



# Comprehensive Annual Financial Report

For the fiscal year ending June 30, 2018

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

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

# 2017-2018 Board of Education of Harford County



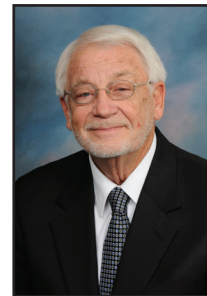
**Joseph L. Voskuhl**  
President  
Elected Member  
Councilmanic District C



**Laura S. Runyeon**  
Vice President  
Appointed Member-at-Large



**Joseph A. Hau**  
Appointed Member-at-Large



**Alfred L. Williamson**  
Appointed Member-at-Large



**Jansen M. Robinson**  
Elected Member  
Councilmanic District A



**Robert L. Frisch**  
Elected Member  
Councilmanic District B



**Nancy Reynolds**  
Elected Member  
Councilmanic District D



**Rachel Gauthier**  
Elected Member  
Councilmanic District E



**Thomas F. Fitzpatrick**  
Elected Member  
Councilmanic District F



**Matthew E. Resnik**  
Student Member



**Barbara P. Canavan**  
Secretary-Treasurer  
Superintendent of Schools  
Term end June 30, 2018



**Sean W. Bulson, Ed.D.**  
Superintendent of Schools  
Term start July 1, 2018

## COVER DESIGN:

Photo (Front): Students arrive for the first day of school at Roye-Williams Elementary School.

Photo (Back): Bus drivers at North Bend Elementary School greet incoming Kindergarten students.

Design: Stephanie Wall, Graphic Designer & Technical Specialist, HCPS Communications Office.



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## **Harford County Public Schools Nondiscrimination Statement**

The Harford County Public School System (HCPS) does not discriminate on the basis of race, color, sex, age, national origin, religion, sexual orientation, gender identity, marital status, genetic information, disability, or any other basis prohibited by law with regard to employment or conditions of employment, or participation in or access to its programs, activities or services. Inquiries related to the non-discrimination policy of the Board of Education of Harford County should be directed to the Supervisor of Equity and Cultural Proficiency at 410-809-6065.

# Harford County Public Schools

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# Harford County Public Schools

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# Introductory Section

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## **Community Members attended the official Dedication Ceremony for Youth's Benefit Elementary School**

Harford County Public Schools hosted the official commemorative event for Youth's Benefit Elementary School in Fallston, Maryland, on April 21, 2018. Guests included representatives from the Board of Education of Harford County, school system leadership, elected officials, and students and staff of Youth's Benefit Elementary School.

The new Youth's Benefit Elementary School is 149,000 square feet and is the largest single-building elementary school in Harford County.

# Harford County Public Schools

## Vision

We will **inspire** and **prepare** each student to **achieve** success in college and career.

## Mission

Each student will attain academic and personal success in a safe and caring environment that honors the diversity of our students and staff.

## Core Values

- We empower each student to achieve academic excellence.
- We create reciprocal relationships with families and members of the community.
- We attract and retain highly skilled personnel.
- We assure an efficient and effective organization.
- We provide a safe and secure environment.

## Long Term Goals

**Goal 1:** Prepare every student for success in postsecondary education and career.

**Goal 2:** Engage families and the community to be partners in the education of our students.

**Goal 3:** Hire and support highly effective staff who are committed to building their own professional capacity in order to increase student achievement.

**Goal 4:** Provide safe, secure, and healthy learning environments that are conducive to effective teaching and learning, creativity and innovation.

*We believe the strategic plan guides our practice and is the foundation for continuous systemic growth and achievement. Our core values are constant, non-negotiable, and reflect our systemic beliefs. The plan will be reviewed annually by the Board of Education of Harford County. The components of the plan will be reflected in the Harford County Master Plan, the Board of Education Budget, and the respective School Performance and Achievement Plans.*

# Board of Education of Harford County

The members of the Board as of June 30, 2018, 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	Joseph L. Voskuhl	Councilmanic District C	2019
Vice-President	Laura S. Runyeon	Appointed Member-at-Large	2019
Other members	Jansen M. Robinson	Councilmanic District A	2019
	Robert L. Frisch	Councilmanic District B	2019
	Nancy Reynolds	Councilmanic District D	2019
	Rachel Gauthier	Councilmanic District E	2019
	Thomas Fitzpatrick	Councilmanic District F	2019
	Joseph A. Hau	Appointed Member-at-Large	2019
Student member	Alfred L. Williamson	Appointed Member-at-Large	2019
	Matt E. Resnik	Student Member	2018
Secretary-Treasurer	Barbara P. Canavan	Superintendent of Schools	2018
	Sean W. Bulson, Ed.D.	Superintendent of Schools	2022

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](http://mlis.state.md.us). In addition, there is a high school senior representative to the Board who serves a one-year term. The student is elected by the Harford County Regional Association of Student Councils.

## Administration as of July 1, 2018

**Barbara P. Canavan**  
*Superintendent until June 30, 2018*

**Sean W. Bulson, Ed.D.**  
*Superintendent beginning July 1, 2018*

**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*

**Deborah L. Judd, CPA**  
*Assistant Superintendent for Business Services*

**Eric G. Clark**  
*Director of Budget*

**Patti Jo Beard**  
*Executive Director of Facilities Management and  
Planning and Construction*

**Bernard P. Hennigan**  
*Director of Student Services*

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

**H. Andrew Moore, II**  
*Director of Information and Technology*

**Cathy E. Bendis (effective 9/11/18)**  
*Director of Transportation*

**Renee L. Villareal**  
*Acting Executive Director of Elementary School  
Instruction and Performance*

**John G. Staab, CPA**  
*Director of Finance*

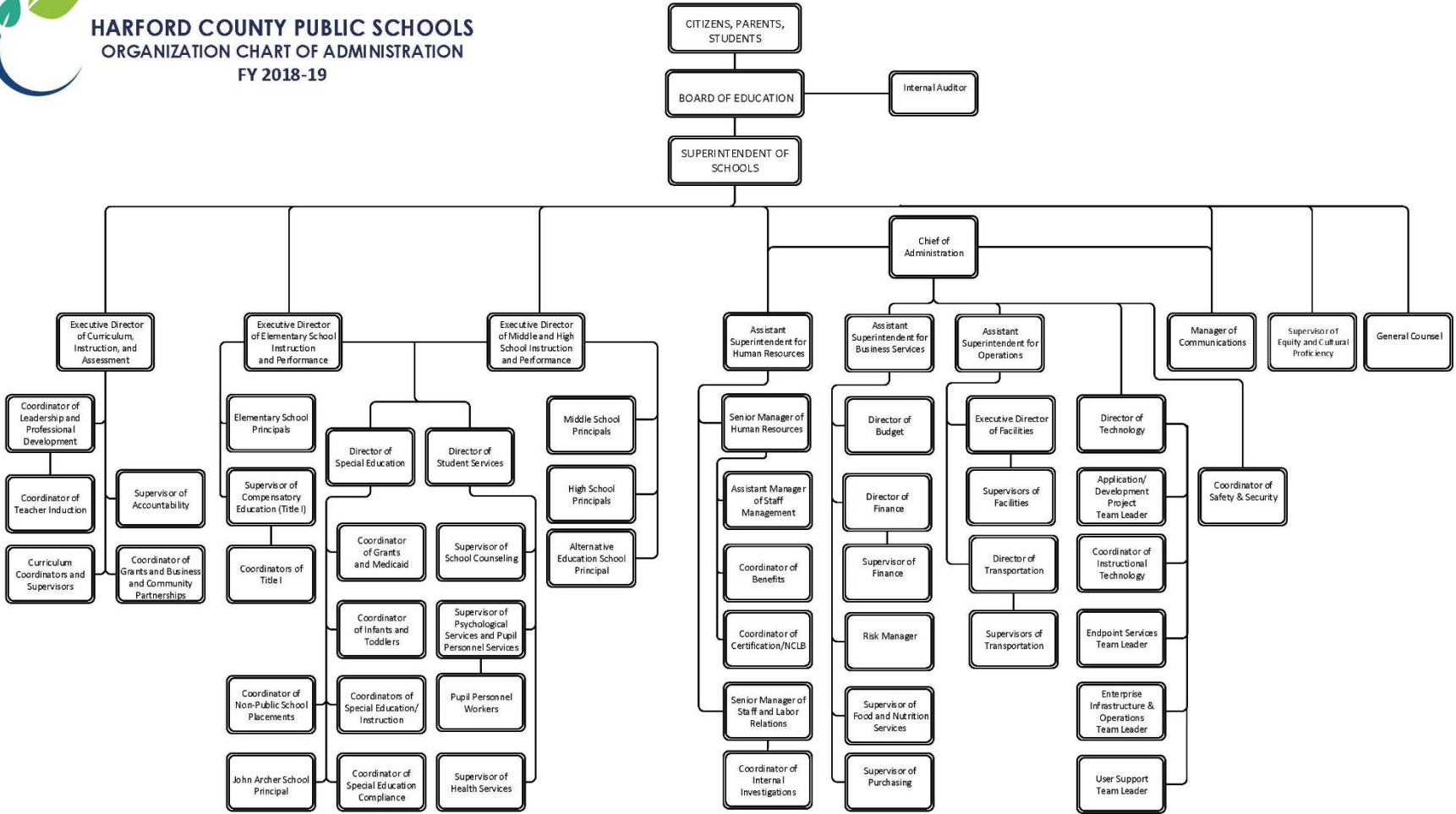
**Susan P. Brown, Ed.D.**  
*Executive Director of Curriculum, Instruction  
and Assessment*

**Susan K. Austin, Ph.D.**  
*Director of Special Education*





**HARFORD COUNTY PUBLIC SCHOOLS**  
**ORGANIZATION CHART OF ADMINISTRATION**  
 FY 2018-19



**Business Services**

Deborah L. Judd, CPA  
Assistant Superintendent for Business Services  
410-588-5321

September 24, 2018

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, 2018.

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, has issued an unmodified (“clean”) opinion on Harford County Public Schools (HCPS) financial statements for the fiscal year ended June 30, 2018. 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 complements this letter of transmittal and should be read in conjunction with it.

All funds and accounts of 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’ financial statements and footnotes will be included in the Comprehensive Annual Financial Report of Harford County.

## *Profile of the Government*

Harford County Public Schools (HCPS) is a fiscally dependent school system with an actual enrollment of 37,780 students in fiscal 2018. HCPS is the 157<sup>th</sup> largest school system<sup>1</sup> of the 13,584 regular school districts in the country when ranked by enrollment.<sup>2</sup> 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 8<sup>th</sup> in size.<sup>3</sup> The student body will be served by a projected 5,038 FTE faculty and staff positions for fiscal 2019. Peak enrollment of 40,212 was reached in 2005, and has since dropped by 2,432 students, or 6.0%.

Citizens in the county have a choice of public or private schools. Harford County has 54 public schools and 43 non-public schools<sup>4</sup> located within the county. The number of students attending private schools is unknown. The 2017 estimated population of Harford County is 252,160<sup>5</sup>. According to the U.S. Census Bureau, the school-age population in 2017 was 42,363<sup>5</sup>, of which 34,233 (HCPS enrollment less preschool and prekindergarten) or 80.8% attended public schools.

The Board of Education of Harford County is 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 [www.mlis.state.md.us](http://www.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.

## *County Government Perspective on Local Economy*<sup>6</sup>

**Local economy:** Harford County's convenient location on the I-95 corridor in northeastern Maryland offers easy access to prominent research institutions such as the U.S. Army Aberdeen Proving Ground, Johns Hopkins, and the University of Maryland. Desirable location combined with the County's highly skilled work force and progressive, business-friendly environment; serve to provide the draw for a wide variety of companies and industry sectors to Harford County.

The County's largest revenue source remains real property taxes. The fiscal year 2018 taxable assessable base resulted in an increase over the fiscal year 2017 assessable base of 2.16%. The estimated increase in property taxes from fiscal year 2018 to fiscal year 2019 is 1.75% or \$4,633,000. The increase is due to the properties known as "Group 3" being reassessed. These properties are reassessed by the Department every three years and account for one-third of the more than two million real property accounts in the state. The 2018 assessments for "Group 3" properties were based on an evaluation of 63,322 sales that occurred within the group over the last three years. If the reassessment resulted in a property value being adjusted, any increase in value will be phased-in equally over the next three years, while any decrease in value will be fully implemented in the 2018 tax year. For the 2018 assessment, 68.9% of "Group 3" residential

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<sup>1</sup> U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey," 2013, Table 215.10

<sup>2</sup> U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey.", 2015-2016, Table 214.10

<sup>3</sup> Maryland State Department of Education, Student Publications, "Maryland Public School Enrollment by Race/Ethnicity and Gender and Number of Schools", September 30, 2017, Table 12

<sup>4</sup> Maryland State Department of Education, Student Publications, "Nonpublic School Enrollment State of Maryland, September 30, 2017," Table 5

<sup>5</sup> United States Census Bureau, QuickFacts, Harford County, Maryland, Persons under 5 years / 18 years, V2017

<sup>6</sup> Excerpts from the Harford County Government Comprehensive Annual Financial Report for the year ended June 30, 2018.

properties saw an increase in property value. In Harford County, residential assessments increased by 3.6% and commercial assessments increased by 6.5% since their last assessment in December of 2015. This is the sixth year of positive assessment growth in Harford County.

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 2012 through 2018 using the modified accrual basis of accounting. The year over year increase for 2015 to 2016, 2016 to 2017 and 2017 to 2018 was 7.0%, 2.6%, and 2.6%. Income tax is budgeted at \$226,700,000 for fiscal year 2019.

### ***Long-Term Financial Planning for the School System***

The majority of all funding comes from Harford County and the State of Maryland. Although local funding has increased every year, the level of funding received each year has not been enough to cover ongoing expenses. HCPS has continued to make budgetary cuts so that revenues could be allocated with minimal impact to school-based programs and services. Funding remains a concern as HCPS continues to examine ways to reduce costs and still maintain a high level of service to our students and citizens. Because all funding we receive is allocated towards existing programs, contracts and mandates, we are not able to direct any resources to new initiatives in general education programming. We are required to provide special education services and we have implemented programming in order to provide more services within HCPS. This is a cost savings measure that allows us to bring students back to HCPS from out-of-county placements when we can locally provide the level of services our students require.

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.

### ***Study of Adequacy of Funding for Education in Maryland***<sup>7</sup>

In 2002, the Maryland General Assembly enacted Chapter 288, the Bridge to Excellence in Public Schools Act. The Act established new primary state education aid formulas based on adequacy cost studies. These adequacy cost studies, conducted in 2000 and 2001 under the purview of the Commission on Education Finance, Equity, and Excellence, employed the professional judgment and successful schools' methods and other education finance analytical tools. State funding to implement the Bridge to Excellence in Public Schools Act was phased-in over six years, reaching full implementation in fiscal year 2008. Chapter 288 requires that a follow-up study of the adequacy of education funding in the State be undertaken approximately 10 years after the enactment of the Bridge to Excellence in Public Schools Act. The study must include, at a minimum, (1) adequacy cost studies that identify (a) a base funding level for students without special needs and (b) per pupil weights for students with special needs, where weights can be applied to the base funding level, and (2) an analysis of the effects of concentrations of poverty on adequacy targets. The adequacy cost study must be based on Maryland's College and Career Ready Standards (MCCRS) adopted by the State Board of Education and include two years of results from the new state assessments aligned with the standards. These assessments were first administered statewide in the 2014-2015 school year.

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<sup>7</sup> Augenblick, Palaich & Associates. (2016). Final Report of the Study of Adequacy of Funding for Education in Maryland. Denver, CO; Author.

There are several additional components that are mandated for inclusion in the study. These components include evaluations of (1) the impact of school size, (2) the Supplemental Grants program, (3) the use of Free and Reduced Price Meals eligibility as the proxy for identifying economic disadvantage, (4) the federal Community Eligibility Provision in Maryland, (5) prekindergarten services and the funding of such services, (6) equity and the current wealth calculation, and (7) 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. APA Consulting, in partnership with Picus Odden & Associates and the Maryland Equity Project at the University of Maryland, had to submit a final report to the State no later than November 30, 2016.

This final report presents the findings of Augenblick, Palaich and Associates' (APA) adequacy analysis for the State of Maryland. The APA study team's estimate of the cost of an adequate education in Maryland used three approaches for estimating adequacy, the results of which were crafted into a single adequacy recommendation for the State. The study team also developed recommendations for a new funding formula incorporating its adequacy recommendation and a model to analyze the impacts of the proposed school funding formula on the State and on individual school districts. Final steps have yet to be determined and HCPS will monitor the progress closely.

### ***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, 2017. This was the thirteenth 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.

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 Laura J. Tucholski, CPA, CIA, CFE, Internal Auditor, and SB & Company, LLC. Many other offices in the system contributed to provide data for this report, including the photographs 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,



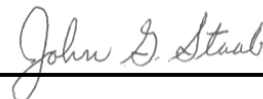
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Sean W. Bulson, Ed.D.  
Superintendent



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Deborah L. Judd, CPA  
Assistant Superintendent for  
Business Services



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John G. Staab, CPA  
Finance Director



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, 2017**

*Christopher P. Morill*

Executive Director/CEO

# Financial Section

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## Fallston Middle School named 2017-2018 Maryland Blue Ribbon School

Harford's Fallston Middle School was announced on December 5, 2017 as a 2017-2018 Maryland Blue Ribbon School by the Maryland State Department of Education and the U.S. Department of Education for students achieving at very high levels. The announcement, made by State Superintendent of Schools Karen Salmon, cited only six Maryland schools to receive the distinguished honor.





