

## Board of Education

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*Appointed Member-at-Large*

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

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

**Nancy Reynolds**  
*Appointed Member-at-Large*

**Thomas F. Fitzpatrick**  
*Appointed Member-at-Large*

**James D. Thornton**  
*Appointed Member-at-Large*

**Robert L. Frisch**  
*Elected Member, Councilmanic District A*

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

**Panashe I. Mutombo**  
*Student Representative*

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**Robert M. Tomback, Ph.D.**  
*Superintendent*

**Patrick P. Spicer, Esquire**  
*General Counsel*

**Joseph P. Licata**  
*Chief of Administration*

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

**Cornell S. Brown, Jr.**  
*Assistant Superintendent for Operations*

**Jean A. Mantegna**  
*Assistant Superintendent for Human Resources*

**James M. Jewell**  
*Assistant Superintendent for Business Services*

**Edward B. Fields, III**  
*Director of Budget*

**Patti Jo Beard**  
*Executive Director of Facilities Management*

**Stephen C. Lentowski**  
*Director of Student Services*

**M. Angela Morton**  
*Executive Director of Elementary School  
Performance*

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

**Barbara P. Canavan**  
*Executive Director of Middle School Performance*

**Charles L. Taibi**  
*Director of Transportation*

**Joseph A. Schmitz**  
*Executive Director of High School Performance*

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

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

**Ann-Marie Spakowski**  
*Director of Special Education*

#### Office of Civil Rights Statement for Harford County Public Schools

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





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Harford County Public Schools  
Maryland**

For the Fiscal Year Beginning

**July 1, 2011**

*Linda C. Dawson Jeffrey R. Emer*

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **Harford County Public Schools, Maryland** for its annual budget for the fiscal year beginning **July 1, 2011**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.





# Harford County Public Schools

## Transmittal Letter and Budget in Brief for Fiscal Year 2013

June 11, 2012

Dear School Community,

The Fiscal Year 2013 Board of Education Budget for Harford County Public Schools addresses the essential components of federal legislation known as *No Child Left Behind* (NCLB), state legislation known as the Bridge to Excellence Act (BTE), and continues to address the Strategic Plan and Master Plan. Meeting the educational needs of a growing and diverse community so that no child is left behind requires vision, knowledge, organization, effective planning, sufficient coordinated resources, and commitment from all stakeholders.

Throughout the school year, each one of the more than 5,300 employees of the Harford County Public Schools (HCPS) takes on the challenge of working towards our common goal of connecting with our students and preparing them for success. HCPS is the third largest employer in Harford County. We work to accomplish our goals as effectively and efficiently as possible. We are all committed to inspiring each of our 38,000 students to become life-long learners and responsible citizens.

Educators in Harford County have the unique responsibility of impacting the future of thousands of students every year. After all, school-age children spend almost as much time in school or in school-related activities as they do at home. Our faculty and staff are involved in every aspect of the child's academic life, from writing curriculum, serving as advisors for extracurricular activities, mentoring at-risk youth, to providing additional tutoring, and many, many more. Everyone in HCPS shares the same ideals regarding working together to provide the best education possible to all of our students in Harford County.

In addition, HCPS employees and students worked diligently to meet rigorous federal and state education requirements, resulting in many successes over the past year. The information in this annual budget document will show you some examples of our successes, as well as our challenges. We are committed to ensuring every child is given the best educational opportunities possible in Harford County. It is important to provide each individual student with the knowledge and means to succeed in a diverse society and I encourage you to join us as we impact the lives of our students in Harford County Public Schools.

The difficult economic times of the past several years have had a significant impact on state and local funding for school systems. From fiscal year 2010 to 2012, Harford County Public Schools operating costs increased by \$32.3 million with limited new revenue of \$1.1 million. The resulting budget shortfall of \$31.2 million was resolved through position reductions, salary savings from employee turnover, cost reductions and the use of \$8.5 million of fund balance. It is important to note that HCPS employees did not receive a wage increase during this three year period.

The fiscal year 2013 budget includes a \$10 million wage package, the first wage increase for HCPS employees since July 2008, a \$5.5 million increase in teacher pension cost and other cost of doing business expenses of \$.8 million. Combined with a decrease in revenue of \$7.1 million, HCPS faced with a budgetary shortfall of \$23.4 million. The shortfall was absorbed via employee turnover savings of \$2.9 million, position reductions through attrition of \$3.9 million, operating cost reductions of \$9.2 million and elimination of non-recurring costs of \$8.1 million. These difficult decisions were part of the Board of Education's goal of maintaining a competitive salary structure for all HCPS employees. The negotiated wage package was accepted by the five employee bargaining units effective July 1, 2012 for fiscal year 2013.

