on Enrollment at September 30.

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

Harford County Public Schools

Operating Indicators by Function

Fiscal Year	Per Pupil Expenditures ¹		Number of School Bus Riders ³	Food Services ⁴	
	Dollars	State Rank ²		Breakfasts Served	Lunches Served
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	12,534	17	33,716	1,303,755	3,504,788
2014	not available		32,760	1,346,713	3,381,641
2015	not available		32,944	1,484,007	3,385,988

¹ Source: Maryland State Department of Education, "The Fact Book"

² Ranking of the State's 24 school systems

³ Source: HCPS Department of Transportation

⁴ Source: HCPS Department of Food and Nutrition Services

Harford County Public Schools
Capital Asset Statistics by Function

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Instructional Buildings										
Elementary Schools	32	32	32	32	32	33	33	33	33	33
Middle Schools ¹	8	9	9	9	9	9	9	9	9	9
High Schools ¹	9	10	10	10	10	10	10	10	10	10
Special Needs School	1	1	1	1	1	1	1	1	1	1
Alternative Education Ctr/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	53	55	55	54	54	55	55	55	55	55
Support Buildings										
Central Administration Building	1	1	1	1	1	1	1	1	1	1
Transportation/Facilities Operations Ctr	1	1	1	1	1	1	1	1	1	1
Food Services/Warehouse Facility	1	1	1	1	1	1	1	1	1	1
Total	3	3	3	3	3	3	3	3	3	3

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

Source: HCPS Planning and Construction Office

Harford County Public Schools

Student Academic Performance 2014 Test Results

2014 Scholastic Assessment Test (SAT)

	<u>Harford</u>	<u>State</u>	<u>Nation</u>
	<i>Average Score</i>		
Mathematics	520	486	513
Critical Reading	510	482	497
Writing	486	470	487

2014 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	91.3%	83.6%	94.3%	88.1%	96.2%	88.2%
Biology	90.1%	84.5%	93.2%	88.0%	94.7%	87.6%
English	80.2%	77.1%	87.4%	84.2%	91.0%	85.9%
Government	80.2%	78.7%	65.4%	77.4%	89.0%	80.9%

2014 Maryland School Assessments (MSA) - Reading

	<u>Harford</u>	<u>State</u>
Advanced and Proficient	<i>Percent Passing</i>	
Grade 3	84.7%	77.2%
Grade 4	91.9%	86.3%
Grade 5	92.3%	89.0%
Grade 6	87.4%	83.2%
Grade 7	87.3%	78.8%
Grade 8	81.9%	76.9%

2014 Maryland School Assessments (MSA) - Mathematics

	<u>Harford</u>	<u>State</u>
Advanced and Proficient	<i>Percent Passing</i>	
Grade 3	86.4%	74.2%
Grade 4	90.8%	80.6%
Grade 5	86.5%	72.8%
Grade 6	80.2%	67.8%
Grade 7	76.8%	63.1%
Grade 8	71.3%	58.7%

Source: Maryland Department of Education, Maryland Report Card, 2014 data

Harford County Public Schools

Insurance Summary FY 2016

Type of Coverage	Name of Company	Policy Number	Policy Period	Limits
Workers Compensation	MABE Group Self-Insurance Fund	N/A	7/1/15-6/30/16	Statutory up to \$500,000
Excess Workers Compensation	Safety National	SP 4051376	7/1/15-6/30/16	Statutory excess of \$500,000
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/1/15-6/30/16	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Liability	MABE Group Insurance Pool	N/A	7/1/15-6/30/16	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	N/A	7/1/15-6/30/16	\$100,000 combined single limit \$1 million combined single limit for Bus Contractors
Personal Injury Protection	MABE Group Insurance Pool	N/A	7/1/15-6/30/16	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/1/15-6/30/16	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	N/A	7/1/15-6/30/16	\$100,000 per loss
Criminal Proceeding and Intentional Conduct Defense Reimbursement	MABE Group Insurance Pool	N/A	7/1/15-6/30/16	\$50,000 per covered person \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/1/15-6/30/16	\$500,000 per occurrence
Excess Property	Alliant Property Insurance Program (APIP)	017471589/02	7/1/15-7/01/16	\$1 billion per occurrence excess of \$500,000
Excess Boiler and Machinery	Federal Insurance Company	76431229	7/1/15-6/30/16	\$100 million per occurrence excess of \$100,000
Crime	MABE Group Insurance Pool Travelers Casualty and Surety Axis Insurance Company	N/A 105957875 MNN781566/01/2015	7/1/15-6/30/16 7/1/15-7/01/16 7/1/15-7/01/16	\$25,000 per loss \$2,500,000 per loss, excess of \$25,000 \$2,500,000 excess of Travelers
School Board Legal Liability	MABE Group Insurance Pool	N/A	7/1/15-6/30/16	\$250,000 per occurrence \$5 million per occurrence should sovereign immunity be abrogated
School Board Legal Liability Reinsurance	United Educators Insurance	RCN20150430701	7/1/15-7/01/16	\$4,750,000 per occurrence excess of \$250,000
Catastrophic Student Accident	AIG	SRG 0009100979	8/01/15-8/01/16	\$5,000,000 Medical Expense \$1,000,000 Catastrophic Cash