**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

## 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, 2018, 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 opinions 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof 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 2018, HCPS adopted the new accounting guidance from GASB statements No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions”. 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, schedules of revenues, expenditures, and changes in fund balance compared to budget, of changes in the net OPEB liability and related ratios, board contributions, investment returns, 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 an opinion on the financial statements that collectively comprise HCPS’ basic financial statements. The accompanying school construction fund schedule of expenditures by project; agency funds schedule of increases, decreases, and fund balances; combining statement of fiduciary net position – agency funds; and combining statement of changes in assets and liabilities – agency funds (collectively, the Supplemental Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections 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 them.



**SB & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018, on our consideration of HCPS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HCPS' internal control over financial reporting and compliance.

Hunt Valley, Maryland  
September 24, 2018

# Harford County Public Schools

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## Management's Discussion and Analysis (MD&A)

June 30, 2018

As Management of 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, 2018. 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 7-11 of this report.

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

The goal of MD&A is for the HCPS financial managers to present an objective and easily readable analysis of its financial activities based on currently known facts, decisions or conditions.

### Financial Highlights

- The liabilities for Harford County Public Schools exceeded its assets at the close of the most recent fiscal year by \$774.0 million. As a result of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the restated net position as of June 30, 2017 was (\$340.5) million and decreased by \$78.2 million to (\$418.7) million for the year ended June 30, 2018 due mainly to activity related to GASB No. 75. See Exhibit 1.
- The HCPS total liabilities increased by \$1.1 billion during the current fiscal year. The key factor in this change was the implementation of GASB Statement No. 75. See Exhibit 1.
- The General Fund unrestricted, unassigned fund balance on a GAAP basis decreased \$6.6 million to \$3.8 million, or 63.46%. This decrease is mainly due to an assignment of \$10.9 million to cover ongoing expenses in fiscal year 2019 partially offset by the fiscal year 2018 surplus. See Exhibit 3.
- The final General Fund budget increased by \$7.8 million during the year from the originally adopted budget. In the operating budget, monies were received and the budget adjusted due to Medicare Part D receipts. In the restricted budget, adjustments were made for new grants received during the fiscal year and to adjust for previous unspent monies, or carry-over funds, that are subsequently added to the current year budget. See Exhibit 7.
- The General Fund includes restricted and unrestricted funds. This fund's actual revenues were less than the final budget by \$5.7 million, or 1.17%. Expenditures were less than the final budget by \$11.1 million, or 2.28%. These variances were mainly due to unspent restricted funds that will be carried forward to the fiscal year 2019. The surplus of \$5.4 million is due mainly to variances in instructional salaries and fixed charges as well as reduced spending in other categories. Overall, 98.98% of the unrestricted operating budget was spent during the fiscal year. See Exhibit 7.

# Harford County Public Schools

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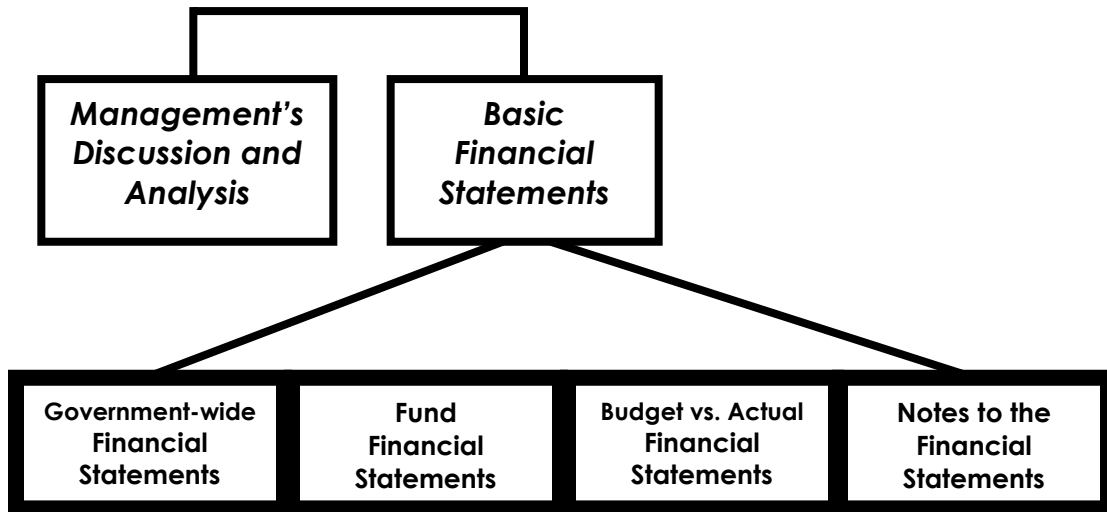
## Management's Discussion and Analysis (MD&A)

June 30, 2018

### 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.

### 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 (such as earned but unused employee leave), or for which cash has already been expended (depreciation of buildings and equipment already purchased).

# Harford County Public Schools

## Management's Discussion and Analysis (MD&A)

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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. Funds are in two categories, governmental funds and fiduciary funds. Harford County Public Schools does not operate any enterprise activities that are reported as proprietary funds.

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

Accordingly, the modified accrual basis of accounting that measures these cash flows is used. In the case of Harford County Public Schools, open encumbrances are excluded from expenditures, the State of Maryland's contribution to the teachers retirement system is added to revenue and expenditures and the activity of the self-insurance rate stabilization funds are included in revenues 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 No. 34 requires that we present the original adopted budget as well as the final budget and discuss the changes between them.

	<b>Government-wide Statements</b>	<b>Fund Statements</b>	<b>Budgetary Fund Statements</b>
<b>Measurement Focus</b>	Economic Resources	Current Financial Resources	Current Financial Resources
<b>Basis of Accounting</b>	Accrual	Modified Accrual	Cash and Commitments
<b>Budget</b>	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.

# Harford County Public Schools

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## Management's Discussion and Analysis (MD&A)

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**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.

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

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

### 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, liabilities exceeded assets by \$774.0 million at the close of the fiscal year, which represents an increase from the prior year of \$1.1 billion. This large increase is due to the implementation of GASB Statement No. 75. Current and other assets decreased by \$5.8 million due mainly to an increase in fiduciary funds, which are not reported on the Statement of Net Position. Capital Assets increased by \$8.9 million due mainly to the beginning construction phase for Havre de Grace Middle/High School. The results of operations for the year were diminished by increasing liabilities associated with other post-employment benefits (OPEB). Net position decreased by \$78.2 million from June 30, 2017 to June 30, 2018 due to the increase in the OPEB liability.

By far, the largest portion of the 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 investment in 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, 2018 and 2017, is illustrated in the table below and Exhibit 1.

# Harford County Public Schools

## Management's Discussion and Analysis (MD&A)

June 30, 2018

<b>Harford County Public Schools</b>				
<b>Governmental Funds</b>				
<b>Net Position</b>				
	June 30, 2018	June 30, 2017 (as restated)	\$ Change	% Change
<b>ASSETS</b>				
Current and other assets	\$ 47,483,647	\$ 53,321,376	\$ (5,837,729)	-10.95%
Capital assets	637,267,472	628,413,836	8,853,636	1.41%
Total assets	<u>684,751,119</u>	<u>681,735,212</u>	<u>3,015,907</u>	<u>0.44%</u>
Deferred outflows related to pensions	6,428,107	7,847,210	(1,419,103)	-18.08%
Deferred outflows related to OPEB	<u>385,870,000</u>	-	<u>385,870,000</u>	n/a
Total deferred outflows	392,298,107	7,847,210	384,450,897	4899.20%
<b>LIABILITIES</b>				
Current and other liabilities	13,242,063	12,383,431	858,632	6.93%
Noncurrent liabilities	1,445,516,626	1,015,886,104	429,630,522	42.29%
Total liabilities	<u>1,458,758,689</u>	<u>1,028,269,535</u>	<u>430,489,154</u>	<u>41.87%</u>
Deferred inflows related to OPEB	33,889,000	-	33,889,000	n/a
Deferred inflows related to pensions	<u>3,147,327</u>	1,845,071	<u>1,302,256</u>	<u>70.58%</u>
Total deferred inflows	37,036,327	1,845,071	35,191,256	1907.31%
<b>NET POSITION</b>				
Net investment in capital assets	629,197,756	619,801,908	9,395,848	1.52%
Restricted	4,714,569	4,618,159	96,410	2.09%
Unrestricted	(1,052,658,115)	(964,952,251)	(87,705,864)	9.09%
Total net position	<u>\$ (418,745,790)</u>	<u>\$ (340,532,184)</u>	<u>\$ (78,213,606)</u>	<u>22.97%</u>

Current and other assets decreased \$5.8 million due to a \$1.4 million reduction in other receivables related to the rate stabilization fund for self-insurance and also to a \$3.6 million reduction in cash and investments available at year-end. The unrestricted deficit as of June 30, 2018 of \$1.1 billion is due mainly to the net OPEB liability of \$1.4 billion associated with the implementation of GASB Statement no. 75. Additionally, 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, 2019. Of the total \$28.9 million of accrued compensated absences as of June 30, 2018, \$4.7 million is due within one year. The amount attributable to vacation leave is \$4.9 million and \$24.0 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. In addition to compensated absences, HCPS has obligations under a capital lease for the construction of the administration building totaling \$8.1 million. The



# Harford County Public Schools

## Management's Discussion and Analysis (MD&A)

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remaining long-term liabilities are due to the net pension liability, \$23.5 million, and net OPEB liability, \$1.4 billion.

Results of operations for HCPS as a whole are presented in Exhibit 2, the Statement of Activities. Approximately \$624.3 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. \$381.6 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 90.2% of the total cost of services are directly related to students' instruction and welfare. Of the remaining 9.7%, all but about 0.1% 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	\$ 417,456,811	\$ 299,076,588	71.64%
Pupil personnel	2,819,206	2,679,746	95.05%
Health services	7,461,418	7,461,418	100.00%
Pupil transportation	42,604,447	29,863,266	70.09%
Operation and maintenance of plant	72,989,834	62,379,373	85.46%
Food services	19,764,735	2,399,544	12.14%
All others	61,218,335	55,992,474	91.46%
Total	<u>\$ 624,314,786</u>	<u>\$ 459,852,409</u>	<u>73.66%</u>
All others			
Administration	\$ 16,900,989	\$ 15,399,175	91.11%
Mid-level administration	43,367,419	40,109,279	92.49%
Community services	593,737	127,830	21.53%
Interest on debt	281,610	281,610	100.00%
Depreciation - unallocated	74,580	74,580	100.00%
Total	<u>\$ 61,218,335</u>	<u>\$ 55,992,474</u>	<u>91.46%</u>

Total revenues increased by \$10.9 million, or 2.03%, the prior year, as shown in the following table. Increases in capital grants and contributions, local appropriations and state aid were offset by decreases in operating grants and contributions and miscellaneous revenues. Miscellaneous revenues decreased \$1.7 million. The majority of this decrease pertains to the November 2017 \$1.4 million annual self-insurance settlement. Investment earnings increased due to rising interest rates. HCPS is fiscally dependent on local and state aid to fund its daily operations. State aid is largely

# Harford County Public Schools

## Management's Discussion and Analysis (MD&A)

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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 increased by \$56.6 million, or 9.97%, with increases due mainly to the implementation of GASB 75.

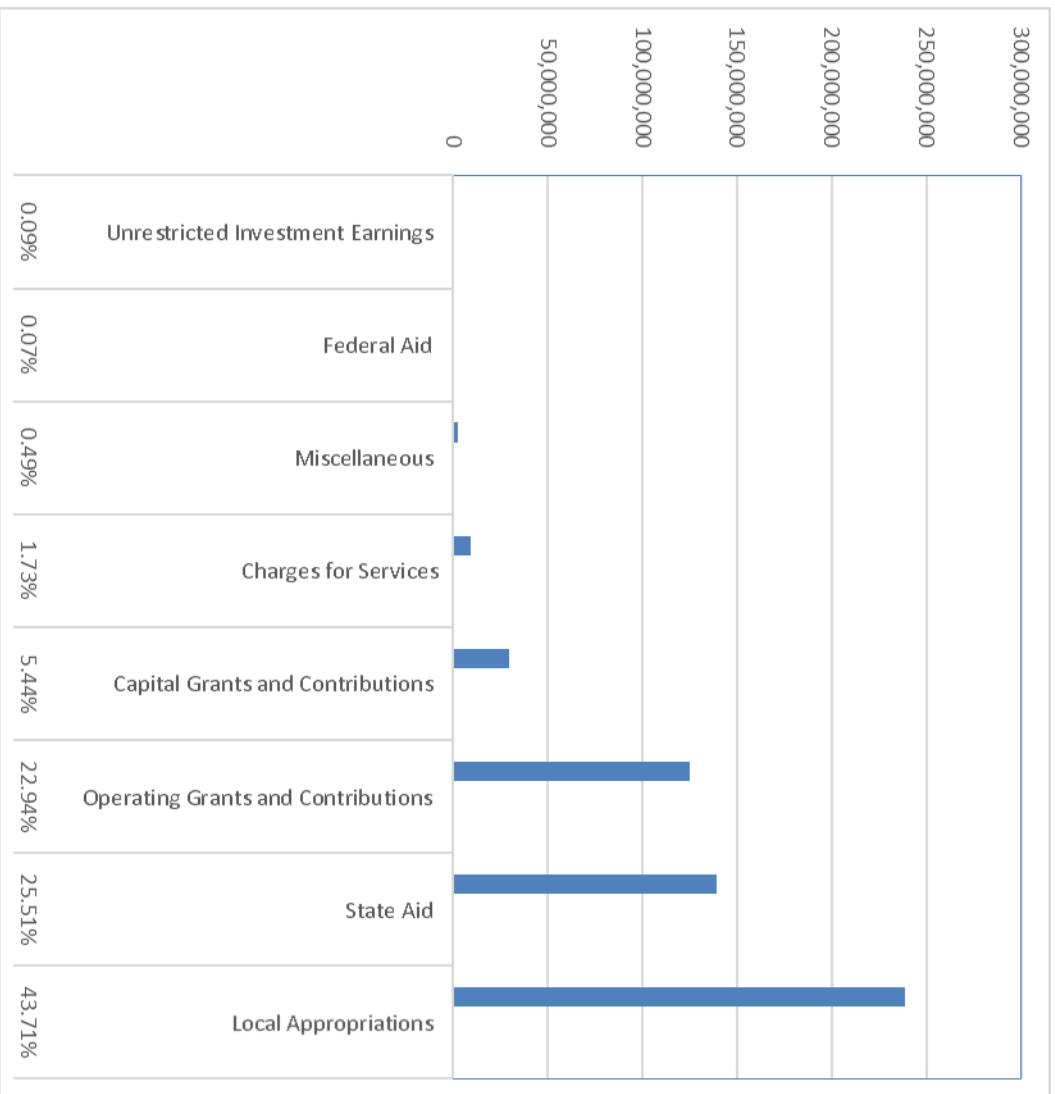
### Harford County Public Schools Change in Net Position

	<u>June 30, 2018</u>	<u>June 30, 2017</u> (As restated)	<u>% Change</u>
<b>Revenues</b>			
Program:			
Charges for services	\$ 9,464,628	\$ 9,340,685	1.33%
Operating grants and contributions	125,265,827	126,497,759	-0.97%
Capital grants and contributions	29,731,922	23,167,814	28.33%
Local appropriations	238,715,645	233,534,504	2.22%
State aid	139,326,503	137,762,611	1.14%
Federal aid	408,977	391,653	4.42%
Miscellaneous	2,672,419	4,370,910	-38.86%
Investment earnings	515,259	182,387	182.51%
Total revenues	<u>546,101,180</u>	<u>535,248,323</u>	<u>2.03%</u>
<b>Expenses</b>			
Instruction	417,456,811	377,227,786	10.66%
Support services:			
Administration	16,900,989	15,417,072	9.63%
Mid-level administration	43,367,419	40,276,220	7.67%
Pupil personnel services	2,819,206	2,525,190	11.64%
Health services	7,461,418	6,162,595	21.08%
Pupil transportation	42,604,447	40,242,679	5.87%
Operation of plant	48,637,405	45,834,120	6.12%
Maintenance of plant and equipment	24,352,429	20,797,441	17.09%
Community services	593,737	578,225	2.68%
Food services	19,764,735	18,259,569	8.24%
Interest on long-term debt	281,610	298,779	-5.75%
Depreciation - unallocated	74,580	77,168	-3.35%
Total expenses	<u>624,314,786</u>	<u>567,696,844</u>	<u>9.97%</u>
<b>Change in Net Position</b>	(78,213,606)	(32,448,521)	141.04%
Net position - beginning of year	<u>(340,532,184)</u>	<u>334,904,408</u>	<u>-201.68%</u>
Effect of restatement for GASB 75	<u>-</u>	<u>(642,988,071)</u>	<u>-100.00%</u>
<b>Net position - end of year</b>	<u>\$ (418,745,790)</u>	<u>\$ (340,532,184)</u>	<u>22.97%</u>