The fiscal 2013 approved Unrestricted Operating, Restricted and Capital budgets are \$427.8 million, \$26.5 million and \$14.9 million, respectively.

Continuing to meet the goals and objectives, as defined by the Board of Education of Harford County, will require commitment, planning and effective leadership. Harford County Public Schools is prepared to meet the challenges that currently exist and provide the high quality education that our students, parents and community have come to expect.



# Harford County Public Schools

## Transmittal Letter and Budget in Brief for Fiscal Year 2013

### **Vision**

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

### **Mission**

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

### **Board of Education Strategic Plan Goals**

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

Since the passage of *NCLB* in January 2002, and the Maryland enactment of the *BTE*, the annual update to our Master Plan has been revised for the seventh year and has received approval of the Maryland State Department of Education (MSDE). The Plan identifies the design and implementation of programs, services, and instructional strategies that will accelerate learning for all students.

Leonard D. Wheeler, Ed.D.,  
President of the Board of Education

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



# Harford County Public Schools

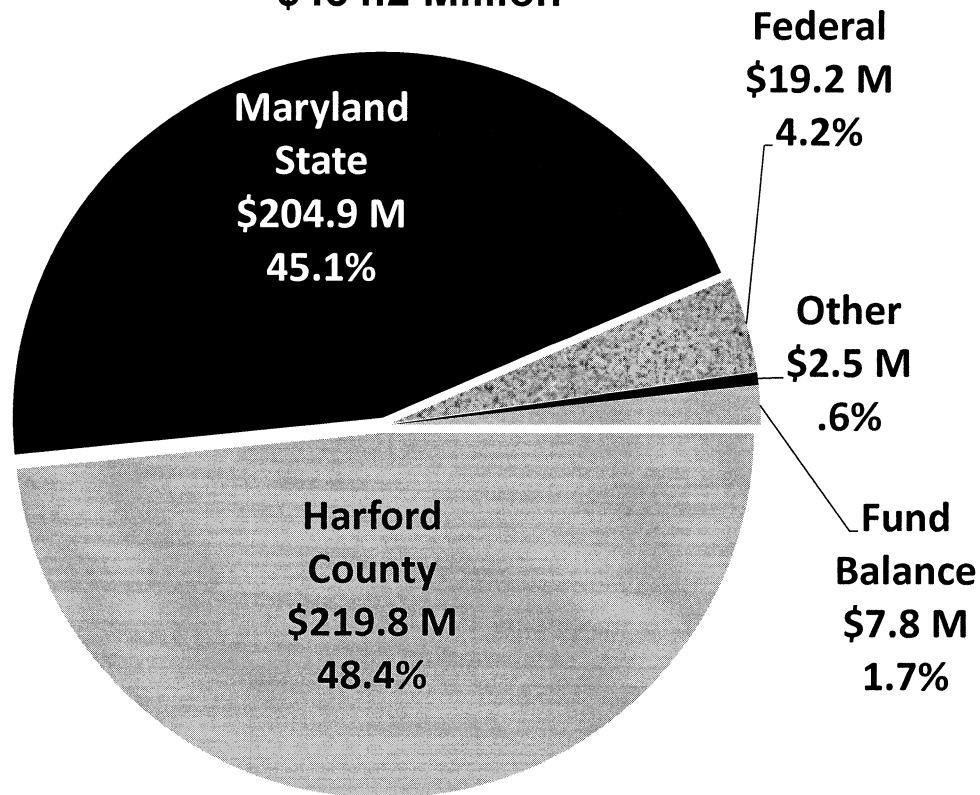
## Transmittal Letter and Budget in Brief for Fiscal Year 2013

Revenue - Current Expense Funds							
Sources	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2012 Budget	FY 2013 Budget	Change FY12 - FY13	%
Unrestricted Fund	\$418,841,604	\$416,290,452	\$435,605,564	\$435,643,868	\$427,768,507	(\$7,875,361)	-1.8%
Restricted Fund	\$33,693,057	\$41,571,808	\$28,787,162	\$26,206,659	\$26,464,157	\$257,498	1.0%
<b>Current Expense Fund</b>	<b>\$452,534,661</b>	<b>\$457,862,260</b>	<b>\$464,392,726</b>	<b>\$461,850,527</b>	<b>\$454,232,664</b>	<b>(\$7,617,863)</b>	<b>-1.6%</b>

*Where the money comes from...*

### FY 2013 Current Expense Fund - by Source

**\$454.2 Million**



**Maryland State Aid** – Includes Unrestricted funds and Restricted (in the form of grants) funds.

**Harford County Government Aid** – includes County allocation that represents Maintenance of Effort level of funding under State Law and additional funding as allocated and approved by the County Executive and County Council.