Source: HCPS Risk Management Office

Harford County Public Schools

Facilities Information as of June 30, 2015

	Gross Square Feet	Acres	Year Constructed	Age in Years
Central Offices				
102 S. Hickory	73,122	0.77	2005	10
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	44
Center for Educational Opportunity	107,087	3.04	1965	50
High Schools				
1 Aberdeen High	229,000	20.42	2004	11
2 Bel Air High	262,454	53.17	2009	6
3 C. Milton Wright High	220,910	60.00	1980	35
4 Edgewood High	268,354	44.35	2010	5
5 Fallston High	233,500	62.00	1977	38
6 Harford Technical High	218,225	55.00	1978	37
7 Havre de Grace High	144,815	35.00	1955	60
8 Joppatowne High	184,070	65.16	1972	43
9 North Harford High	245,238	73.00	2007	8
10 Patterson Mill High & Middle	132,500	39.92	2007	8
Middle Schools				
11 Aberdeen Middle	196,800	43.83	1973	42
12 Bel Air Middle	164,900	25.84	1961	54
13 Edgewood Middle	166,530	34.86	1965	50
14 Fallston Middle	130,284	34.59	1993	22
15 Havre de Grace Middle	102,000	37.34	1967	48
16 Magnolia Middle	149,100	69.33	1979	36
Patterson Mill Middle	132,500	39.92	2007	8
17 North Harford Middle	173,728	40.00	1976	39
18 Southampton Middle	188,134	35.99	1970	45
Elementary Schools				
19 Abingdon Elementary	91,229	28.49	1992	23
20 Bakersfield Elementary	65,691	10.00	1961	54
21 Bel Air Elementary	49,748	6.31	1984	31
22 Church Creek Elementary	85,801	20.51	1994	21
23 Churchville Elementary	52,360	6.46	1931	84
24 Darlington Elementary	24,237	7.89	1938	77
25 Deerfield Elementary	103,200	20.76	2010	5
26 Dublin Elementary	44,385	24.69	1941	74
27 Edgewood Elementary	67,341	36.95	1969	46
28 Emmorton Elementary	63,000	22.04	1994	21
29 Forest Hill Elementary	64,722	8.44	2000	15
30 Forest Lakes Elementary	68,971	20.03	1997	18
31 Fountain Green Elementary	60,000	23.87	1993	22
32 George D. Lisby Elementary	56,295	20.01	1968	47
33 Halls Cross Roads Elementary	63,082	12.73	1943	72
34 Havre de Grace Elementary	65,085	10.25	1949	66
35 Hickory Elementary	77,958	33.11	1950	65
36 Homestead-Wakefield Elementary	115,458	36.53	1958	57
37 Jarrettsville Elementary	61,275	27.44	1962	53
38 Joppatowne Elementary	89,985	17.19	1965	50
39 Magnolia Elementary	59,900	17.00	1975	40
40 Meadowvale Elementary	69,000	13.26	1959	56
41 Norrisville Elementary	37,417	11.54	1967	48
42 North Bend Elementary	60,221	18.23	1991	24
43 North Harford Elementary	49,703	20.00	1984	31
44 Prospect Mill Elementary	75,538	15.00	1973	42
45 Red Pump Elementary	100,573	23.67	2011	4
46 Ring Factory Elementary	59,132	34.26	1990	25
47 Riverside Elementary	55,711	13.18	1968	47
48 Roye Williams Elementary	78,126	28.00	1953	62
49 William Paca/Old Post Rd. Elementary	112,417	46.00	1964	51
50 William S. James Elementary	58,500	15.00	1976	39
51 Youths Benefit Elementary	96,616	26.18	1953	62
Total	6,175,384	1,890.93		

Source: Educational Facilities Master Plan 2014

Harford County Public Schools

Principal Employers in Harford County

	2014 ¹			2006		
	<u>Employees²</u>	<u>Rank</u>	<u>% of Total Jobs in Harford County</u>	<u>Employees³</u>	<u>Rank</u>	<u>% of Total Jobs in Harford County</u>
Government Sector:						
Aberdeen Proving Ground	16,797	1	18.5%	12,486	1	15.1%
Harford County Public Schools	4,994	2	5.5%	4,769	2	5.8%
Harford County Government	1,605	4	1.8%	1,309	4	1.6%
Private Sector:						
Upper Chesapeake Health Systems	3,129	3	3.4%	2,200	3	2.7%
Rite Aid Mid-Atlantic Customer Distrib Ctr	1,300	5	1.4%	969	6	1.2%
Kohl's	1,255	6		-		
Harford Community College	1,029	7	1.1%	997 ⁴	5	12.0%
Kleins Shoprite	1,000	8	1.1%	-		-
Walmart	900	9	1.0%	568	8	-
Jacobs Technology, Inc.	865	10	1.0%	-		-
Sverdrup Technology				500	9	0.6%
Saks Fifth Avenue				472	10	0.6%
SAIC				800	7	
Top Employers' Jobs	32,874		36.2%	25,278		30.5%
Total Jobs in Harford County⁵	90,744		100.0%	82,798		100.0%