# Harford County Public Schools

Management's Discussion and Analysis (MD&A)  
June 30, 2018

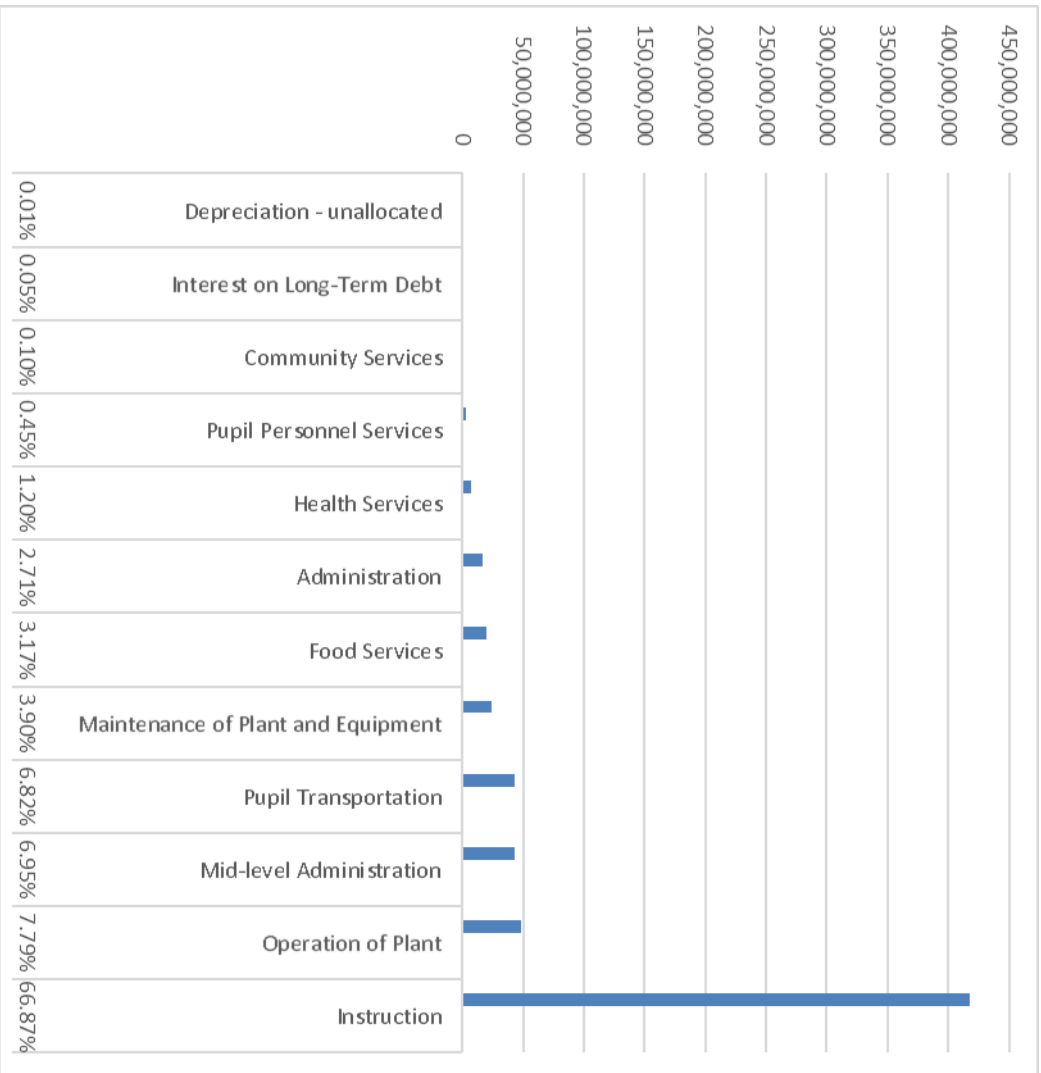
## Sources of Revenues for Fiscal Year Ended June 30, 2018



# Harford County Public Schools

Management's Discussion and Analysis (MD&A)  
June 30, 2018

## Expenditures for Fiscal Year Ended June 30, 2018



# **Harford County Public Schools**

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## **Management's Discussion and Analysis (MD&A)**

**June 30, 2018**

### **Fund Performance**

Funds are self-balancing sets of accounts used to control and manage money for particular purposes. As pointed out earlier, fund information is presented in two ways to satisfy two specific purposes.

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

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 also in line with the previous year with no significant increases or decreases warranting discussion. In the Capital Projects Fund, revenues from local sources decreased slightly by \$1.2 million, or 6.25%, and increased from state sources by \$7.5 million, or 188.05%, respectively. The large increase in state funds is due to the construction of Havre de Grace Middle/High School.

# Harford County Public Schools

## Management's Discussion and Analysis (MD&A) June 30, 2018

### Harford County Public Schools Changes in Fund Balance

	<u>General Fund</u>		<u>Food Services Fund</u>		<u>Capital Projects Fund</u>		<u>Total</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Revenues</b>								
Intergovernmental Revenues								
Local Sources	\$ 238,715,645	\$ 233,534,504	\$ -	\$ -	\$ 17,933,573	\$ 19,129,002	\$ 256,649,218	\$ 252,663,506
State Sources	224,907,960	223,985,285	358,730	369,406	11,416,550	3,963,370	236,683,240	228,318,061
Special State and Federal Programs	29,726,463	30,326,771	-	-	-	-	29,726,463	30,326,771
Federal Sources	408,977	391,653	9,460,551	9,414,747	-	-	9,869,528	9,806,400
Earnings on Investments	515,259	182,387	5,658	-	-	-	520,917	182,387
Charges for Services	-	-	7,407,284	7,122,890	-	-	7,407,284	7,122,890
Miscellaneous Revenues	4,729,763	6,588,704	132,968	164,161	381,799	75,442	5,244,530	6,828,307
Total revenues	<u>499,004,067</u>	<u>495,009,304</u>	<u>17,365,191</u>	<u>17,071,204</u>	<u>29,731,922</u>	<u>23,167,814</u>	<u>546,101,180</u>	<u>535,248,322</u>
<b>Expenditures</b>								
Administration	10,342,365	10,068,899	-	-	-	-	10,342,365	10,068,899
Mid-Level Administration	26,078,655	25,698,628	-	-	-	-	26,078,655	25,698,628
Instructional Salaries	161,840,177	158,061,131	-	-	-	-	161,840,177	158,061,131
Instructional Textbooks & Materials	6,526,546	6,625,353	-	-	-	-	6,526,546	6,625,353
Other Instructional Costs	5,452,074	4,335,794	-	-	-	-	5,452,074	4,335,794
Special Education	42,540,563	40,699,953	-	-	-	-	42,540,563	40,699,953
Student Personnel Services	1,745,524	1,714,689	-	-	-	-	1,745,524	1,714,689
Health services	3,774,325	3,355,933	-	-	-	-	3,774,325	3,355,933
Pupil transportation	31,552,046	30,808,113	-	-	-	-	31,552,046	30,808,113
Operation of plant	27,492,477	28,174,042	-	-	-	-	27,492,477	28,174,042
Maintenance of plant and equipment	13,605,690	12,986,079	-	-	-	-	13,605,690	12,986,079
Fixed Charges	142,127,704	136,261,691	-	-	-	-	142,127,704	136,261,691
Community services	505,390	495,829	-	-	-	-	505,390	495,829
Special State & Federal Programs	29,726,463	30,326,771	-	-	-	-	29,726,463	30,326,771
Costs of Operations -Food Services	-	-	17,557,612	17,243,662	-	-	17,557,612	17,243,662
Capital Outlay	58,360	79,107	-	-	30,518,578	23,576,768	30,576,938	23,655,875
Debt Service								
Capital Lease - principal	542,212	525,043	-	-	-	-	542,212	525,043
Capital Lease - interest	281,610	298,779	-	-	-	-	281,610	298,779
Total expenditures	<u>504,192,181</u>	<u>490,515,834</u>	<u>17,557,612</u>	<u>17,243,662</u>	<u>30,518,578</u>	<u>23,576,768</u>	<u>552,268,371</u>	<u>531,336,264</u>
Excess (deficiency) of revenues over expenditures	(5,188,114)	4,493,470	(192,421)	(172,458)	(786,656)	(408,954)	(6,167,191)	3,912,058
Other financing sources (uses):								
Transfers	(1,075,487)	-	-	-	1,075,487	-	-	-
Net change in fund balances	(6,263,601)	4,493,470	(192,421)	(172,458)	288,831	(408,954)	(6,167,191)	3,912,058
Fund Balances - beginning of year	34,605,244	30,111,774	2,898,668	3,071,126	1,719,491	2,128,445	39,223,403	35,311,345
Fund Balances - end of year	<u>\$ 28,341,643</u>	<u>\$ 34,605,244</u>	<u>\$ 2,706,247</u>	<u>\$ 2,898,668</u>	<u>\$ 2,008,322</u>	<u>\$ 1,719,491</u>	<u>\$ 33,056,212</u>	<u>\$ 39,223,403</u>

# Harford County Public Schools

## Management's Discussion and Analysis (MD&A)

June 30, 2018

### General Fund Budget and Actual (Exhibit 7)

Changes made to the original budget during the fiscal year totaled \$7.8 million, or 1.6%. In the unrestricted budget, there was a supplemental appropriation for funding the OPEB Trust, or \$1.4 million. In the restricted budget, the original budget was amended after July 1, 2018 for new grants of \$0.9 million received during the fiscal year and to adjust for previous unspent monies, or carry-over funds, that are subsequently added to the current year budget. The majority of carry-over funds are Medical Assistance and Title I funds, totaling \$4.3 million and \$0.5 million, respectively. In addition, inter-categorical transfers were made from various categories to cover additional mid-level administrative support at schools, expenditures of materials of instruction and instructional equipment.

### Harford County Public Schools General 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>
<b>REVENUE</b>					
Local	\$ 238,715,645	\$ -	\$ -	\$ -	\$ 238,715,645
State	198,271,601	-	-	-	198,271,601
Federal	420,000	-	-	-	420,000
Special state and federal	29,972,386	6,352,782	-	6,352,782	36,325,168
Earnings on investments	57,500	-	-	-	57,500
Other Sources	3,071,262	1,436,387	-	1,436,387	4,507,649
Prior year's fund balance	5,466,052	-	-	-	5,466,052
Total revenues	<u>\$ 475,974,446</u>	<u>\$ 7,789,169</u>	<u>\$ -</u>	<u>\$ 7,789,169</u>	<u>\$ 483,763,615</u>
<b>EXPENDITURES</b>					
Administration	\$ 11,316,522	\$ 331,317	\$ -	\$ 331,317	\$ 11,647,839
Mid-Level Administration	27,223,795	-	(160,370)	(160,370)	27,063,425
Instructional Salaries	168,379,946	542,473	-	542,473	168,922,419
Textbooks	8,018,991	1,048	-	1,048	8,020,039
Other Instructional Costs	3,563,786	904,409	-	904,409	4,468,195
Special Education	59,273,443	3,613,090	-	3,613,090	62,886,533
Student Personnel Services	1,764,376	-	-	-	1,764,376
Student Health Services	3,853,712	-	-	-	3,853,712
Student Transportation	30,978,372	725,820	-	725,820	31,704,192
Operation of Plant	27,996,759	-	(695,241)	(695,241)	27,301,518
Maintenance of Plant	13,648,436	-	(50,000)	(50,000)	13,598,436
Fixed Charges	118,655,167	2,573,276	-	2,573,276	121,228,443
Community Services	491,549	25,000	-	25,000	516,549
Capital Outlay	809,592	-	(21,653)	(21,653)	787,939
Total expenditures	<u>\$ 475,974,446</u>	<u>\$ 8,716,433</u>	<u>\$ (927,264)</u>	<u>\$ 7,789,169</u>	<u>\$ 483,763,615</u>

# Harford County Public Schools

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## Management's Discussion and Analysis (MD&A)

June 30, 2018

It is critical for the reader to understand that local and state revenues account for 92.91% of the total General Fund unrestricted revenue. The operating revenues of Harford County Public Schools are largely dependent on the economy and legislation.

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 receipts in the other revenue account are from \$0.5 million in participation fees, \$0.5 million in rental of facilities, \$0.4 million in gate receipts, \$0.2 million in tuition revenue and \$1.4 million in Medicare Part D receipts. Medicare Part D Funds, along with any healthcare and dental settlements are contributed to the OPEB Investment Trust Fund each year. For fiscal year 2018, \$1.4 million was contributed to the OPEB fund.

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

As of June 30, 2018, HCPS had approximately \$888.7 million invested in a broad range of capital assets including land (1,920.67 acres), buildings (6.2 million square feet), improvements, furniture, vehicles and other equipment. Capital assets increased approximately \$27.4 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, 2018	June 30, 2017	\$ Change	% Change
Land	\$ 9,672,942	\$ 9,672,942	\$ -	0.00%
Construction in progress	69,975,022	54,746,878	15,228,144	27.82%
School properties	761,469,251	749,589,230	11,880,021	1.58%
Furniture, fixtures and equipment	47,588,595	47,278,355	310,240	0.66%
Total Capital Assets	<u>\$ 888,705,810</u>	<u>\$ 861,287,405</u>	<u>\$ 27,418,405</u>	<u>3.18%</u>

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 fiscal year 2012, HCPS refinanced the capital lease for the Administration Building from an interest rate of 4.97% 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



# Harford County Public Schools

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## Management's Discussion and Analysis (MD&A)

June 30, 2018

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.

### Future Issues

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

- increasing number of homeless students, those newly immigrated to this country, and a growing socioeconomically eligible population require greater services;
- additional legislation requiring increased support for services to address the increasing mental health concerns of students, which is contributing to rising caseloads for HCPS student services staff;
- the uncertain state of the federal budget affecting funding decisions at the state and local levels;
- uncertain capital funding from the state and local governments which provide 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 and also for other capital items including buses and technology;
- the need for salary increases in order to be competitive with surrounding school systems in attracting highly qualified employees;
- budget reductions already realized leave less budget flexibility for offsetting unexpected costs or any new initiatives; and
- continued projected increases in the cost of employee health and dental benefits and state retirement costs.

The Governmental Accounting Standards Board (GASB) issued Statements No. 74 and 75 that address 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

# **Harford County Public Schools**

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## **Management's Discussion and Analysis (MD&A)**

**June 30, 2018**

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 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 Deborah L. Judd, CPA, Assistant Superintendent for Business Services at (410) 588-5321; or by mail at Harford County Public Schools, Business Services, 102 South Hickory Avenue, Bel Air, Maryland 21014.

**Harford County Public Schools**
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**
**Governmental Activities**
**ASSETS**

Cash and cash equivalents	\$ 2,772,199
Investments	27,661,838
Due from other units of government	7,939,169
Other receivables	8,618,521
Inventory	490,798
Other assets	1,122
Capital assets:	
Construction in progress	69,975,022
School properties	771,142,193
Furniture, fixtures and equipment	47,588,595
Less: accumulated depreciation	<u>(251,438,338)</u>
Total capital assets, net of depreciation	<u>637,267,472</u>
Total assets	<u>684,751,119</u>

**DEFERRED OUTFLOWS**

Deferred outflows related to OPEB	385,870,000
Deferred outflows related to pensions	<u>6,428,107</u>
Total deferred outflows	<u>392,298,107</u>

**LIABILITIES**

Accounts payable	6,125,626
Accrued salaries and wages	762,387
Payroll taxes payable	4,058,229
Unearned revenue	2,295,821
Noncurrent liabilities:	
Due within one year	5,245,798
Due in more than one year	<u>1,440,270,828</u>
Total liabilities	<u>1,458,758,689</u>

**DEFERRED INFLOWS**

Deferred inflows related to OPEB	33,889,000
Deferred inflows related to pensions	<u>3,147,327</u>
Total deferred inflows	<u>37,036,327</u>

**NET POSITION**

Net investment in capital assets	629,197,756
Restricted for:	
Food services	2,706,247
Capital projects	2,008,322
Unrestricted	<u>(1,052,658,115)</u>
Total net position	<u>\$ (418,745,790)</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, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>	<u>Net (Expenses) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Governmental activities:					
Instruction:					
Regular education	\$ 314,366,078	\$ 1,602,322	\$ 61,342,785	\$ 19,179,398	\$ (232,241,573)
Special education	103,090,733	-	36,255,718	-	(66,835,015)
Total instruction	<u>417,456,811</u>	<u>1,602,322</u>	<u>97,598,503</u>	<u>19,179,398</u>	<u>(299,076,588)</u>
Support services					
Administration	16,900,989	-	1,488,745	13,069	(15,399,175)
Mid-level administration	43,367,419	-	3,258,140	-	(40,109,279)
Pupil personnel services	2,819,206	-	139,460	-	(2,679,746)
Health services	7,461,418	-	-	-	(7,461,418)
Pupil transportation	42,604,447	-	12,741,181	-	(29,863,266)
Operation of plant	48,637,405	-	38,610	159,135	(48,439,660)
Maintenance of plant and equipment	24,352,429	-	32,396	10,380,320	(13,939,713)
Community services	593,737	455,022	10,885	-	(127,830)
Food services	19,764,735	7,407,284	9,957,907	-	(2,399,544)
Interest on long-term debt	281,610	-	-	-	(281,610)
Depreciation - unallocated	74,580	-	-	-	(74,580)
Total support services	<u>206,857,975</u>	<u>7,862,306</u>	<u>27,667,324</u>	<u>10,552,524</u>	<u>(160,775,821)</u>
Total governmental activities	<u>\$ 624,314,786</u>	<u>\$ 9,464,628</u>	<u>\$ 125,265,827</u>	<u>\$ 29,731,922</u>	<u>(459,852,409)</u>
General revenues:					
Local aid not restricted to specific purposes					238,715,645
State aid not restricted to specific purposes					139,326,503
Federal aid not restricted to specific purposes					408,977
Miscellaneous					2,672,419
Investment earnings					515,259
Total general revenues					<u>381,638,803</u>
Change in net position					(78,213,606)
Net position - beginning of year, as restated					<u>(340,532,184)</u>
Net position - end of year					<u>\$ (418,745,790)</u>