**Federal Aid** – includes Impact Aid, ISEA, and categorical grants. (Federal stimulus funding included as a source).

**Other Sources** – Includes building use fees, gate receipts for athletic events, fees for out of county students, interest income, and student fees.

**Fund Balance** – includes funds set aside from fiscal 2012 to support ongoing operations and one time expenditures.



# Harford County Public Schools

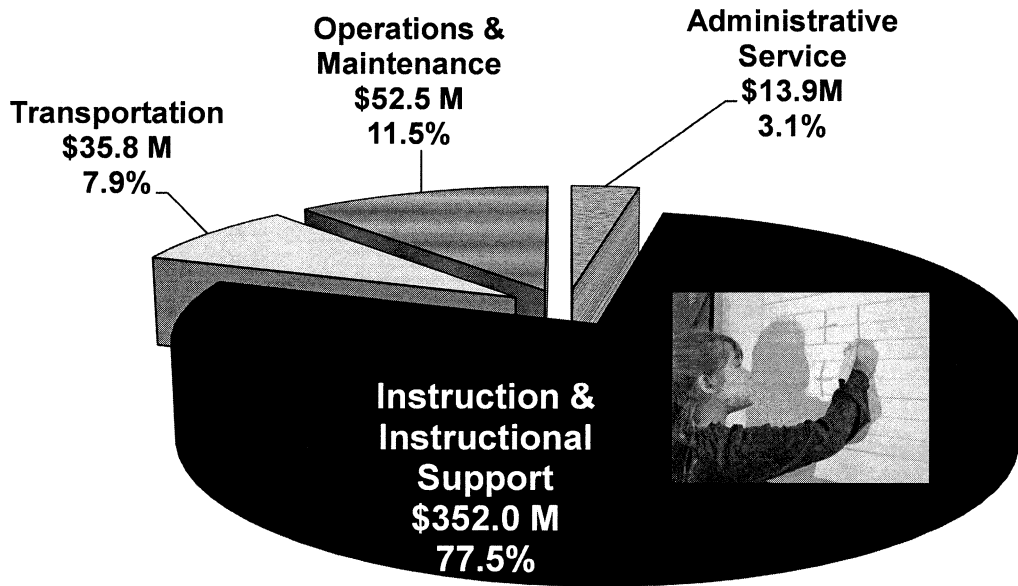
## Transmittal Letter and Budget in Brief for Fiscal Year 2013

Expenditures - Current Expense Fund							
	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2012 Budget	FY 2013 Budget	Change FY12 - FY13	% Chg
Unrestricted Fund	409,201,965	408,767,830	427,412,634	435,643,868	427,768,507	(7,875,361)	-1.8%
Restricted Fund	33,693,057	41,571,808	28,787,162	26,206,659	26,464,157	257,498	1.0%
<b>Total Current Expense Fund</b>	<b>\$ 442,895,022</b>	<b>\$ 450,339,638</b>	<b>\$ 456,199,796</b>	<b>\$ 461,850,527</b>	<b>\$ 454,232,664</b>	<b>\$ (7,617,863)</b>	<b>-1.6%</b>

*Where the money goes...*

### FY 2013 Current Expense Fund

## \$454.2 Million



All expenditure accounts include a share of fringe benefit costs based on FTE count which includes health, dental, & life insurance, taxes, workers compensation and unemployment compensation charges.

**Administrative Services** – includes Board of Education, Executive Administration, Business Services, Human Resources, and the Office of Technology and Information Services.

**Student Instruction** – includes Education Services, Mid-Level Administration, Instructional Salaries, Textbooks & Classroom Supplies, Other Instructional Costs, Special Education, and Health Services.

**Transportation** - includes fuel for vehicles, system operated buses for special education and contracted bus services for regular students.

**Operations and Maintenance** – includes Facilities management of buildings and grounds, utility costs and Planning and Construction expenditures for capital projects.