Sources:

¹2014 data is the most current yearly information available

²Data from the Harford County Office of Economic Development; Harford County Brief Economic Fact Sheet 2015

³Data from the Harford County, Maryland Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006; Table 15, pg 145

⁴Quick Facts, Harford Community College, 2006.

⁵Maryland Department of Labor, Licensing & Regulation, 4th quarter data

Harford County Public Schools

**Outstanding Capital Lease
Direct Debt
as of June 30, 2015**

Fiscal Year	Principal	Interest	Total Debt Service
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	797,737	26,086	823,823
	<u>\$ 9,645,389</u>	<u>\$ 2,711,941</u>	<u>\$ 12,357,330</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 - 2015

State Category	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Administration	108	122	124	124	123	124	126	123	120	120
Mid Level - Office of the Principal	264	269	275	277	282	281	306	298	294	294
Mid Level - Admin & Supervision	70	74	80	79	74	76	54	54	56	56
Instructional Salaries	2,829	2,881	2,912	2,868	2,848	2,868	2,835	2,781	2,696	2,705
Special Education	824	876	936	941	1,028	1,124	1,085	1,070	1,046	1,040
Student Services	20	20	20	20	20	20	20	20	21	20
Health Services	64	66	71	71	71	71	72	72	72	73
Transportation	147	159	171	183	193	203	211	217	217	217
Operation of Plant	314	315	332	333	333	334	342	345	345	345
Maintenance of Plant	130	128	128	126	126	124	125	126	126	126
Community Services	1	1	1	1	1	1	1	1	1	1
Totals¹	4,769	4,910	5,049	5,022	5,097	5,225	5,177	5,107	4,994	4,997

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

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

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

Harford County Public Schools

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Principal & Interest	\$ -	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 246,568	\$ 327,544	\$ 698,803
Total Expenditures	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	532,816,898
Less capitalized Expenditures	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	13,748,105
Net expenditures	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	519,068,793
Ratio of Principal & Interest to Net Expenditures	N/A	0.19%	0.17%	0.17%	0.16%	0.16%	0.16%	0.05%	0.06%	0.13%

No Debt prior to 2007

Harford County Public Schools

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Principal & Interest \$	-	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 246,568	\$327,544	\$698,803
Student Enrollment	40,212	39,571	39,175	38,610	38,639	38,394	38,222	37,868	37,913	37,543
Ratio of debt to Student Enrollment	N/A	\$ 20.82	\$ 21.03	\$ 21.34	\$ 21.32	\$ 21.46	\$ 21.55	\$ 6.51	\$ 8.64	\$ 18.61

No Debt prior to 2007

Compliance Section



**Lance Einfeld, Grade 10, Aberdeen High School
Teacher: Richard Morris**



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, 2015, and the related notes to the financial statements, which collectively comprise HCPS' basic financial statements, and have issued our report thereon dated September 17, 2015.

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.



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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*.

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 17, 2015

A handwritten signature in black ink that reads "SB & Company, LLC". The signature is written in a cursive, flowing style.



**Daryese Fleming, Grade 4, Joppatowne Elementary School
Teacher: Sharon Pardew**



**Mary Kraczek, Grade 9, Bel Air High School
Teacher: Jennifer Moss**



HCPS Faculty and Staff Noteworthy Accomplishments

FROM TOP, LEFT TO RIGHT: Laura Potter, mathematics teacher at C. Milton Wright High School and HCPS Teacher of the Year, poses with Principal Mike Thatcher and her new car, a donated one-year lease courtesy of Jones Junction; Fountain Green Elementary School was honored for being selected as a Maryland Blue Ribbon School; Tracy Goetzinger, first grade teacher at William S. James Elementary School, was selected to receive a \$1,000 Edna May Merson Scholarship from the Council of Educational Administrative and Supervisory Organizations of Maryland (CEASOM); HCPS honored employees who have served the county, and its students, for 10, 20, 30 and 40 years (40-year employees pictured); North Harford High School Principal Ed Herbold retired this year, after 30 years of service to HCPS; Doris Schaule, of Patterson Mill High School, was selected as the 2015 HCPS Nurse of the Year.