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

## Harford County Public Schools

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2018**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,371,380	\$ 1,400,819	\$ -	\$ 2,772,199
Investments	25,661,838	2,000,000	-	27,661,838
Due from other units of government	1,773,125	509,088	5,656,956	7,939,169
Other receivables	8,488,071	130,450	-	8,618,521
Due from other funds	1,241,526	-	608,090	1,849,616
Inventory	138,498	352,300	-	490,798
Other assets	1,122	-	-	1,122
<b>Total assets</b>	<b>\$ 38,675,560</b>	<b>\$ 4,392,657</b>	<b>\$ 6,265,046</b>	<b>\$ 49,333,263</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,844,310	\$ 145,385	\$ 4,135,931	\$ 6,125,626
Accrued salaries and wages	762,387	-	-	762,387
Payroll taxes payable	4,058,229	-	-	4,058,229
Due to other funds	608,090	1,241,526	-	1,849,616
Unearned revenue	1,875,529	299,499	120,793	2,295,821
Compensated absences payable	1,185,372	-	-	1,185,372
<b>Total liabilities</b>	<b>10,333,917</b>	<b>1,686,410</b>	<b>4,256,724</b>	<b>16,277,051</b>
<b>FUND BALANCES</b>				
Non-spendable	138,498	352,300	-	490,798
Assigned	24,442,703	2,353,947	2,008,322	28,804,972
Unassigned	3,760,442	-	-	3,760,442
<b>Total fund balances</b>	<b>28,341,643</b>	<b>2,706,247</b>	<b>2,008,322</b>	<b>33,056,212</b>
<b>Total liabilities and fund balances</b>	<b>\$ 38,675,560</b>	<b>\$ 4,392,657</b>	<b>\$ 6,265,046</b>	<b>\$ 49,333,263</b>

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

**Harford County Public Schools**

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2018**

Total fund balances - governmental funds (Exhibit 3)	\$ 33,056,212
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 \$888,705,810 and the accumulated depreciation is \$251,438,338.	637,267,472
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 (\$27,672,825), an obligation under capital lease (\$8,069,716), net OPEB liability (\$1,385,045,000) and net pension liability (\$23,543,713).	(1,444,331,254)
Deferred outflows related to OPEB.	385,870,000
Deferred outflows related to pensions.	6,428,107
Deferred inflows related to OPEB.	(33,889,000)
Deferred inflows related to pensions.	<u>(3,147,327)</u>
<b>Total net position - governmental activities (Exhibit 1)</b>	<b><u><u>\$ (418,745,790)</u></u></b>

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, 2018**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Intergovernmental revenues:				
Local sources	\$ 238,715,645	\$ -	\$ 17,933,573	\$ 256,649,218
State sources	224,907,960	358,730	11,416,550	236,683,240
Special state and federal programs	29,726,463	-	-	29,726,463
Federal sources	408,977	9,460,551	-	9,869,528
Earnings on investments	515,259	5,658	-	520,917
Charges for services	-	7,407,284	-	7,407,284
Miscellaneous revenues	4,729,763	132,968	381,799	5,244,530
<b>Total revenues</b>	<b>499,004,067</b>	<b>17,365,191</b>	<b>29,731,922</b>	<b>546,101,180</b>
<b>Expenditures</b>				
Current:				
Administrative services	10,342,365	-	-	10,342,365
Mid-level administrative services	26,078,655	-	-	26,078,655
Instructional salaries	161,840,177	-	-	161,840,177
Instructional textbooks and supplies	6,526,546	-	-	6,526,546
Other instructional costs	5,452,074	-	-	5,452,074
Special education	42,540,563	-	-	42,540,563
Student personnel services	1,745,524	-	-	1,745,524
Health services	3,774,325	-	-	3,774,325
Pupil transportation services	31,552,046	-	-	31,552,046
Operation of plant	27,492,477	-	-	27,492,477
Maintenance of plant and equipment	13,605,690	-	-	13,605,690
Fixed charges	142,127,704	-	-	142,127,704
Community services	505,390	-	-	505,390
Special state and federal programs	29,726,463	-	-	29,726,463
Costs of operation - food services	-	17,557,612	-	17,557,612
Capital outlay	58,360	-	30,518,578	30,576,938
Debt service:				
Capital lease - principal	542,212	-	-	542,212
Capital lease - interest	281,610	-	-	281,610
<b>Total expenditures</b>	<b>504,192,181</b>	<b>17,557,612</b>	<b>30,518,578</b>	<b>552,268,371</b>
Excess (deficiency) of revenues over expenditures	(5,188,114)	(192,421)	(786,656)	(6,167,191)
Other financing sources (uses):				
Transfers	(1,075,487)	-	1,075,487	-
<b>Net change in fund balances</b>	<b>(6,263,601)</b>	<b>(192,421)</b>	<b>288,831</b>	<b>(6,167,191)</b>
Fund balances - beginning of year	34,605,244	2,898,668	1,719,491	39,223,403
<b>Fund balances - end of year</b>	<b>\$ 28,341,643</b>	<b>\$ 2,706,247</b>	<b>\$ 2,008,322</b>	<b>\$ 33,056,212</b>

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

**Harford County Public Schools**

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Total net change in fund balances - governmental funds (Exhibit 5)	\$ (6,167,191)
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 (\$28,680,888) exceeds depreciation expense (\$19,767,704) and loss on disposal of (\$59,548).	8,853,636
Capital lease provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position. 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 position. In the current year, the net effect of capital lease borrowings and repayment was \$542,212.	542,212
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 earned exceeded the amounts used by \$1,505,168.	(1,505,168)
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.	(81,333,000)
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.	1,395,905
<b>Change in net position of governmental activities (Exhibit 2)</b>	<b>\$ (78,213,606)</b>

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, 2018

	Unrestricted			Restricted			Variance - Favorable (Unfavorable)	Actual (non-GAAP)	Variance - Favorable (Unfavorable)
	Original Budget	Final Budget	Actual (non-GAAP)	Original Budget	Final Budget	Actual (non-GAAP)			
<b>Revenues</b>									
Intergovernmental revenues:									
Local	\$ 238,715,645	\$ 238,715,645	\$ 238,715,645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State	198,271,601	198,271,601	198,526,233	254,632	-	-	-	-	-
Federal	420,000	420,000	408,977	(11,023)	-	-	-	-	-
Special state and federal	-	-	-	29,972,386	36,325,168	29,850,985	(6,474,183)	-	-
Earnings on investments	57,500	57,500	400,427	342,927	-	-	-	-	-
Other sources	3,071,262	4,507,649	4,729,763	222,114	-	-	-	-	-
Prior year fund balance	5,466,052	5,466,052	5,466,052	-	-	-	-	-	-
<b>Total revenues</b>	<u>\$ 446,002,060</u>	<u>\$ 447,438,447</u>	<u>448,247,097</u>	<u>\$ 808,650</u>	<u>\$ 36,325,168</u>	<u>\$ 29,850,985</u>	<u>\$ (6,474,183)</u>		
<b>Expenditures</b>									
Current:									
Administrative services	\$ 10,816,522	\$ 10,816,522	\$ 10,413,358	\$ 403,164	\$ 831,317	\$ 694,844	\$ 136,473		
Mid-level administration	26,550,477	26,350,477	26,057,270	293,207	712,948	672,808	40,140		
Instructional salaries	164,100,309	163,700,309	161,840,177	1,860,132	5,222,110	4,446,249	775,861		
Instructional textbooks and supplies	7,007,435	6,607,435	6,606,146	1,289	1,011,556	642,573	770,031		
Other instructional costs	2,659,736	3,159,736	3,063,163	96,573	1,308,459	979,159	329,300		
Special education	42,544,833	42,544,833	42,531,852	12,981	16,728,610	16,043,365	4,298,335		
Student personnel services	1,764,376	1,764,376	1,744,881	19,495	-	-	-		
Student health services	3,853,712	3,853,712	3,788,061	65,651	-	-	-		
Student transportation	30,926,715	31,526,715	31,525,706	1,009	51,657	107,506	69,971		
Operation of plant	27,996,759	27,221,759	26,682,586	539,173	79,759	77,196	2,563		
Maintenance of plant	13,648,436	13,598,436	13,031,311	567,125	-	-	-		
Fixed charges	113,048,988	115,185,375	114,480,614	704,761	6,043,068	5,989,986	53,082		
Community services	491,549	516,549	505,390	11,159	-	-	-		
Capital outlay	592,213	592,213	592,077	136	195,726	197,299	(1,573)		
<b>Total expenditures</b>	<u>\$ 446,002,060</u>	<u>\$ 447,438,447</u>	<u>442,862,592</u>	<u>\$ 4,575,855</u>	<u>\$ 36,325,168</u>	<u>\$ 29,850,985</u>	<u>\$ 6,474,183</u>		
Excess of revenues over expenditures			5,384,505						
Transfer to capital projects fund			(1,075,487)						
Excess of revenues over expenditures and transfer			4,309,018						
Total fund balance - beginning of year			18,533,196						
Prior year fund balance recognized as revenue above			(5,466,052)						
Total fund balance - end of year			17,376,162						
Fund balance - end of year - nonspendable			(138,498)						
- assigned			(13,127,882)						
<b>Fund balance - end of year - unassigned</b>			<u>\$ 4,109,782</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, 2018**

	<b>Retiree Health Plan Trust</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 2,446,020
Investments held in MABE Trust	50,780,018	-
	<u>                    </u>	<u>                    </u>
<b>Total assets</b>	<u>50,780,018</u>	<u>2,446,020</u>
 <b>Liabilities</b>		
Scholarship funds payable	-	68,072
School activity funds payable	-	2,377,948
	<u>                    </u>	<u>                    </u>
<b>Total liabilities</b>	<u>-</u>	<u>2,446,020</u>
 <b>Net position</b>		
Held in trust for retiree health plan benefits	50,780,018	-
	<u>                    </u>	<u>                    </u>
<b>Total net position</b>	<u>\$ 50,780,018</u>	<u>\$ -</u>

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

**Harford County Public Schools**


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**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Retiree Health Plan Trust</b>
<b>Additions</b>	
Contributions	\$ 1,436,387
Net investment portfolio results	3,414,821
<b>Total additions</b>	<u>4,851,208</u>
<b>Deductions</b>	
Administrative expenses	<u>14,257</u>
<b>Total deductions</b>	<u>14,257</u>
<b>Change in net position</b>	4,836,951
Net position - beginning of year	<u>45,943,067</u>
<b>Net position - end of year</b>	<u><u>\$ 50,780,018</u></u>

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

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**  
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**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 inter-fund 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, 2018**  
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**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.

Inter-fund 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, 2018**  
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**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 is 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. It consists of contributions of the Board to establish a reserve to pay health and welfare benefits of future retirees. Contributions to the Trust qualify as contributions and are reported as additions using the economic resource measurement focus and the accrual basis of accounting, under which expenses (deduction) are recorded when the liability is incurred or the benefits are paid.

By definition, Fiduciary Funds assets are being held for the benefit of a third party and cannot be used to satisfy obligations of the Board, and are, therefore, not included in the government-wide financial statements.

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Assets, Liabilities and Net Position or Equity**

Cash and Cash Equivalents

Amounts in demand deposits and short-term investments with a maturity date of three months or less when purchased are considered cash and cash equivalents.

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, 2018. Therefore, no valuation allowance is provided against the amounts due.

Inventory

Inventory in the general fund consists of supplies maintained in the distribution center and is recorded at cost. Inventory in the food service fund consists of expendable food and supplies held for consumption and is recorded at the lower of cost (first-in, first-out) or market. 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 acquisition 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.

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Assets, Liabilities and Net Position or Equity** (continued)

Capital Assets (continued)

Assets that have been acquired with funds received through federal grants must be used in accordance with the terms of the grant. Federal regulations require, in some cases, that the Board must reimburse the federal government for any assets which the Board retains for its own use after the termination of the grant unless otherwise provided by the grantor.

Compensated Absences

As of June 30, 2018, annual and sick leave earned, applicable to governmental fund types, but not taken by Board employees, was \$28,858,197. This amount is based on vested accumulated leave as of June 30, 2018, 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 \$1,185,372 was made in the General Fund for the year ended June 30, 2018. This amount was an estimate of the accumulated annual and sick leave which is due and payable as of June 30, 2018 as it will be paid to retirees during the first month of the fiscal year ending June 30, 2019. The remaining liability for accumulated annual and sick leave earned in the amount of \$27,672,825 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, 2018**  
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**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. Assigned fund balance represents the portion of fund balance that reflects the Board’s intended use of resources.

**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, 2018**  
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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 assignments of the fund balance, portions of the prior year's fund balance are included as revenues and retirement payments made on the Board's behalf by the State of Maryland are excluded from revenues and expenditures. 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) Early each fiscal year, 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) The Board may, at its discretion, discuss and establish its priorities for the operating budget at the regular monthly meetings in October and November.
- 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, 2018**  
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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 approved by the Board of Education 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; 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 \$1,077,004 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, 2018**

**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)	\$ 478,098,082
Prior year fund balance	(5,466,052)
Revenues adjusted by restricted encumbrances of expenditure driven grants	(124,522)
Pension contributions made directly by the State of Maryland	26,381,727
Interest earned on rate stabilization deposit	114,832
<b>Revenues (GAAP basis)</b>	<b><u>\$ 499,004,067</u></b>
Expenditures (non-GAAP budgetary basis - unrestricted and restricted)	\$ 472,713,577
Net effect of encumbrances	3,549,904
Changes in value of rate stabilization fund	1,546,973
Pension contributions made directly by the State of Maryland	26,381,727
<b>Expenditures (GAAP basis)</b>	<b><u>\$ 504,192,181</u></b>

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

Unassigned Fund Balance (non-GAAP budgetary basis)	\$ 4,109,782
Cumulative effect of:	
Revenues adjusted by encumbrances of expenditure driven grants	(349,340)
<b>Unassigned fund balance (GAAP basis)</b>	<b><u>\$ 3,760,442</u></b>

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

Assigned Fund Balance (non-GAAP budgetary basis)	\$ 13,127,882
Encumbrances	3,112,580
Rate stabilization fund balance	8,202,241
<b>Assigned Fund Balance (GAAP basis)</b>	<b><u>\$ 24,442,703</u></b>

**HARFORD COUNTY PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 3 – CASH AND INVESTMENTS**

**Cash on Hand**

At year end, cash on hand for petty cash and change funds was \$126.

**Deposits**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Board may not be able to recover the deposits. The Annotated Code of Maryland requires that funds on deposit with a financial institution be fully secured by deposit insurance, surety bonds, obligations of the United States or its agencies, obligations of the State of Maryland or any of its agencies, or obligations of a county, other governmental authority, or municipal corporation in the State of Maryland. As of June 30, 2018, all of the Board’s deposits were either covered by FDIC insurance or collateral held by the financial institution in the Board’s name. As of June 30, 2018, the carrying amount of the Board’s deposits was \$5,218,093 and the bank balance was \$5,444,064.

**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 pool is managed in a “Rule 2(a)-like” manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940, which is MLGIP’s share price. The Board has no unfunded commitments nor significant terms or conditions for redemption. 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, 2018, the Board's investment balances were as follows:

	<b>Fair Value</b>
Maryland Local Government Investment Pool	\$ 15,661,838
U.S. Treasury Sweep Money Market	12,000,000
<b>Total Investments per Statement of Net Position</b>	<b>\$ 27,661,838</b>

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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, 2018, complied with the Board’s investment policy as of that date.

Investment income includes the following for the year ended June 30, 2018:

Net interest and dividends	\$ 520,917
Less: Restricted net investment income	<u>5,658</u>
<b>Total Net Investment Income Per Statement of Activities</b>	<b><u><u>\$ 515,259</u></u></b>

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 MLGIP, 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 U.S. Treasury securities, repurchase agreements, U.S. 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, 2018, 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.

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – CASH AND INVESTMENTS** (continued)

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

Cash on hand	\$ 126
Carrying amount of deposits	5,218,093
Carrying amount of investments	78,441,856
Total cash and investments	83,660,075
Less: Amounts in fiduciary funds	53,226,038
<b>Total Cash and Investments per Statement of Net Position</b>	<b>\$ 30,434,037</b>
Cash and cash equivalents	\$ 2,772,199
Investments	27,661,838
<b>Total Cash and Investments per Statement of Net Position</b>	<b>\$ 30,434,037</b>

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) in the MABE OPEB Trust (MABE Trust). The MABE Trust is administered by the MABE and is a wholly-owned instrumentality of its members. The nine members who are sole contributors to the MABE Trust are the boards of education of the following counties in Maryland: Allegany, Caroline, Cecil, Charles, Harford, Kent, Prince George’s, St. Mary’s and Washington.