# Harford County Public Schools

## Transmittal Letter and Budget in Brief for Fiscal Year 2013

### Highlights of the Fiscal Year 2013 Unrestricted Budget

#### Wage/Fringe Benefits

- The \$ 10 million increase in the salary/wages line item reflects our goal of maintaining a competitive salary structure within the market, especially with our neighboring counties. As a result of no step increases or Cost of Living Adjustments (COLA) for the past three years, it is our intent with this budget proposal to avoid falling further behind. By law, the Board is required to negotiate with each of the five bargaining units in Harford County to establish salary, wages and other working conditions. The current beginning salaries for teaching positions in Harford County ranks 21<sup>st</sup> of 24 teaching jurisdictions in the state of Maryland, per the fact book published by the Maryland Department of Education for FY 2011.
- The costs associated with health and dental care benefits for Fiscal year 2013 are projected to remain stable and comparable to FY 2012 with the exception of the prescription drug costs associated with the HCEA employees which opted not to participate with a mandatory generic drug plan.
- The State of Maryland legislatively mandated an increase of \$ 5.5 million in pension costs related to teaching positions which was fully funded by the Harford County Government.

#### Cost of Doing Business

- One additional contractor bus to service Global Studies/IB Program at EHS, \$55,000;
- One additional contractor bus to service Natural Resource/Ag. Science at NHHS, \$55,000;
- Contracted Bus Service (Increase PVA of \$6,679 for 13 long buses replaced), \$86,827;
- Add 3.0 FTE SE Bus Drivers & 3.0 FTE SE attendants for three new SE buses, \$189,438;
- Increase in contracted bus service, \$228,000;
- Annual escalation of performance lease agreements & service contracts, \$28,501;
- Regular program professional salaries, \$99,060;
- Interscholastic sports expenditures based on \$27,430 increase in gate receipts in FY2011 (budget neutral item), \$27,430;
- Department Juvenile Justice contracted instruction, \$40,000;
- Property insurance, \$34,742;
- Liability insurance, \$82,247; and,
- Board of Education increase in legal fees \$10,000, conferences \$15,000 and professional dues \$6,200.

### **Other Funds Expenditures**

**Food Services Fund** – \$15,147,627; a self- supporting fund.

**Pension Fund** – \$30,575,369; the amount to be paid by the State of Maryland on behalf of HCPS employees who are members of the Teachers Retirement and Pension Systems.

**Debt Service Fund** - \$30,355,614; the amount paid for the financing of capital projects by Harford County Government for the Board of Education.

**Capital Project Fund** - \$14,911,610; represents the adopted capital budget for construction and major repairs and assets for the school system. Projects are funded by state and county sources of revenues.



## Overview of the School System

Public schools were authorized by the State Constitution of 1864 and 1867 and placed upon the Legislature the obligation of establishing "a thorough and efficient system of free public school"<sup>1</sup>. The Harford County Public Schools System was founded in 1865. At that time, there were 3,230 children enrolled in 69 one room schools with one teacher per school. The first Superintendent of Schools was appointed in 1902. There have only been nine Superintendents of Schools since 1902.

The Harford County Board of Education was established under the Education Article of the Annotated Code of Maryland to have perpetual existence and be a body politic and corporate of the State of Maryland. It is empowered and required to maintain a reasonably uniform system of public schools designed to provide quality education and equal educational opportunities for all youth. Per Senate Bill 629, effective July 1, 2009, the Board of Education was changed 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. There is also a student representative to the Board who serves a one-year term while a high school senior. This student is elected by the Harford County Regional Association of Student Councils. The Board of Education appoints the Superintendent of Schools for a four year term. The Superintendent acts as the Executive Officer of the Board as well as Secretary and Treasurer. The Superintendent is responsible for the Administration of the Harford County Public School System which consists of fifty-four schools, thirty-three elementary, nine middle, nine comprehensive high, one technical high, a special education school serving students with disabilities, and an Alternative Education Program. There is also a 245 acre Harford Glen Outdoor Education Center<sup>2</sup>.

Harford County Public Schools (HCPS) is a fiscally dependent school system with an actual enrollment of 38,437 students in fiscal 2012. HCPS is the 140th largest school system of the 17,735 regular school districts in the country when ranked by enrollment<sup>3</sup>. This places HCPS in the top one percent of school districts by size. HCPS is ranked 8<sup>th</sup> of the 24 school districts in the State of Maryland. The student body will be served by a projected 5,370.0 FTE faculty and staff positions for fiscal 2013.