The investments of the MABE Trust are stated at fair value and are managed by the Wells Fargo Advisors and consist of money market funds, U.S. government and agency fixed income and asset backed securities, equity securities, mutual funds and exchange traded funds and corporate and corporate asset backed securities. The MABE Trust categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs. Although all of the investments of the MABE Trust are considered Level 1 and Level 2, the Board’s membership investment in the MABE Trust is considered Level 2. As of June 30, 2018, the pooled net position of the MABE Trust was \$339,856,457 in total, of which the Board’s allocated investment balance was \$50,780,018. The Board may terminate its membership in the MABE Trust and withdraw its allocated investment balance by providing written notice six months prior to the intended date of withdrawal.

The MABE Trust is audited annually by an independent CPA firm. For the current year Cohen & Company of Hunt Valley, Maryland performed this service. The audit report is usually issued by September 1st of each year, a copy of which can be obtained by sending a request to the following address: Administrator of the MABE Pooled Investment Trust, 621 Ridgely Road, Suite 300, Annapolis, MD 21401-1112.

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 - CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>June 30, 2018</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 9,672,942	\$ -	\$ -	\$ 9,672,942
Construction in progress	54,746,878	25,693,146	(10,465,002)	69,975,022
Total nondepreciable capital assets	<u>64,419,820</u>	<u>25,693,146</u>	<u>(10,465,002)</u>	<u>79,647,964</u>
Depreciable capital assets:				
Land improvements	18,691,339	427,551	-	19,118,890
Buildings	730,897,891	987,468	10,465,002	742,350,361
Furniture and equipment	47,278,355	1,572,723	(1,262,483)	47,588,595
Total depreciable capital assets	<u>796,867,585</u>	<u>2,987,742</u>	<u>9,202,519</u>	<u>809,057,846</u>
Less accumulated depreciation for:				
Land improvements	7,963,905	845,374	-	8,809,279
Buildings	190,408,941	15,764,629	-	206,173,570
Furniture and equipment	34,500,723	3,157,701	(1,202,935)	36,455,489
Total accumulated depreciation	<u>232,873,569</u>	<u>19,767,704</u>	<u>(1,202,935)</u>	<u>251,438,338</u>
Total depreciable capital assets, net	<u>563,994,016</u>	<u>(16,779,962)</u>	<u>10,405,454</u>	<u>557,619,508</u>
<b>Governmental activities, capital assets, net</b>	<u>\$ 628,413,836</u>	<u>\$ 8,913,184</u>	<u>\$ (59,548)</u>	<u>\$ 637,267,472</u>

Depreciation expense for the year ended June 30, 2018, was charged to governmental functions on the Statement of Activities as follows:

Depreciation not allocated to specific functions	\$ 74,580
Administration	257,136
Mid-level administration	1,140
Instruction	10,138,136
Special education	4,515
Transportation	485,150
Operations	4,102,975
Maintenance	4,469,641
Food Service	234,431
<b>Total</b>	<u>\$ 19,767,704</u>



**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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**NOTE 4 - CAPITAL ASSETS** (continued)

The Board has active school construction projects as of June 30, 2018, as follows:

Project:	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Bel Air Elementary HVAC/Open Space Enclosure	\$ 697,619	\$ 5,423,282
Darlington Elementary HVAC	2,533,768	59,576
Havre de Grace High School	10,241,915	76,275,969
John Archer	83,045	-
Joppatowne High	169,450	-
North Harford Elementary Roof	17,540	930,460
North Harford High Aquaculture & Greenhouse	65,976	630,422
Prospect Mill Elementary HVAC	4,566,715	4,118
Riverside Elementary HVAC	7,340,638	239,947
Youth's Benefit Elementary Modernization	44,258,356	782,384
<b>Total</b>	<u>\$ 69,975,022</u>	<u>\$ 84,346,158</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, 2018**

**NOTE 5 - LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2018, was as follows:

	<b>Balance as of July 1, 2017</b>	<b>Increases</b>	<b>Reductions</b>	<b>Balance as of June 30, 2018</b>	<b>Due Within One Year</b>
Capital lease	\$ 8,611,928	\$ -	\$ 542,212	\$ 8,069,716	\$ 559,942
Compensated absences	27,882,199	5,419,651	4,443,653	28,858,197	4,685,856
Net OPEB liability *	951,731,000	433,314,000	-	1,385,045,000	-
Net pension liability	27,660,977	-	4,117,264	23,543,713	-
<b>Total Governmental Activities</b>	<b>\$ 1,015,886,104</b>	<b>\$ 438,733,651</b>	<b>\$ 9,103,129</b>	<b>\$ 1,445,516,626</b>	<b>\$ 5,245,798</b>

\* - as restated for the implementation of GASB 75.

Compensated absences and net pension liability have typically been liquidated by the General Fund in prior years. The net OPEB obligation is expected to be liquidated by the General Fund going forward.

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 May 30, 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	2,713,099
<b>Net Book Value</b>	<b>\$ 8,139,296</b>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2019	\$ 823,822
2020	823,822
2021	823,822
2022	823,822
2023	823,822
2024 - 2028	4,119,110
2029 - 2030	1,647,644
Total minimum lease payments	9,885,864
Less: Amount representing interest	1,816,148
<b>Present value of minimum lease payments</b>	<b>\$ 8,069,716</b>

**HARFORD COUNTY PUBLIC SCHOOLS**  
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**NOTE 6 - FUND BALANCE**

Fund balance as of June 30, 2018, consisted of the following:

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Capital Projects Fund</u>
Non-spendable for:			
Inventory	\$ 138,498	\$ 352,300	\$ -
Assigned to:			
Encumbrances:			
Contracted Services	1,398,899	28,839	365,399
Supplies and materials	865,127	12,452	308,005
Equipment and other	848,554	-	1,334,918
Total encumbrances	<u>3,112,580</u>	<u>41,291</u>	<u>2,008,322</u>
Fiscal year 2019 expenditures	10,902,716	-	-
Rate stabilization receivable	8,202,241	-	-
Future health insurance call	1,225,166	-	-
Emergency fuel reserve	1,000,000	-	-
Cost of Operation - Food Services	-	2,312,656	-
Total assigned	<u>24,442,703</u>	<u>2,353,947</u>	<u>2,008,322</u>
Unassigned	<u>3,760,442</u>	-	-
<b>Total fund balances</b>	<u>\$ 28,341,643</u>	<u>\$ 2,706,247</u>	<u>\$ 2,008,322</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, 2018. 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. The general fund is the only fund that reports a positive unassigned fund balance amount.

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,

**HARFORD COUNTY PUBLIC SCHOOLS**  
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**NOTE 6 – FUND BALANCE** (continued)

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.

**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 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/](http://www.sra.state.md.us/Agency/Downloads/CAFR/).

*Benefits provided*

A member of either the TPS or ERS 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 TPS or ERS 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 TPS or ERS 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 TPS or ERS 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 TPS or ERS 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 TPS or ERS 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 TPS or ERS.

**HARFORD COUNTY PUBLIC SCHOOLS**  
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**NOTE 7 - PENSION PLANS** (continued)

**General Information about the Pension Plan** (continued)

Exceptions to these benefit formulas apply to members of the ERS, 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.

*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, 2018, was approximately \$2.4 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

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**  
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**NOTE 7 - PENSION PLANS** (continued)

**General Information about the Pension Plan** (continued)

unfunded accrued liability. Contributions to ERS from the Board were approximately \$2.4 million for the year ended June 30, 2018.

*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 as a special funding situation. The State of Maryland's contribution on behalf of the Board for the year ended June 30, 2018, was approximately \$26.4 million. The Board's contractually required contribution rate for TPS for the year ended June 30, 2018, was approximately \$10.1 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).

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

As of June 30, 2018, the Board reported a liability of approximately \$23.6 million for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2017, 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 governmental units, actuarially determined. As of June 30, 2018, the Board's proportion for ERS was 0.11%, which was substantially the same as its proportion measured as of June 30, 2017. For the year ended June 30, 2018, the Board recognized pension expense for ERS of approximately \$2,721. As of June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

**HARFORD COUNTY PUBLIC SCHOOLS**  
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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)

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2018 contributions	\$2,353,181	\$ -
Changes in actuarial assumptions	853,559	-
Differences in expected vs. actual experience	-	1,638,596
Net difference between projected and actual earnings on pension plan investments	3,221,367	1,508,731
<b>Total</b>	<b><u>\$6,428,107</u></b>	<b><u>\$3,147,327</u></b>

The \$2,353,181 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 during the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows as of June 30, 2018:

<b>Year Ending June 30,</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
2019	\$1,702,730	\$(1,299,484)
2020	1,627,648	(731,383)
2021	715,246	(596,115)
2022	29,302	(520,345)
Total	<b><u>\$4,074,926</u></b>	<b><u>\$(3,147,327)</u></b>

As of June 30, 2018, the State of Maryland's proportionate share of the TPS net pension liability associated with the Board is approximately \$387,780,272. The TPS net pension liability was measured as of June 30, 2017, 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 the 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 governmental units, actuarially determined.

*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/](http://www.sra.state.md.us/Agency/Downloads/CAFR/).

**HARFORD COUNTY PUBLIC SCHOOLS**  
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**NOTE 7 - PENSION PLANS (continued)**

*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 7.50% is \$23,543,713. 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 (6.50%) is \$33,366,104 or 1-percentage-point higher (8.50%) is \$15,393,906.

**NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**Plan Description**

*Plan administration.* The Board administers a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for retirees of the Board and their dependents.

In December 2007, the Board created the Retiree Benefit Trust of the Board of Education of Harford County (Benefit Trust) in order to facilitate the funding or partial funding of the actuarially calculated OPEB liability. The Benefit Trust established a trust account with, and became a member of, the Maryland Association of Boards of Education Pooled OPEB Investment Trust (MABE 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. The Board reserves the right to establish and amend the provisions of its relationship with the MABE Trust with respect to participants, any benefit provided thereunder, or its participation therein, in whole or in part at any time, by resolution of its governing body and upon advance notice to the Trustees of the MABE Trust.

The MABE Trust was established to pool assets of its member Boards of Education for investment purposes only. Each member of the MABE Trust is required to designate a member trustee. The member trustees of the MABE Trust shall ensure that the MABE Trust keep such records as are necessary in order to maintain a separation of the assets of the MABE Trust from the assets of trusts maintained by other governmental employers. Assets of the member trusts are reported in their respective financial statements using the economic resources measurement focus and the accrual basis of accounting, under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, if available.

The MABE Trust issues a publicly available audited GAAP-basis report that includes financial statements and required supplementary information for the MABE Trust. This report may be obtained by writing to the Trust Administrator, Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401-1112, or calling 410-841-5414.



**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS** (continued)

*Plan membership.* As of June 30, 2018, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	2,639
Inactive plan members entitled to but not yet receiving benefit payments	295
Active plan members	4,885
<b>Total plan members</b>	<b><u>7,819</u></b>

*Benefits provided and contributions.* 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. Dependent children can be covered until the child reaches age 26. Spouses are also covered. Surviving spouses can stay in the plan but must pay the full cost to participate. All plans include prescription drug coverage. The full Board contribution is either 85%, 90% or 95% of medical insurance premiums, based on the plan chosen by the retiree. The medical benefits paid by the Board for the year ended June 30, 2018, was \$25,439,980. As of June 30, 2018, 2,545 of approximately 2,934 eligible retirees were receiving benefits.

*Dental Benefits* - Retirees are eligible for continued membership in one of the school system’s group dental plans. Coverage is the same as described above for medical benefits. The full Board contribution is 90% of dental insurance premiums, based on the plan chosen by the retiree. The dental benefits paid by the Board for the year ended June 30, 2018 was \$1,244,809. As of June 30, 2018, 2,639 of approximately 2,934 eligible retirees were receiving benefits.

*Life Insurance Benefits* - The full Board contribution is 90% of the life insurance premiums. 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, 2018 was \$49,408. As of June 30, 2018, 2,418 of approximately 2,934 eligible retirees were receiving benefits.

Whether the Board pays the full contribution rate for medical, dental and life insurance benefits depends upon the retiree’s hire date and their number of years of service as follows:

<i>Years of Service</i>	<i>Participants Hired Prior to 7/1/2006</i>	<i>Participants Hired After 7/1/2006</i>
0 – 9	None	None
10 - 19	Full Board Contribution	1/3 of Full Board Contribution
20 - 29	Full Board Contribution	2/3 of Full Board Contribution
30 or more	Full Board Contribution	Full Board Contribution

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)**

**Net OPEB Liability of the Board**

The components of the net OPEB liability of the Board as of June 30, 2018, were as follows:

Total OPEB liability	\$1,435,826,000
Plan fiduciary net position	50,781,000
Board's net OPEB liability	<u>\$1,385,045,000</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 3.54%

*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	June 30, 2018
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Fair Market value
Actuarial Assumptions:	
Discount Rate	3.87%
Expected Return on Assets	6.50%
Salary Increases	4.25%
General Inflation	2.50%
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 6.5% interest and contributions are assumed to be made in the middle of the year.

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

**Investments**

*Investment policy.* The MABE Trust’s policy in regard to the allocation of invested assets is established and may be amended by the Trustees by a majority vote of its members. It is the policy of the Trust to pursue an investment strategy that emphasizes growth of principal while avoiding excess risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index. The MABE Trust’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board’s adopted asset allocation policy as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	61.00%
Fixed Income	29.60%
Cash	9.40%
Total	<u>100.00%</u>

*Rate of return.* For the year ended June 30, 2018, the total rate of return, net of investment expense, was 7.40%. The total rate of return represents a hypothetical return on the capital balance invested in the Trust during the entire year. Actual returns may vary due to the timing of capital contributions and redemptions.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, (see the discussion of the MABE Trust’s investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	6.97%
Fixed Income	4.00%
Cash	2.60%

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS** (continued)

*Discount rate.* The discount rate used to measure the total OPEB liability was 3.87%. The OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The Board does not have a formal funding policy in place. Therefore, the existing OPEB Trust cannot be considered when determining the discount rate associated with the plan. As a result, the long-term expected rate of return on OPEB plan investments of 6.5% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability pursuant to paragraph 48 of GASB Statement 74.

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability of the Board, as well as what the Board’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

	<b>1% Decrease</b> <b><u>(2.87%)</u></b>	<b>Discount Rate</b> <b><u>(3.87%)</u></b>	<b>1% Increase</b> <b><u>(4.87%)</u></b>
Net OPEB liability	\$ 1,699,594,000	\$ 1,385,045,000	\$ 1,140,852,000

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the Board, as well as what the Board’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower (varied decreasing to 3.5%) or 1 percentage-point higher (varied decreasing to 5.5%) than the current healthcare cost trend rates:

	<b>1% Decrease</b> <b>(varied decreasing to 3.5%)</b>	<b>Trend Rates</b> <b>(varied decreasing to 4.5%)</b>	<b>1% Increase</b> <b>(varied decreasing to 5.5%)</b>
Net OPEB liability	\$ 1,112,990,000	\$ 1,385,045,000	\$ 1,752,481,000

**Deferred Outflows/Inflows**

The following table illustrates deferred inflows and outflows as of June 30, 2018 under GASB 75:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences in expected vs. actual experience	\$ -	\$33,582,000
Net difference between projected and actual earnings on OPEB Trust investments	-	307,000
Changes in actuarial assumptions	385,870,000	-
<b>Total</b>	<b><u>\$ 385,870,000</u></b>	<b><u>\$ 33,889,000</u></b>

**HARFORD COUNTY PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018**

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

**Amortization of Deferred Inflows/Outflows**

<u>Year Ending June 30,</u>	<u>Amortization</u>
2019	\$ 39,685,000
2020	39,685,000
2021	39,685,000
2022	39,686,000
2023	39,762,000
Total thereafter	<u>153,478,000</u>
Total	<u><u>\$ 351,981,000</u></u>

**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 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.

**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 \$1,950,135 for the year ended June 30, 2018.

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11- IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES**

During the year ended June 30, 2018, the Board adopted Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, GASB Statement No. 81, *Irrevocable Split Interest Agreements* and GASB Statement No. 85, *Omnibus 2017*. Other than the adoption of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, adoption of these statements did not have a material effect on the financial statements. Adoption of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, required the net position of governmental activities to be restated by a negative \$642,988,071 in recording the beginning net other postemployment benefit liability.

As of the year ended June 30, 2018, GASB issued GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 87, *Leases* and GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. These statements may have a material effect on the Board's financial statements once implemented. The Board will be analyzing the effects of these pronouncements and plans to adopt them by their respective effective dates.

## ***Required Supplementary Information***

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### **Lauren Cook, with ABC 2 News Baltimore, visited Homestead/Wakefield Elementary School to read books to students as a part of National Reading Day**

Lauren Cook, a traffic reporter and multimedia journalist for ABC 2 News Baltimore visited three classrooms at Homestead/Wakefield Elementary School on January 22, 2018, to read books to students as a part of National Reading Day. Each classroom was featured on the Good Morning Maryland program, which airs each weekday morning.

**HARFORD COUNTY PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR SPECIAL REVENUE FUND  
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**Schedule of Revenues, Expenditures and Changes in Fund Balance Compared to Budget  
(Non-GAAP Basis)**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Cafeteria sales	\$ 7,144,225	\$ 7,407,284	\$ 263,059
<u>Federal Aid</u>			
School Lunch Program	5,994,200	5,660,842	(333,358)
School Breakfast Program	1,981,720	2,069,546	87,826
Summer Food Program	204,477	240,383	35,906
Child and Adult Care Food Program	265,265	412,776	147,511
U.S.D.A. Commodities	<u>1,000,000</u>	<u>1,077,004</u>	<u>77,004</u>
Total federal aid	9,445,662	9,460,551	14,889
<u>State Aid</u>			
Child Feeding Program	458,876	358,730	(100,146)
Interest earned	-	5,658	5,658
Miscellaneous revenue	<u>100,000</u>	<u>132,968</u>	<u>32,968</u>
<b>Total revenues</b>	<u>\$ 17,148,763</u>	17,365,191	216,428
<b>Expenditures</b>			
Salaries and wages	5,830,823	5,770,258	60,565
Contracted services	358,000	438,771	(80,771)
Supplies and materials	6,952,468	7,169,261	(216,793)
Other charges	2,818,668	2,865,642	(46,974)
Furniture and equipment	188,804	140,031	48,773
U.S.D.A. commodities	<u>1,000,000</u>	<u>1,114,179</u>	<u>(114,179)</u>
<b>Total expenditures</b>	<u>\$ 17,148,763</u>	<u>17,498,142</u>	<u>(349,379)</u>
Excess of revenues over expenditures		(132,951)	
Total fund balance - beginning of year		2,797,907	
Fund balance - end of year - nonspendable		<u>(352,300)</u>	
<b>Fund balance - end of year - assigned</b>		<u>\$ 2,312,656</u>	



**HARFORD COUNTY PUBLIC SCHOOLS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR OTHER POST-EMPLOYMENT BENEFITS PLAN  
 June 30, 2018**

Schedule of Changes in the Net OPEB Liability and Related Ratios  
 Last 10 Fiscal Years  
 (Dollar amounts in thousands)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Total OPEB liability</b>										
Service cost				\$ 32,230	\$ 33,423					
Interest				30,624	36,491					
Changes of benefit terms										
Differences between expected and actual experience										
Changes of assumptions										
Benefit payments										
<b>Net change in total OPEB liability</b>										
<b>Total OPEB liability—beginning</b>										
<b>Total OPEB liability—ending (a)</b>										
<b>Plan fiduciary net position</b>										
Contributions—employer										
Net investment income										
Benefit payments										
Administrative expense										
<b>Net change in plan fiduciary net position</b>										
<b>Plan fiduciary net position—beginning</b>										
<b>Plan fiduciary net position—ending (b)</b>										
<b>Board's net OPEB liability—ending (a) - (b)</b>										
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>										
<b>Covered-employee payroll</b>										
<b>Board's net OPEB liability as a percentage of covered-employee payroll</b>										

Information for FYE 2016 and earlier is not available

**HARFORD COUNTY PUBLIC SCHOOLS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR OTHER POST-EMPLOYMENT BENEFITS PLAN  
 June 30, 2018**

Schedule of Board Contributions  
 Last 10 Fiscal Years  
 (Dollar amounts in thousands)

	Fiscal Years									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution									\$ 69,997	\$ 76,297
Contributions in relation to the actuarially determined contribution									24,018	25,248
Contribution deficiency (excess)									<u>\$ 45,979</u>	<u>\$ 51,049</u>
Covered-employee payroll									8.82%	8.95%
Contribution as a percentage of covered employee payroll										

Information for FYE 2016 and earlier is not available

**Notes to Schedule:**

Valuation date: June 30, 2018

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method
- Amortization method
- Asset valuation method
- Inflation
- Healthcare cost trend rates - pre medicare medical/prescription
- Healthcare cost trend rates - post medicare medical/prescription
- Salary increases
- Investment rate of return
- Retirement age
- Entry Age Normal
- Closed, level percent of payroll
- Market value of Assets
- 2.50%
- 7.70% decreasing to 4.50% by 2029
- 8.71% decreasing to 4.50% by 2029
- 4.25%
- 6.50% per year compounded annually
- Age 62 with 5 years of service or 30 years of service (regardless of age)

**HARFORD COUNTY PUBLIC SCHOOLS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR OTHER POST-EMPLOYMENT BENEFITS PLAN  
 June 30, 2018**  
 .....

Schedule of Investment Returns  
 Last 10 Fiscal Years

	Fiscal Years									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment									11.29%	7.40%
									Information for FYE 2016 and earlier is not available	

**HARFORD COUNTY PUBLIC SCHOOLS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR PENSIONS  
 June 30, 2018**

**Schedule of Proportionate Share of Net Pension Liability  
 Last 10 Fiscal Years**

	Fiscal Year										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Board's proportion of the ERS net pension liability (asset)							0.117%	0.127%	0.117%	0.109%	
Board's proportionate share of the ERS net pension liability (asset)						\$ 20,760,817	\$ 26,420,243	\$ 27,660,977	\$ 23,543,713		
State's proportionate share of the TPS net pension liability (asset) associated with the Board						275,650,000	377,628,809	446,910,936	387,780,272		
Total						\$ 296,410,817	\$ 404,049,052	\$ 474,571,913	\$ 411,323,985		
					Information for FYE 2014 and earlier is not available						
Board's covered-employee payroll							\$ 262,514,165	\$ 265,888,092	\$ 272,318,927	\$ 281,948,326	
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll						7.91%	9.94%	10.16%	8.35%		
Plan fiduciary net position as a percentage of the total pension liability						71.87%	68.78%	65.79%	69.38%		

**HARFORD COUNTY PUBLIC SCHOOLS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR PENSIONS  
 June 30, 2018**

**Schedule of Contributions  
 Last 10 Fiscal Years**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually required contribution (ERS)							\$ 2,679,603	\$ 2,283,877	\$ 2,216,065	\$ 2,353,181
Contributions in relation to the contractually required contribution							(2,679,603)	(2,283,877)	(2,216,065)	(2,353,181)
Contribution deficiency (excess)							\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll							\$ 262,514,165	\$ 265,888,092	\$ 272,318,927	\$ 281,948,326
Contributions as a percentage of covered-employee payroll							1.02%	0.86%	0.81%	0.83%

Information for FYE 2014 and earlier is not available

## ***Other Supplementary Information***

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### **Harford County's Amy Mangold named finalist for the 2017-2018 Maryland Teacher of the Year**

Amy Mangold, early intervention teacher at John Archer School and 14-year veteran of Harford County Public Schools, was named as one of seven finalists for 2017-2018 Maryland Teacher of the Year. The finalists were selected from a group of 24 local teachers of the year, representing the 24 Maryland school systems.

## Harford County Public Schools

**SCHOOL CONSTRUCTION FUND  
(CAPITAL PROJECTS FUND)  
SCHEDULE OF EXPENDITURES BY PROJECT  
FOR THE YEAR ENDED JUNE 30, 2018**

Aberdeen High stadium and weight room upgrades	\$ 6,601
ADA improvements	10,500
Alarms	41,684
Athletic fields	56,116
Backflow prevention	263
Bel Air Elementary HVAC	714,717
Career and Technology education equipment refresh	58,598
Center for Educational Opportunity air conditioning	17,185
Church Creek Elementary playground	74,998
Darlington Elementary HVAC	86,877
Edgewood High modernization	21,133
Energy conservation	129,670
Energy efficiency performance projects	168,361
Fallston High HVAC	144,396
Furniture	13,069
Havre de Grace High modernization	7,002,112
HVAC major repairs	63,132
Joppatowne High roof	2,136,598
Lockers	252
North Harford Elementary roof	17,540
North Harford High aquaculture lab & greenhouse	94,043
North Harford High modernization	63,028
North Harford Middle domestic water improvements	106,951
Old Post Road Elementary open space enclosure	1,793,018
Outdoor track reconditioning	1,459
Prospect Mill Elementary HVAC	33,180
Red Pump Elementary	883
Relocatables	8,400
Riverside Elementary HVAC	7,041,516
Roofing projects	3,283
Septic pretreatment facilities	10,143
Special education facilities	6,306
Swimming pools	457,615
Technology education lab refresh	110,808
Technology refresh	989,915
Textbooks	499,717
Wm. S. James Elementary open space enclosure	1,051,675
Youth's Benefit Elementary Replacement	7,482,836
	<u>\$ 30,518,578</u>

**Harford County Public Schools**

**AGENCY FUNDS**  
**SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

School Activity Funds

	Balance <u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2018</u>
<u>Elementary Schools</u>				
Abingdon	\$ 11,043	\$ 42,210	\$ 42,938	\$ 10,315
Bakerfield	11,073	38,462	34,059	15,476
Bel Air	13,293	36,132	38,871	10,554
Church Creek	23,936	23,966	24,169	23,733
Churchville	9,160	34,141	28,919	14,382
Darlington	5,030	23,951	14,137	14,844
Deerfield	35,181	33,908	30,869	38,220
Dublin	16,616	19,020	18,325	17,311
Edgewood	12,358	17,082	16,487	12,953
Emmorton	18,588	24,779	27,861	15,506
Forest Hill	14,246	38,175	39,774	12,647
Forest Lakes	10,345	31,793	34,887	7,251
Fountain Green	7,406	42,514	38,860	11,060
George D. Lisby at Hillsdale	6,896	27,611	24,689	9,818
Hall's Cross Roads	8,784	30,939	30,414	9,309
Harford Glen	3,055	1,042	1,834	2,263
Havre de Grace	9,832	35,057	41,998	2,891
Hickory	26,441	55,354	33,209	48,586
Homestead-Wakefield	23,754	70,838	71,497	23,095
Jarrettsville	44,038	37,644	50,839	30,843
John Archer	63,138	28,164	43,207	48,095
Joppatowne	17,722	43,294	41,308	19,708
Magnolia	4,423	10,454	9,871	5,006
Meadowvale	10,068	36,560	42,916	3,712
Norrisville	15,361	17,898	16,888	16,371
North Bend	16,260	20,934	16,601	20,593
North Harford	29,587	27,910	31,690	25,807
Prospect Mill	17,198	36,791	25,698	28,291
Red Pump	16,909	57,632	57,692	16,849
Ring Factory	24,355	67,442	66,197	25,600
Riverside	821	23,530	18,781	5,570
Roye-Williams	7,024	13,119	11,409	8,734
William S. James	29,586	35,951	41,869	23,668
William Paca - Old Post Rd	5,046	17,759	17,201	5,604
Youth's Benefit	18,077	74,866	77,865	15,078
Total elementary schools	586,650	1,176,922	1,163,829	599,743



Harford County Public Schools

**AGENCY FUNDS**  
**SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

School Activity Funds

	Balance <u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2018</u>
<u>Middle Schools</u>				
Aberdeen	55,486	115,284	123,075	47,695
Bel Air	54,858	168,811	164,107	59,562
Edgewood	46,836	124,490	135,075	36,251
Fallston	45,642	156,325	147,413	54,554
Havre de Grace	20,263	94,664	93,944	20,983
Magnolia	24,453	51,910	58,482	17,881
North Harford	36,783	77,111	76,489	37,405
Patterson Mill	46,666	93,022	87,073	52,615
Southampton	29,734	165,328	165,433	29,629
Total middle schools	<u>360,721</u>	<u>1,046,945</u>	<u>1,051,091</u>	<u>356,575</u>
<u>High Schools</u>				
Aberdeen	150,040	316,724	347,574	119,190
Alternative Education	5,014	4,851	3,740	6,125
Bel Air	183,404	447,058	443,910	186,552
C. Milton Wright	180,575	479,073	502,877	156,771
Edgewood	116,343	293,447	275,776	134,014
Fallston	140,218	361,888	373,881	128,225
Harford Technical	148,252	505,816	488,648	165,420
Havre de Grace	139,978	292,530	281,692	150,816
Joppatowne	51,909	116,208	122,670	45,447
North Harford	177,249	397,120	371,687	202,682
Patterson Mill	147,613	488,667	509,892	126,388
Total high schools	<u>1,440,595</u>	<u>3,703,382</u>	<u>3,722,347</u>	<u>1,421,630</u>
Total - all School Activity Funds	<u>2,387,966</u>	<u>5,927,249</u>	<u>5,937,267</u>	<u>2,377,948</u>
Scholarship Funds	<u>68,008</u>	<u>64</u>	<u>-</u>	<u>68,072</u>
Total - Agency Funds	<u>\$ 2,455,974</u>	<u>\$ 5,927,313</u>	<u>\$ 5,937,267</u>	<u>\$ 2,446,020</u>

## Harford County Public Schools

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### AGENCY FUNDS COMBINING STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2018

	<u>Scholarship Funds</u>	<u>School Activity Funds</u>	<u>Total Agency Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 68,072	\$ 2,377,948	\$ 2,446,020
<b>Total assets</b>	<u>\$ 68,072</u>	<u>\$ 2,377,948</u>	<u>\$ 2,446,020</u>
<b>Liabilities</b>			
Scholarship funds payable	\$ 68,072	\$ -	\$ 68,072
School activity funds payable	-	2,377,948	2,377,948
<b>Total liabilities</b>	<u>\$ 68,072</u>	<u>\$ 2,377,948</u>	<u>\$ 2,446,020</u>

## Harford County Public Schools

### AGENCY FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>SCHOLARSHIP FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 68,008	\$ 64	\$ -	\$ 68,072
<b>LIABILITIES</b>				
Scholarship funds payable	\$ 68,008	\$ 64	\$ -	\$ 68,072
<b>SCHOOL ACTIVITY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,387,966	\$ 5,927,249	\$ 5,937,267	\$ 2,377,948
<b>LIABILITIES</b>				
Student activity funds payable	\$ 2,387,966	\$ 5,927,249	\$ 5,937,267	\$ 2,377,948
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,455,974	\$ 5,927,313	\$ 5,937,267	\$ 2,446,020
<b>LIABILITIES</b>				
Scholarship funds payable	\$ 68,008	\$ 64	\$ -	\$ 68,072
Student activity funds payable	2,387,966	5,927,249	5,937,267	2,377,948
Total liabilities	\$ 2,455,974	\$ 5,927,313	\$ 5,937,267	\$ 2,446,020



### **Havre de Grace Middle/High School Groundbreaking Ceremony**

On April 12, 2018, the Board of Education of Harford County broke ground on the new Havre de Grace Middle/High School in Havre de Grace, Maryland. The ceremony took place on the grounds of Havre de Grace Middle School, and included representatives from the Board of Education, school system leadership, elected officials and students and staff from Havre de Grace Middle and Havre de Grace High School.

# Statistical Section

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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>	83 - 86
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>	87 - 88
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>	89 - 98

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year after June 30, 2009 and from the Independent Auditors' Report, Financial Statements and Supplementary 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Invested in capital assets, net of related debt	\$472,628	\$533,572	\$560,834	\$568,870	\$577,748	\$584,119	\$598,747	\$614,347	\$619,802	629,198
Restricted for food services	2,066	2,196	2,408	2,755	2,624	2,802	2,975	3,071	2,899	2,706
Restricted for capital projects	5,802	7,551	7,454	9,079	7,675	3,778	2,403	2,128	1,719	2,008
Unrestricted	(51,542)	(84,761)	(110,678)	(128,086)	(166,286)	(205,029)	(254,861)	(284,642)	(321,964)	(1,052,658)
Total governmental activities net position	\$428,954	\$458,558	\$460,018	\$452,618	\$421,761	\$385,670	\$349,264	\$334,904	\$302,456	(\$418,746)