With the August 2011 opening of Red Pump Elementary School, Harford County has 54 public schools along with 47 non public schools<sup>4</sup> located within the County. Citizens in the County have a choice of public or private schools. Approximately 39,000 students attend public schools. The number of students attending private schools is unknown. The 2010 population of Harford Count was 246,433 and is projected to increase to 252,477 by 2015<sup>5</sup>. According to the Bureau of Census, the school age population in 2000 was 45,189 of which 39,540 or 87.5% attended public schools. School enrollment was 35,963 in 1994 and reached a peak in 2006 of 40,294 and has declined slightly to 38,437.

### Economic Climate of Harford County, Maryland

Harford County is located 20 miles north of the City of Baltimore and adjacent to the Chesapeake Bay to the east, is bordered by the south and west by Baltimore County, to the northeast by Cecil County, and to the north by the State of Pennsylvania. The convenient location on the I-95 corridor in northeastern Maryland has made it one of Maryland's most desirable business locations. Harford County, Maryland was formed in 1773, and since 1972 has operated with a charter form of government with home rule. The County is governed by a full time County Executive and legislative power is vested in an elected seven member County Council, one member of which is elected as the President of the County Council. The demography of Harford County has changed over the last two decades from a predominantly rural area to a suburban rural mix. The County's land area of 448 square miles is the 11<sup>th</sup> largest in the State of Maryland. The County serves a population of 246,433 as of June 30, 2010. The economic condition and outlook of the County has substantially improved during the past decade. Since 2002 the population of Harford County as increased 8.2 percent, which has triggered significant construction activity and growth in the tax base<sup>6</sup>. Construction activity has slowed in the past several years.

<sup>1</sup> From "Our Harford Heritage" by C. Milton Wright, copyright 1967.

<sup>2</sup> Harford County Government, 2012 Budget Document.

<sup>3</sup> U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey," 2008-09, Version 1a, and "Local Education Agency Universe Survey," 2008-09, Version 1a.

<sup>4</sup> Maryland State Department of Education Fact Book for the Fiscal Year 2010-2011.

<sup>5</sup> www.harfordbusiness.org

<sup>6</sup> Harford County Maryland Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2011", Table 15.

## Overview of the School System

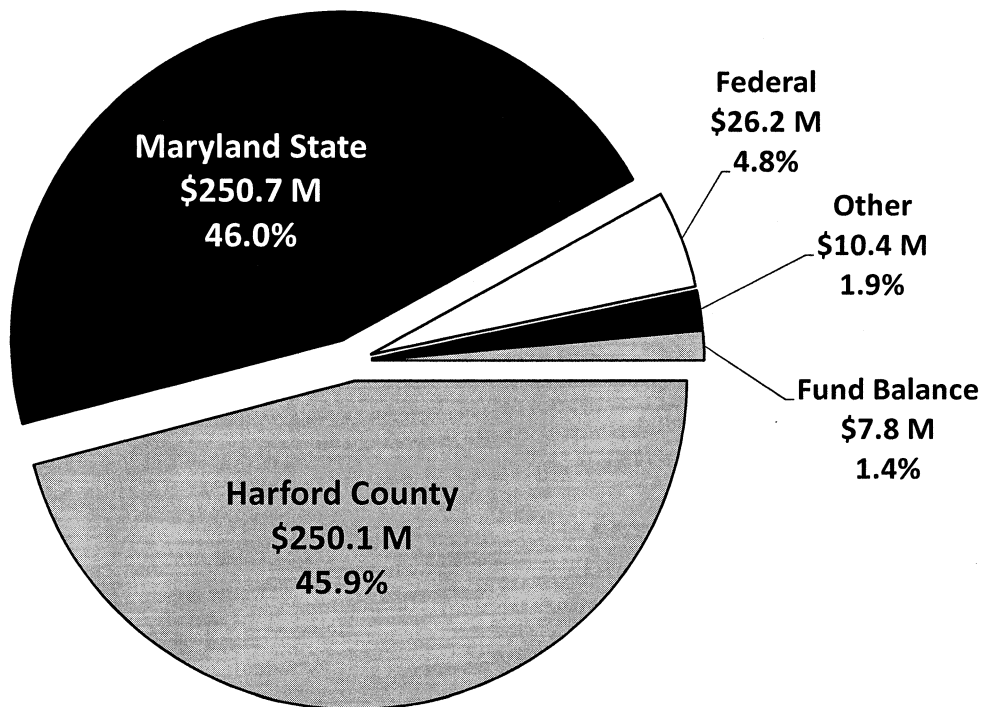
The following information reflects revenues for all funds for the Approved FY 2013 Budget:

<b>Revenue - All Funds</b>							
Sources	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2012 Budget	FY 2013 Budget	Change FY12 - FY13	% Change
Unrestricted Fund	\$ 418,841,604	\$ 416,290,452	\$ 435,605,566	\$ 435,643,868	\$ 427,768,507	\$ (7,875,361)	-1.8%
Restricted Fund	\$ 33,693,057	\$ 41,571,808	\$ 28,787,163	\$ 26,206,659	\$ 26,464,157	\$ 257,498	1.0%
<b>Current Expense Fund</b>	<b>\$ 452,534,661</b>	<b>\$ 457,862,260</b>	<b>\$ 464,392,729</b>	<b>\$ 461,850,527</b>	<b>\$ 454,232,664</b>	<b>\$ (7,617,863)</b>	<b>-1.6%</b>
Food Service	14,501,801	15,108,477	15,678,413	15,120,364	15,147,627	27,263	0.2%
Pension*	31,578,248	34,323,976	33,360,568	33,360,568	30,575,369	(2,785,199)	-8.3%
Debt Service	15,861,041	22,576,521	30,155,642	30,155,642	30,355,614	199,972	0.7%
Capital**	85,054,404	47,763,925	28,383,194	16,205,845	14,911,610	(1,294,235)	-8.0%
<b>Total - All Funds</b>	<b>\$ 599,530,155</b>	<b>\$ 577,635,159</b>	<b>\$ 571,970,546</b>	<b>\$ 556,692,946</b>	<b>\$ 545,222,884</b>	<b>\$ (11,470,062)</b>	<b>-2.1%</b>

\*Represents the Maryland State contribution. Local contribution is included in the Unrestricted, Restricted and Food Service Funds.

\*\*Capital is GAAP Basis for actual numbers.

### FY 2013 Revenue - All Funds By Source **\$545.2 Million**



## Overview of the School System

The following information reflects the expenditures for all funds:

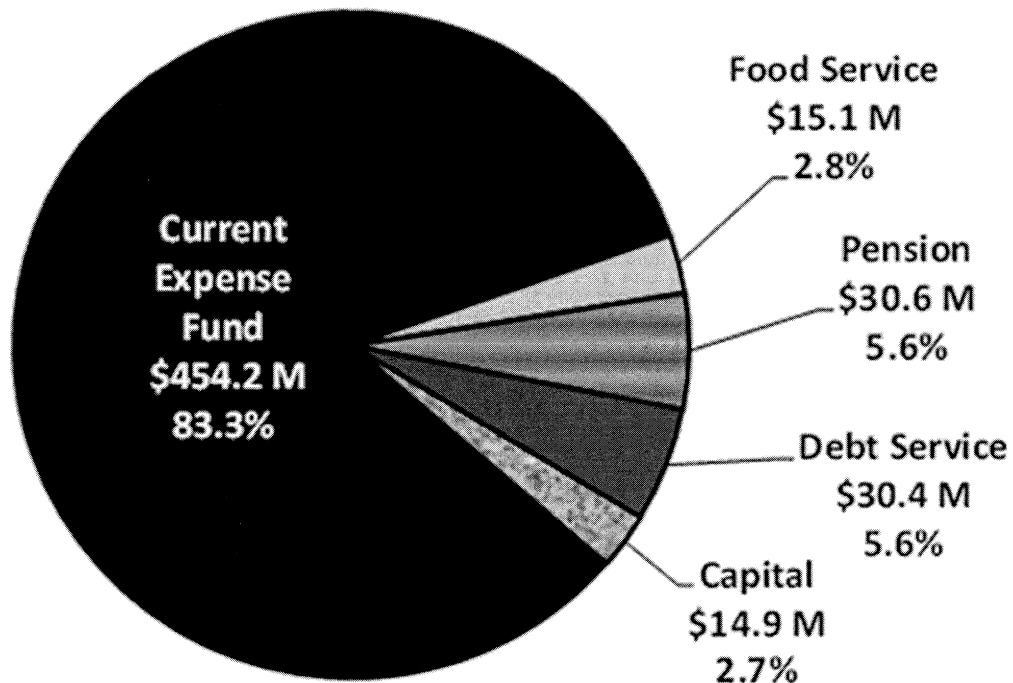
<b>Expenditures - All Funds</b>							
	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2012 Budget	FY 2013 Budget	Change FY12 - FY13	% Chg
Unrestricted Fund	409,201,965	408,767,830	427,412,634	435,643,868	427,768,507	(7,875,361)	-1.8%
Restricted Fund	33,693,057	41,571,808	28,787,162	26,206,659	26,464,157	257,498	1.0%
<b>Total Current Expense Fund</b>	<b>\$ 442,895,022</b>	<b>\$ 450,339,638</b>	<b>\$ 456,199,796</b>	<b>\$ 461,850,527</b>	<b>\$ 454,232,664</b>	<b>\$ (7,617,863)</b>	<b>-1.6%</b>
Food Service	14,301,327	15,002,160	15,201,306	15,120,364	15,147,627	27,263	0.2%
Pension	31,578,248	34,323,976	33,360,568	33,360,568	30,575,369	(2,785,199)	-8.3%
Debt Service	15,861,041	22,576,521	30,155,642	30,155,642	30,355,614	199,972	0.7%
Capital	83,305,397	47,763,925	26,758,294	16,205,845	14,911,610	(1,294,235)	-8.0%
<b>Total - All Funds</b>	<b>\$ 587,941,035</b>	<b>\$ 570,006,220</b>	<b>\$ 561,675,606</b>	<b>\$ 556,692,946</b>	<b>\$ 545,222,884</b>	<b>\$ (11,470,062)</b>	<b>-2.1%</b>