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Functions/Programs</b>										
<b>Expenses</b>										
Governmental activities:										
Instruction:										
Regular education	\$290,266	\$294,136	\$289,527	\$285,182	\$296,379	\$283,661	\$277,887	\$274,701	\$285,968	\$314,366
Special education	77,461	89,247	94,112	86,373	89,896	90,529	88,484	91,118	91,260	103,091
Total Instruction	<u>367,727</u>	<u>383,383</u>	<u>383,639</u>	<u>371,555</u>	<u>386,275</u>	<u>374,190</u>	<u>366,371</u>	<u>365,819</u>	<u>377,228</u>	<u>417,457</u>
Support services:										
Administration	15,934	15,989	15,341	16,114	15,682	15,626	15,195	15,231	15,417	16,901
Mid-level administration	36,855	37,516	36,621	37,070	37,698	37,467	38,139	37,941	40,276	43,367
Pupil personnel services	2,312	2,338	2,223	2,322	2,353	2,501	2,424	2,531	2,525	2,819
Health services	5,103	5,069	4,850	5,255	5,915	5,843	6,292	6,218	6,163	7,461
Pupil transportation	32,724	33,647	35,424	37,332	39,754	39,504	38,827	38,695	40,243	42,605
Operation of plant	37,614	39,310	38,716	40,267	43,245	47,158	45,870	42,618	45,834	48,637
Maintenance of plant and equipment	14,522	15,130	15,789	16,989	18,211	19,022	19,509	21,275	20,797	24,352
Community services	480	399	451	421	497	530	532	565	578	594
Food services	15,144	15,391	14,848	15,829	16,515	16,731	16,719	17,883	18,260	19,765
Interest on long - term debt	541	527	512	615	246	328	328	315	299	282
Depreciation - unallocated	89	89	87	86	84	81	77	77	77	75
Total Support Services	<u>161,318</u>	<u>165,405</u>	<u>164,862</u>	<u>172,300</u>	<u>180,200</u>	<u>184,791</u>	<u>183,912</u>	<u>183,349</u>	<u>190,469</u>	<u>206,858</u>
Total governmental activities	<u>529,045</u>	<u>548,788</u>	<u>548,501</u>	<u>543,855</u>	<u>566,475</u>	<u>558,981</u>	<u>550,283</u>	<u>549,168</u>	<u>567,697</u>	<u>624,315</u>
<b>Program revenues</b>										
Charges for services:										
Regular education	1,688	1,648	1,471	1,214	1,135	1,327	1,450	1,468	1,753	1,603
Community services	415	338	348	348	422	414	428	436	465	455
Food services	8,059	7,839	7,875	7,858	7,254	6,928	7,103	7,142	7,123	7,407
Operating grants and contributions	106,729	122,436	136,196	128,527	124,751	124,007	125,875	123,982	126,498	125,265
Capital grants and contributions	104,871	85,054	47,667	28,383	35,159	25,115	32,295	33,011	23,168	29,732
Total governmental activities program revenues	<u>221,762</u>	<u>217,315</u>	<u>193,557</u>	<u>166,330</u>	<u>168,721</u>	<u>157,791</u>	<u>167,151</u>	<u>166,039</u>	<u>159,007</u>	<u>164,462</u>
Total governmental net expense	<u>(307,283)</u>	<u>(331,473)</u>	<u>(354,944)</u>	<u>(377,525)</u>	<u>(397,754)</u>	<u>(401,190)</u>	<u>(383,132)</u>	<u>(383,129)</u>	<u>(408,690)</u>	<u>(459,853)</u>
<b>General Revenues and Other Changes in Net Position</b>										
General revenues:										
Local appropriations	206,979	210,415	211,067	217,782	219,821	221,301	223,667	228,209	233,534	238,716
State Aid	153,313	147,510	140,638	143,456	140,879	137,722	137,404	136,328	137,763	139,327
Federal Aid	279	625	696	1,345	449	336	434	423	392	409
Miscellaneous	2,204	2,487	3,960	7,508	5,717	5,723	5,370	3,753	4,371	2,672
Unrestricted investment earnings	226	40	43	33	31	18	13	56	182	515
Total general revenues	<u>363,001</u>	<u>361,077</u>	<u>356,404</u>	<u>370,124</u>	<u>366,897</u>	<u>365,100</u>	<u>366,888</u>	<u>368,769</u>	<u>376,242</u>	<u>381,639</u>
<b>Change in Net Position</b>	<u>55,718</u>	<u>29,604</u>	<u>1,460</u>	<u>(7,401)</u>	<u>(30,857)</u>	<u>(36,090)</u>	<u>(16,244)</u>	<u>(14,360)</u>	<u>(32,448)</u>	<u>(78,214)</u>
Net position - beginning of year	373,237	428,955	458,559	460,019	452,618	421,761	385,671	349,264	334,904	302,456
Adjustment to Restate Beginning Net Position	-	-	-	-	-	-	(20,163)	-	-	(642,988)
Net position - beginning of year, as Restated	<u>373,237</u>	<u>428,955</u>	<u>458,559</u>	<u>460,019</u>	<u>452,618</u>	<u>421,761</u>	<u>365,508</u>	<u>349,264</u>	<u>334,904</u>	<u>(340,532)</u>
Net position - end of year	<u>\$428,955</u>	<u>\$458,559</u>	<u>\$460,019</u>	<u>\$452,618</u>	<u>\$421,761</u>	<u>\$385,671</u>	<u>\$349,264</u>	<u>\$334,904</u>	<u>\$302,456</u>	<u>(\$418,746)</u>

**Harford County Public Schools**

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Assigned	\$2,261	\$2,405	\$12,976	\$12,628	\$18,650	\$18,320	\$17,370	\$21,784	\$23,988	\$24,443
Unassigned	18,113	22,626	13,143	13,169	4,330	3,072	6,408	8,328	10,617	3,899
Total general fund	<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>	<u>\$30,112</u>	<u>\$34,605</u>	<u>\$28,342</u>
All other governmental funds										
Non Spendable -										
Special Revenue Fund	\$186	\$278	\$294	\$237	\$187	\$142	\$105	\$31	\$373	\$352
Assigned - reported in:										
Special revenue fund	1,880	1,918	2,115	2,518	2,437	2,660	2,871	3,040	2,525	2,354
Capital projects fund	5,802	7,551	7,454	9,079	10,322	11,577	2,403	2,128	1,720	2,008
Unassigned - Capital projects fund	-	-	-	-	(2,647)	(7,799)	-	-	-	-
Total all other governmental funds	<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>	<u>\$5,199</u>	<u>\$4,618</u>	<u>\$4,714</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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Intergovernmental revenues	\$299,449	\$275,213	\$241,501	\$230,041	\$231,802	\$229,680	\$240,351	\$250,885	\$252,664	\$256,649
Local										
State	241,878	247,758	242,653	251,283	241,824	233,251	238,723	230,588	228,318	236,683
Special state and federal programs	24,357	33,330	41,992	28,817	29,938	30,562	31,020	29,931	30,327	29,727
Federal	5,907	6,860	7,629	8,485	8,122	8,483	8,942	9,588	9,806	9,870
Earnings on investments	235	40	43	33	31	18	13	56	182	521
Charges for services	8,059	7,839	7,875	7,858	7,254	6,929	7,103	7,142	7,123	7,407
Miscellaneous revenues	4,878	7,352	8,268	9,937	16,647	13,968	7,887	6,618	6,828	5,244
<b>Total revenues</b>	<b>584,763</b>	<b>578,392</b>	<b>549,961</b>	<b>536,454</b>	<b>535,618</b>	<b>522,891</b>	<b>534,039</b>	<b>534,808</b>	<b>535,248</b>	<b>546,101</b>
<b>Expenditures</b>										
Current										
Administrative services	11,044	10,708	10,473	10,776	10,678	9,775	9,464	9,356	9,244	10,342
Mid-level administrative services	25,556	25,417	25,182	24,959	24,805	24,356	24,569	24,910	25,699	26,079
Instructional salaries	168,953	166,084	165,998	165,118	162,658	156,873	153,388	154,869	158,061	161,840
Instructional textbooks and supplies	8,405	7,758	7,316	8,067	6,689	6,849	7,101	6,598	6,625	6,527
Other instructional costs	3,406	2,904	3,173	2,839	2,446	2,392	3,340	2,795	4,336	5,452
Special education	38,054	39,030	39,674	40,322	39,951	40,088	40,714	40,672	40,700	42,541
Student personnel services	1,629	1,615	1,610	1,614	1,621	1,642	1,645	1,692	1,715	1,745
Health services	3,400	3,255	3,200	3,292	3,295	3,207	3,359	3,272	3,356	3,774
Pupil transportation services	27,321	27,655	29,522	30,917	31,151	30,300	30,113	29,201	30,808	31,552
Operation of plant	29,063	29,129	28,913	28,974	28,595	30,273	28,128	26,773	28,174	27,493
Maintenance of plant and equipment	10,701	11,014	11,757	12,607	12,249	12,110	12,707	12,562	12,986	13,605
Fixed charges	107,064	115,194	116,016	133,275	132,463	134,256	136,099	134,133	136,560	142,127
Community services	429	352	403	373	440	456	444	470	496	505
Special state and federal programs	24,357	33,330	41,992	28,817	29,938	30,562	31,020	29,931	30,327	29,727
Costs of operations - food services	14,435	14,315	14,911	15,275	15,440	15,431	15,968	16,726	17,244	17,558
Capital outlay	111,561	83,365	47,809	26,759	37,255	29,255	34,059	33,796	24,181	30,577
Debt service										
Principal	283	297	312	327	-	-	371	508	525	542
Interest	541	527	512	615	246	328	328	315	299	282
<b>Total expenditures</b>	<b>586,202</b>	<b>571,949</b>	<b>548,773</b>	<b>534,926</b>	<b>539,920</b>	<b>528,153</b>	<b>532,817</b>	<b>528,579</b>	<b>531,336</b>	<b>552,268</b>
Excess (deficit) of revenues over expenditures	(1,439)	6,443	1,188	1,528	(4,302)	(5,262)	1,222	6,229	3,912	(6,167)
Other financing sources (uses)										
Proceeds from capital lease	-	-	-	178	-	-	-	-	-	-
<b>Net change in fund balances</b>	<b>(\$1,439)</b>	<b>\$6,443</b>	<b>\$1,188</b>	<b>\$1,706</b>	<b>(\$4,302)</b>	<b>(\$5,262)</b>	<b>\$1,222</b>	<b>\$6,229</b>	<b>\$3,912</b>	<b>(\$6,167)</b>

## Harford County Public Schools

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Capacity #s	Capacity %
Abingdon Elementary	795	766	798	893	882	836	845	809	830	826	864	95.60%
Bakerfield Elementary	477	457	444	366	409	396	429	415	428	410	500	82.00%
Bel Air Elementary	512	508	505	488	484	516	496	477	466	487	500	97.40%
Church Creek Elementary	743	774	781	699	745	785	786	798	796	793	793	100.00%
Churchville Elementary	363	371	376	375	395	378	382	373	367	383	388	98.71%
Darlington Elementary	125	123	123	124	115	131	133	122	114	103	157	65.61%
Deerfield Elementary	520	514	633	797	793	805	787	797	795	791	816	96.94%
Dublin Elementary	247	247	246	289	299	301	288	266	262	236	295	80.00%
Edgewood Elementary	393	434	422	451	426	421	447	391	399	394	511	77.10%
Emmorton Elementary	676	704	732	539	505	551	547	550	560	607	549	110.56%
Forest Hill Elementary	564	579	550	557	507	493	470	474	469	512	581	88.12%
Forest Lakes Elementary	664	682	681	511	483	482	462	460	463	445	546	81.50%
Fountain Green Elementary	651	604	567	562	513	521	477	492	494	500	571	87.57%
George D. Lisby Elementary at Hillsdale	350	333	347	427	434	428	408	437	459	417	455	91.65%
Halls Cross Roads Elementary	430	446	492	475	463	507	491	519	515	504	562	89.68%
Havre de Grace Elementary	393	416	424	443	421	405	431	450	457	490	566	86.57%
Hickory Elementary	702	687	720	653	681	687	706	677	687	696	655	106.26%
Homestead-Wakefield Elementary	905	937	937	892	897	901	938	949	954	974	907	107.39%
Jarrettsville Elementary	414	416	434	470	480	460	452	441	420	410	548	74.82%
Joppatowne Elementary	546	548	581	667	629	597	573	558	566	562	653	86.06%
Magnolia Elementary	536	563	466	385	470	495	476	500	538	535	518	103.28%
Meadowvale Elementary	545	538	512	532	535	554	522	524	520	515	568	90.67%
Norrisville Elementary	192	170	181	199	186	182	185	183	198	225	252	89.29%
North Bend Elementary	402	389	401	377	378	360	338	324	308	375	500	75.00%
North Harford Elementary	469	490	453	442	432	421	407	405	411	368	500	73.60%
Prospect Mill Elementary	951	931	902	651	612	557	580	587	585	566	680	83.24%
Red Pump Elementary	-	-	-	596	669	688	676	675	681	714	696	102.59%
Ring Factory Elementary	500	513	511	542	549	557	546	538	512	532	548	97.08%
Riverside Elementary	504	502	523	501	505	520	477	458	446	472	522	90.42%
Roye-Williams Elementary	426	440	388	440	474	543	533	549	533	498	683	72.91%
William Paca/Old Post Road Elementary	1,020	1,005	845	663	766	806	827	837	844	839	954	87.95%
William S. James Elementary	487	481	521	514	451	421	403	423	413	407	522	77.97%
Youths Benefit Elementary	1,072	1,041	1,029	998	973	962	990	997	987	999	958	104.28%
<b>Total Elementary Schools</b>	<b>17,574</b>	<b>17,609</b>	<b>17,525</b>	<b>17,518</b>	<b>17,561</b>	<b>17,667</b>	<b>17,508</b>	<b>17,455</b>	<b>17,477</b>	<b>17,585</b>	<b>19,318</b>	<b>91.03%</b>
Aberdeen Middle	1,120	1,095	1,087	1,043	1,034	1,113	1,108	1,184	1,127	1,126	1,444	77.98%
Bel Air Middle	1,249	1,267	1,291	1,296	1,271	1,287	1,251	1,257	1,324	1,366	1,318	103.64%
Edgewood Middle	1,028	1,046	1,022	1,073	1,046	1,109	1,066	1,062	1,073	1,089	1,370	79.49%
Fallston Middle	905	892	887	929	879	875	856	879	873	932	1,105	84.34%
Havre de Grace Middle	613	584	530	529	532	545	544	567	524	557	775	71.87%
Magnolia Middle	785	795	735	710	688	717	756	761	739	731	1,073	68.13%
North Harford Middle	1,134	1,113	1,056	1,019	974	974	958	966	951	910	1,243	73.21%
Patterson Mill Middle	763	775	753	732	700	685	665	698	690	713	711	100.28%
Southampton Middle	1,295	1,256	1,270	1,276	1,235	1,260	1,213	1,251	1,185	1,228	1,540	79.74%
<b>Total Middle Schools</b>	<b>8,892</b>	<b>8,823</b>	<b>8,631</b>	<b>8,607</b>	<b>8,359</b>	<b>8,565</b>	<b>8,417</b>	<b>8,625</b>	<b>8,486</b>	<b>8,652</b>	<b>10,579</b>	<b>81.78%</b>
Aberdeen High	1,504	1,464	1,459	1,411	1,411	1,420	1,444	1,453	1,485	1,468	1,679	87.43%
Bel Air High	1,380	1,431	1,574	1,633	1,647	1,656	1,670	1,581	1,564	1,555	1,668	93.23%
C. Milton Wright High	1,587	1,591	1,555	1,491	1,494	1,403	1,425	1,447	1,469	1,460	1,678	87.01%
Edgewood High	1,123	1,194	1,226	1,211	1,236	1,291	1,322	1,310	1,338	1,403	1,743	80.49%
Fallston High	1,365	1,209	1,113	1,090	1,064	1,074	1,076	1,056	1,044	1,022	1,529	66.84%
Harford Technical High	1,040	1,026	1,024	1,019	1,010	1,013	1,022	1,018	997	1,010	920	109.78%
Havre de Grace High	764	775	745	691	674	585	582	605	607	630	850	74.12%
Joppatowne High	969	952	940	872	840	762	696	666	694	723	1,126	64.21%
North Harford High	1,367	1,393	1,383	1,447	1,420	1,358	1,298	1,219	1,231	1,241	1,603	77.42%
Patterson Mill High	701	949	964	991	941	922	871	833	839	840	924	90.91%
<b>Total High Schools</b>	<b>11,800</b>	<b>11,984</b>	<b>11,983</b>	<b>11,856</b>	<b>11,737</b>	<b>11,484</b>	<b>11,406</b>	<b>11,188</b>	<b>11,268</b>	<b>11,352</b>	<b>13,720</b>	<b>82.74%</b>
<b>Total Secondary Schools</b>	<b>20,692</b>	<b>20,807</b>	<b>20,614</b>	<b>20,463</b>	<b>20,096</b>	<b>20,049</b>	<b>19,823</b>	<b>19,813</b>	<b>19,754</b>	<b>20,004</b>	<b>24,299</b>	<b>82.32%</b>
Center for Educational Opportunity	106	76	112	86	86	84	93	53	69	69	250	27.60%
Restoration Academy (Charter)	79	-	-	-	-	-	-	-	-	-	-	-
John Archer	159	147	143	128	125	113	119	127	126	122	210	58.10%
<b>Total Special Schools</b>	<b>344</b>	<b>223</b>	<b>255</b>	<b>214</b>	<b>211</b>	<b>197</b>	<b>212</b>	<b>180</b>	<b>195</b>	<b>191</b>	<b>460</b>	<b>41.52%</b>
<b>Total All Schools</b>	<b>38,610</b>	<b>38,639</b>	<b>38,394</b>	<b>38,195</b>	<b>37,868</b>	<b>37,913</b>	<b>37,543</b>	<b>37,448</b>	<b>37,426</b>	<b>37,780</b>	<b>44,077</b>	<b>85.71%</b>
Teachers & Therapists Staff (1)	2,884	2,913	2,879	2,896	2,903	2,903	2,846	2,772	2,787	2,738		
Student/Teacher Ratio*	13.39	13.27	13.33	13.19	13.04	13.06	13.19	13.51	13.43	13.80		

Source: Monthly Report on Enrollment at September 30.

Source (1): MSDE Budget Certification data

Teachers - Staff with duties relating to instructing students, including classroom teachers, home and hospital teachers, distance learning teachers.