\*Represents the Maryland State contribution. Local contribution is included in the Unrestricted, Restricted and Food Service Funds.

\*\*Capital is GAAP Basis for actual numbers.

### FY 2013 Expenditures - All Funds

**\$545.2 Million**



## Overview of the School System

### Consolidated Statement of Revenue, Expenditures, and Changes in Fund Balance Includes Restricted, Unrestricted, and Food Service Funds

	Actual FY 2010	Actual FY 2011	Actual FY 2012	Budget FY 2013
<b>Revenues</b>				
Harford County Govt.	\$ 210,414,800	\$ 211,067,388	\$ 217,972,155	\$ 219,821,368
State Of Maryland	205,875,754	201,082,846	211,149,242	\$ 205,193,844
Federal Government	32,972,985	41,604,912	28,149,325	\$ 26,206,212
Other Sources	12,984,936	13,782,877	14,246,976	\$ 10,358,867
Appropriated Fund Balance	4,787,987	5,432,714	8,553,443	\$ 7,800,000
<b>Total Revenues</b>	<b>\$ 467,036,462</b>	<b>\$ 472,970,737</b>	<b>\$ 480,071,141</b>	<b>\$ 469,380,291</b>
<b>Expenditures</b>				
Administrative Services	\$ 11,224,244	\$ 11,049,350	\$ 11,554,353	\$ 11,389,576
Mid-Level Administration	25,783,857	25,566,961	25,594,493	\$ 25,721,918
Instructional Salaries	170,366,512	170,102,133	168,670,068	\$ 167,850,516
Textbooks & Classroom Supplies	8,192,400	8,477,986	8,641,737	\$ 7,595,318
Other Instructional Costs	4,780,608	4,937,929	4,849,337	\$ 4,256,333
Special Education	56,322,087	56,525,383	56,244,922	\$ 54,535,381
Student Personnel Services	1,615,160	1,608,766	1,613,772	\$ 1,641,081
Health Services	3,242,916	3,193,276	3,295,627	\$ 3,395,532
Student Transportation	27,970,464	29,584,155	30,940,714	\$ 31,402,065
Operation of Plant	29,288,406	28,984,446	29,361,842	\$ 29,414,929
Maintenance of Plant	11,341,017	11,902,488	12,675,618	\$ 12,653,057
Fixed Charges	91,087,103	96,625,996	101,688,309	\$ 103,484,064
Community Services	352,180	403,017	373,088	\$ 525,715
Capital Outlay	1,328,068	1,377,752	695,916	\$ 367,179
<b>Operating Expenditures</b>	<b>\$ 442,895,022</b>	<b>\$ 450,339,638</b>	<b>\$ 456,199,796</b>	<b>\$ 454,232,664</b>
Food Service	14,301,327	15,002,160	15,201,306	15,147,627
<b>Total Expenditures*</b>	<b>\$ 457,196,349</b>	<b>\$ 465,341,798</b>	<b>\$ 471,401,102</b>	<b>\$ 469,380,291</b>
<b>Excess of revenues over expenditures</b>	<b>\$ 9,840,113</b>	<b>\$ 7,628,939</b>	<b>\$ 8,670,039</b>	<b>\$ -</b>
Beginning Fund Balance	13,498,926	18,643,374	19,077,377	18,786,616
Less:				-
Fund Balance Designated as Revenue Above	(4,787,987)	(5,432,714)	(8,553,443)	(7,800,000)
Transfer to Capital Project	-	-	-	-
Increase (decrease) in reserve for inventory	92,322	15,551	(407,357)	-
Transfer to Rate Stabilization Fund		(1,777,773)		-
<b>Total Fund Balance</b>	<b>\$ 18,643,374</b>	<b>\$ 19,077,377</b>	<b>\$ 18,786,616</b>	<b>\$ 10,986,616</b>
Less:				
Designated Fund Balance for Next Fiscal Year	\$ (5,432,714)	\$ (8,294,472)	\$ (7,800,000)	\$ -
Designated Health Insurance Call	(1,225,166)	(1,225,166)	(1,225,166)	\$ (1,225,166)
Designated For Emergency Fuel Reserve	(1,000,000)	(915,000)	(915,000)	\$ (915,000)
Reserve for Inventory - end of year	(278,434)	(293,985)	(236,627)	\$ (236,627)
Assigned for OPEB contribution	-	(258,971)	-	\$ -
<b>Undesignated Fund Balance</b>	<b>\$ 10,707,060</b>	<b>\$ 8,089,783</b>	<b>\$ 8,609,823</b>	<b>\$ 8,609,823</b>