Therapists - Staff who perform activities related to physical or occupational methods of treatment and rehabilitation of students

\*Definition of teaching position includes those that do not have core classroom responsibilities. Their inclusion deflates the ratio. (eg. Therapists, Special Education and Special Area Teachers)

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

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

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Elementary School:										
Prekindergarten	874	898	773	776	753	768	763	809	837	901
Kindergarten	2,704	2,734	2,681	2,792	2,740	2,819	2,648	2,587	2,651	2,646
Grade 1	2,836	2,736	2,808	2,715	2,820	2,787	2,831	2,704	2,605	2,694
2	2,643	2,873	2,757	2,809	2,703	2,830	2,788	2,875	2,724	2,694
3	2,862	2,670	2,904	2,796	2,809	2,751	2,829	2,822	2,920	2,797
4	2,762	2,925	2,691	2,919	2,815	2,851	2,775	2,859	2,847	2,982
5	<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>	<u>2,799</u>	<u>2,893</u>	<u>2,871</u>
Total Elementary School	<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>	<u>17,455</u>	<u>17,477</u>	<u>17,585</u>
Middle School:										
Grade 6	2,904	2,912	2,791	2,905	2,691	2,892	2,807	2,875	2,780	2,915
7	2,967	2,927	2,928	2,777	2,902	2,752	2,910	2,813	2,890	2,818
8	<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>	<u>2,948</u>	<u>2,832</u>	<u>2,930</u>
Total Middle School	<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>	<u>8,636</u>	<u>8,502</u>	<u>8,663</u>
High School:										
Grade 9	3,285	3,380	3,241	3,164	3,118	3,030	3,196	2,974	3,267	3,171
10	3,005	3,041	3,145	3,038	2,948	2,896	2,755	2,918	2,696	2,931
11	2,841	2,856	2,934	2,973	2,909	2,812	2,800	2,638	2,769	2,597
12	<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>	<u>2,700</u>	<u>2,589</u>	<u>2,711</u>
Total High School	<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>	<u>11,230</u>	<u>11,321</u>	<u>11,410</u>
Special Education	<u>159</u>	<u>147</u>	<u>143</u>	<u>128</u>	<u>125</u>	<u>113</u>	<u>119</u>	<u>127</u>	<u>126</u>	<u>122</u>
<b>Total Enrollment</b>	<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>	<u>37,448</u>	<u>37,426</u>	<u>37,780</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 <sup>1</sup>		Number of School Bus Riders <sup>2</sup>	Food Services <sup>3</sup>	
	Dollars	State Rank		Breakfasts Served	Lunches Served
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	12,443	19	32,760	1,346,713	3,381,641
2015	12,481	20	32,944	1,484,007	3,385,988
2016	12,508	23	32,535	1,517,703	3,296,515
2017	12,770	21	32,421	1,488,108	3,301,809
2018	not available		32,558	1,431,954	3,238,451

<sup>1</sup> Maryland State Department of Education, Selected Financial Data, Part 3 - Analysis of Costs, Table 2: "Cost per Pupil Belonging\* for Current Expenses," for relevant year

<sup>2</sup> HCPS Department of Transportation

<sup>3</sup> HCPS Department of Food and Nutrition Services

**Harford County Public Schools**

**Capital Asset Statistics by Function**

	Fiscal Year										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
<b>Instructional Buildings</b>											
Elementary Schools	32	32	33	33	33	33	33	33	33	33	33
Middle Schools <sup>1</sup>	9	9	9	9	9	9	9	9	9	9	9
High Schools <sup>1</sup>	10	10	10	10	10	10	10	10	10	10	10
Special Needs School	1	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	1
Harford Glen Environmental Center	1	1	1	1	1	1	1	1	1	1	1
<b>Total</b>	<b>54</b>	<b>54</b>	<b>55</b>	<b>55</b>	<b>55</b>	<b>55</b>	<b>55</b>	<b>55</b>	<b>55</b>	<b>55</b>	<b>55</b>
<b>Support Buildings</b>											
Central Administration Building	1	1	1	1	1	1	1	1	1	1	1
Transportation/Facilities Operations Ctr	1	1	1	1	1	1	1	1	1	1	1
Food Services/Warehouse Facility	1	1	1	1	1	1	1	1	1	1	1
<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

<sup>1</sup>Patterson 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  
2017 Assessment Results**

**SAT**

	<u>Harford</u>	<u>State</u>	<u>Nation</u>
	<i>Average Score</i>		
Mathematics	564	524	533
Evidence-Based Reading and Writing	556	534	538

**High School Assessment (HSA)**

Class of 2017 <u>Harford</u>	
<i>Percent Passing</i>	
Government	93.3%

**Partnership for Assessment of Readiness for College & Careers (PARCC)**

	<u>Harford</u>	<u>State</u>	<u>Harford</u>	<u>State</u>
<b>Met and Exceeded Expectations</b>	<i>Math</i>		<i>English Language Arts / Literacy</i>	
	Grade 3	50.5%	43.0%	53.3%
Grade 4	42.8%	37.4%	50.9%	41.9%
Grade 5	48.2%	35.5%	48.4%	41.4%
Grade 6	42.5%	32.2%	53.0%	38.4%
Grade 7*	29.8%	25.4%	54.4%	43.1%
Grade 8*	16.9%	16.8%	44.1%	38.9%
Grade 10	n/a	n/a	60.7%	44.4%
Algebra 1	49.8%	36.5%	n/a	n/a

\*Middle school students enrolled in Algebra I during the 2016-2017 school year took the high school PARCC Algebra I assessment and not the grade level PARCC mathematics assessment.

Source: The Office of Accountability

**Harford County Public Schools**
**Insurance Summary FY 2019**

<b>Type of Coverage</b>	<b>Name of Company</b>	<b>Policy Number</b>	<b>Policy Period</b>	<b>Limits</b>
Workers Compensation	MABE Group Self-Insurance Fund	N/A	7/1/18-6/30/19	Statutory up to \$500,000
Excess Workers Compensation	Safety National	SP 4055303	7/1/18-6/30/19	Statutory excess of \$500,000
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/1/18-6/30/19	\$400,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Liability	MABE Group Insurance Pool	N/A	7/1/18-6/30/19	\$400,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	N/A	7/1/18-6/30/19	\$400,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Protection	MABE Group Insurance Pool	N/A	7/1/18-6/30/19	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/1/18-6/30/19	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	N/A	7/1/18-6/30/19	\$400,000 per loss
Criminal Proceeding and Intentional Conduct Defense Reimbursement	MABE Group Insurance Pool	N/A	7/1/18-6/30/19	\$50,000 per covered person \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/1/18-6/30/19	\$500,000 per occurrence
Excess Property	Alliant Property Insurance Program (APIP)	017471590/05	7/1/18-6/30/19	\$1 billion per occurrence excess of \$500,000
Excess Boiler and Machinery	Federal Insurance Company	76431229	7/1/18-6/30/19	\$100 million per occurrence excess of \$100,000
Crime	MABE Group Insurance Pool Travelers Casualty and Surety Axis Insurance Company	N/A 105957875 MBN781566/01/2018	7/1/18-6/30/19 7/1/18-6/30/19 7/1/18-6/30/19	\$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	7/1/18-6/30/19	\$250,000 per occurrence
School Board Legal Liability Reinsurance	United Educators Insurance	RPS20180430701	7/1/18-6/30/19	\$5,000,000 per occurrence excess of \$250,000
Catastrophic Student Accident	AIG	9151308	8/1/18-8/1/19	\$6,000,000 Medical Expense \$1,000,000 Catastrophic Cash
Cyber	APIP / Lloyd's-Beazley Syndicate	017471590/05	7/1/18-6/30/19	\$2,000,000 per occurrence

Source: HCPS Risk Management Office

Harford County Public Schools

Facilities Information  
as of June 30, 2018

	Gross Square Feet	Acres	Year Constructed	Age in Years		Gross Square Feet	Acres	Year Constructed	Age in Years
<b>Central Offices</b>									
102 S. Hickory	73,122	0.77	2005	13		91,229	28.49	1992	26
Hickory Annex	39,930	7.15	various	n/a		65,691	10.00	1961	57
Forest Hill Annex	33,895	5.96	various	n/a		49,748	6.31	1984	34
Woodbridge Center Land	-	19.80	n/a	n/a		85,801	20.51	1994	24
Box Hill South Land	-	17.86	n/a	n/a		52,360	6.46	1931	87
Campus Hills Land	-	31.15	n/a	n/a		24,237	7.89	1938	80
Harford Glen Environmental Center	31,647	245.23	1804 to 2000	n/a		103,200	20.76	2010	8
John Archer	63,984	15.00	1971	47		44,385	24.69	1941	77
Center for Educational Opportunity	107,087	6.40	1965	53		67,341	36.95	1969	49
<b>High Schools</b>									
1 Aberdeen High	230,134	47.03	2004	14		63,000	22.04	1994	24
2 Bel Air High	262,454	53.17	2009	9		64,722	8.44	1980	38
3 C. Milton Wright High	220,910	60.00	1980	38		68,971	20.03	1997	21
4 Edgewood High	268,354	44.35	2010	8		60,000	23.87	1993	25
5 Fallston High	233,500	62.00	1977	41		56,295	20.01	1968	50
6 Harford Technical High	218,225	55.00	1978	40		63,082	12.73	1943	75
7 Havre de Grace High	144,815	35.00	1955	63		65,085	10.25	1949	69
8 Joppatowne High	184,070	65.16	1972	46		77,958	33.11	1950	68
9 North Harford High	245,238	73.00	1950	68		115,458	36.53	1958	60
10 Patterson Mill High <sup>1</sup>	132,500	39.92	2007	11		61,275	27.44	1962	56
<b>Middle Schools</b>									
11 Aberdeen Middle	196,800	43.83	1973	45		89,985	17.19	1965	53
12 Bel Air Middle	164,900	25.84	1961	57		59,900	17.00	1975	43
13 Edgewood Middle	166,530	34.86	1965	53		69,000	13.26	1959	59
14 Fallston Middle	130,284	34.59	1993	25		37,417	11.54	1967	51
15 Havre de Grace Middle	102,000	37.34	1967	51		60,221	18.23	1991	27
16 Magnolia Middle	149,100	69.33	1979	39		49,703	20.00	1984	34
Patterson Mill Middle <sup>1</sup>	132,500	39.92	2007	11		75,538	15.00	1973	45
17 North Harford Middle	173,728	40.00	1976	42		100,573	23.67	2011	7
18 Southampton Middle	188,134	35.99	1970	48		59,132	34.26	1990	28
						55,711	13.18	1968	50
						78,126	28.00	1953	65
						112,417	46.00	1964	54
						58,500	15.00	1976	42
						149,694	26.18	2017	1
<b>Total</b>						<b>3,893,841</b>	<b>1,245.65</b>		

Elementary Schools

19 Abingdon Elementary									
20 Bakerfield Elementary									
21 Bel Air Elementary									
22 Church Creek Elementary									
23 Churchville Elementary									
24 Darlington Elementary									
25 Deerfield Elementary									
26 Dublin Elementary									
27 Edgewood Elementary									
28 Emmorton Elementary									
29 Forest Hill Elementary									
30 Forest Lakes Elementary									
31 Fountain Green Elementary									
32 George D. Lisby Elementary									
33 Hall's Cross Roads Elementary									
34 Havre de Grace Elementary									
35 Hickory Elementary									
36 Homestead-Wakefield Elementary									
37 Jarrattsville Elementary									
38 Joppatowne Elementary									
39 Magnolia Elementary									
40 Meadowvale Elementary									
41 Norrisville Elementary									
42 North Bend Elementary									
43 North Harford Elementary									
44 Prospect Mill Elementary									
45 Red Pump Elementary									
46 Ring Factory Elementary									
47 Riverside Elementary									
48 Royce Williams Elementary									
49 William Poca/Old Post Rd. Elementary									
50 William S. James Elementary									
51 Youth's Benefit Elementary <sup>2</sup>									

<sup>1</sup> Patterson Mill Middle and High are one building. The gross square feet and acres are split on the chart.

<sup>2</sup> Original building constructed in 1953 and an addition to the campus in 1973. For the 2016-2017 school year, grades K-2 moved into the new YBES.

Grades 3-5 remained in the 1973 addition and will relocate to the new building in the 2017-2018 school year. The data in the chart will be updated at that time. Source: Educational Facilities Master Plan 2017



## Harford County Public Schools

### Principal Employers in Harford County Current Fiscal Year and Ten Years Ago

	<b>Fiscal Year 2018</b>		
	Number of Employees	Rank	Percentage of Total County Employment
U.S. Army Aberdeen Proving Ground	24,000	1	25.68%
Harford County Public Schools	5,285	2	5.65%
UM Upper Chesapeake Medical Center	3,300	3	3.53%
U.S. Army Research Laboratory (ARL)	2,000	4	2.14%
Secure Shot LLC	2,000	5	2.14%
Harford County Government	1,541	6	1.65%
Kleins Shop Rites of Maryland	1,200	7	1.28%
Kohl's E-Fulfillment Center	1,200	8	1.28%
Rite Aid Mid-Atlantic Customer Support Center	1,030	9	1.10%
Harford Community College	1,011	10	1.08%
<i>Total</i>	42,567		45.53%
<i>Total County Employment</i>	93,443		100.00%

	<b>Fiscal Year 2009</b>		
	Number of Employees	Rank	Percentage of Total County Employment
U.S. Army Aberdeen Proving Ground	12,200	1	16.74%
Harford County Public Schools	5,333	2	7.32%
Upper Chesapeake Health System	1,932	3	2.65%
Harford County Government	1,608	4	2.21%
Rite Aid Mid-Atlantic Customer Distribution Center	1,270	5	1.74%
Harford Community College	1,219	6	1.67%
SAIC	788	7	1.08%
Klein's Supermarkets	663	8	0.91%
Jacobs Technology, Inc.	656	9	0.90%
Jones Junction	520	10	0.71%
<i>Total</i>	26,189		35.93%
<i>Total County Employment</i>	72,895		100.00%

Source: Data from the Harford County, Maryland Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018;  
Table 15, Page 176

**Harford County Public Schools**

**Outstanding Capital Lease  
Direct Debt  
as of June 30, 2018**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2019	\$ 559,942	\$ 263,880	\$ 823,822
2020	578,252	245,570	823,822
2021	597,161	226,661	823,822
2022	616,689	207,133	823,822
2023	636,854	186,968	823,822
2024	657,679	166,143	823,822
2025	679,186	144,636	823,822
2026	701,395	122,427	823,822
2027	724,330	99,492	823,822
2028	748,016	75,806	823,822
2029	772,476	51,346	823,822
2030	797,736	26,086	823,822
	<u>\$ 8,069,716</u>	<u>\$ 1,816,148</u>	<u>\$ 9,885,864</u>

Capital lease is for the 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 2009 - 2018**

State Category	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administration	124	123	124	126	123	120	120	120	117	117
Mid-Level - Office of the Principal	277	282	281	306	298	294	294	289	290	287
Mid-Level - Admin & Supervision	79	74	76	54	54	56	56	62	62	55
Instructional Salaries	2,868	2,848	2,868	2,835	2,781	2,696	2,705	2,675	2,645	2,565
Special Education	941	1,028	1,124	1,085	1,070	1,046	1,040	1,044	1,021	1,004
Student Services	20	20	20	20	20	21	20	25	26	21
Health Services	71	71	71	72	72	72	73	73	72	70
Transportation	183	193	203	211	217	217	217	217	217	188
Operation of Plant	333	333	334	342	345	345	345	337	340	338
Maintenance of Plant	126	126	124	125	126	126	126	125	126	128
Community Services	1	1	1	1	1	1	1	1	1	1
<b>Totals<sup>1</sup></b>	<b>5,025</b>	<b>5,099</b>	<b>5,227</b>	<b>5,177</b>	<b>5,107</b>	<b>4,994</b>	<b>4,997</b>	<b>4,968</b>	<b>4,917</b>	<b>4,774</b>

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.

<sup>1</sup>FTE 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)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Principal & Interest	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 246,568	\$ 327,544	\$ 698,803	\$ 823,822	\$ 823,822	\$ 823,822
Total Expenditures	586,201,560	571,948,961	548,772,658	534,926,033	539,920,427	528,153,229	532,816,898	528,578,856	531,336,264	552,268,371
Less capitalized net activity	93,096,620	60,646,936	26,950,319	8,080,063	8,878,160	6,370,716	13,748,105	15,075,210	5,454,544	8,853,636
Net expenditures	<u>\$493,104,940</u>	<u>\$511,302,025</u>	<u>\$521,822,339</u>	<u>\$526,845,970</u>	<u>\$531,042,267</u>	<u>\$521,782,513</u>	<u>\$519,068,793</u>	<u>\$513,503,646</u>	<u>\$525,881,720</u>	<u>\$543,414,735</u>
Ratio of Principal & Interest to Net Expenditures	0.17%	0.16%	0.16%	0.16%	0.05%	0.06%	0.13%	0.16%	0.16%	0.15%

**Harford County Public Schools**

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Principal balance	\$10,581,571	\$10,284,642	\$9,972,929	\$10,016,647	\$10,016,647	\$10,016,647	\$9,645,389	\$9,136,971	\$8,611,929	\$8,069,717
Student Enrollment	38,610	38,639	38,394	38,222	37,868	37,913	37,543	37,448	37,426	37,780
Balance to Student Enrollment	\$ 274.06	\$ 266.17	\$ 259.75	\$ 262.06	\$ 264.51	\$ 264.20	\$ 256.92	\$ 243.99	\$ 230.11	\$ 213.60

*Refunded original capital lease May 2012. New capital lease amount \$10,016,647, which included 2% prepayment penalty and three months of accrued interest. Interest-only payments occurred during first two years of new capital lease.*

Enrollment Source: Monthly Report on Enrollment at September 30.

# Compliance Section

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**Dr. Paula Stanton named 2018 Harford County Teacher of the Year**

On April 4, 2018, Paula Stanton, Ph.D., English teacher at Bel Air High School and 24-year veteran teacher, eight of which were for Harford County Public Schools, was named the 2018 HCPS Teacher of the Year during a surprise announcement at the 24th Annual Harford County Teacher of the Year Banquet at the Bayou Restaurant in Havre de Grace, Maryland.



**SB & COMPANY, LLC**  
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**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, 2018, and the related notes to the financial statements, which collectively comprise HCPS' basic financial statements, and have issued our report thereon dated September 24, 2018.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether HCPS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**SB & COMPANY, LLC**  
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**Purpose of this Report**

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

Hunt Valley, Maryland  
September 24, 2018

*SB & Company, LLC*