The Pension and Debt Service Funds are not included in the above table as they are managed entirely by the County and State Government.

## Overview of the School System

### Capital Projects Fund

#### Statement of Revenue, Expenditures, and Changes in Fund Balance

	Actual FY 2010	Actual FY 2011	Actual FY 2012	Budget FY 2013
<b>Revenues</b>				
Harford County Govt.	\$ 64,798,532	\$ 30,433,302	\$ 12,068,710	\$ 400,000
State Of Maryland	17,377,596	14,750,023	15,605,906	14,511,610
Federal Government	0	0	0	0
Other Sources	2,878,276	2,483,620	708,578	0
Transfer to Capital Project	0	0	0	0
Appropriated Fund Balance	0	0	0	0
<b>Total Revenues</b>	<b>\$ 85,054,404</b>	<b>\$ 47,666,945</b>	<b>\$ 28,383,194</b>	<b>\$ 14,911,610</b>
Capital Construction	83,305,397	47,763,925	26,758,294	14,911,610
<b>Total Expenditures</b>	<b>\$ 83,305,397</b>	<b>\$ 47,763,925</b>	<b>\$ 26,758,294</b>	<b>\$ 14,911,610</b>
<b>Excess of revenues over expenditures</b>	<b>\$1,749,007</b>	<b>-\$96,980</b>	<b>\$1,624,900</b>	<b>\$0</b>
Beginning Fund Balance	5,802,343	7,551,350	7,454,370	9,079,270
<b>Total Fund Balance</b>	<b>\$7,551,350</b>	<b>\$7,454,370</b>	<b>\$9,079,270</b>	<b>\$9,079,270</b>
<i>Less:</i>				
Designated for capital projects	\$7,551,350			
<b>Undesignated Fund Balance</b>	<b>\$0</b>	<b>\$7,454,370</b>	<b>\$9,079,270</b>	<b>\$9,079,270</b>

## Long Term Budgetary Issue Facing HCPS

**Structural Deficit – Ongoing expenditures exceed revenue;  
Use of one time money to fund ongoing expenditures.**

The extraordinary economic times that the nation, state and county are currently experiencing provide additional challenges that reach years into the future in regard to sustainability of current spending. The proposed fiscal year 2013 Operating Budget utilizes \$7,800,000 of one time money to fund ongoing operating budget expenditures.

We are optimistic that Harford County government's revenue will show improvement in the next fiscal year to address the increases in the HCPS budget for healthcare and transportation costs. Otherwise, we will need to determine a one to three year process to incrementally decrease this fiscal exigency.

**The long term structural deficit issue can only be addressed by:**

- **Increase Revenues, and/or**
- **Permanent Reductions to Ongoing Expenditures**

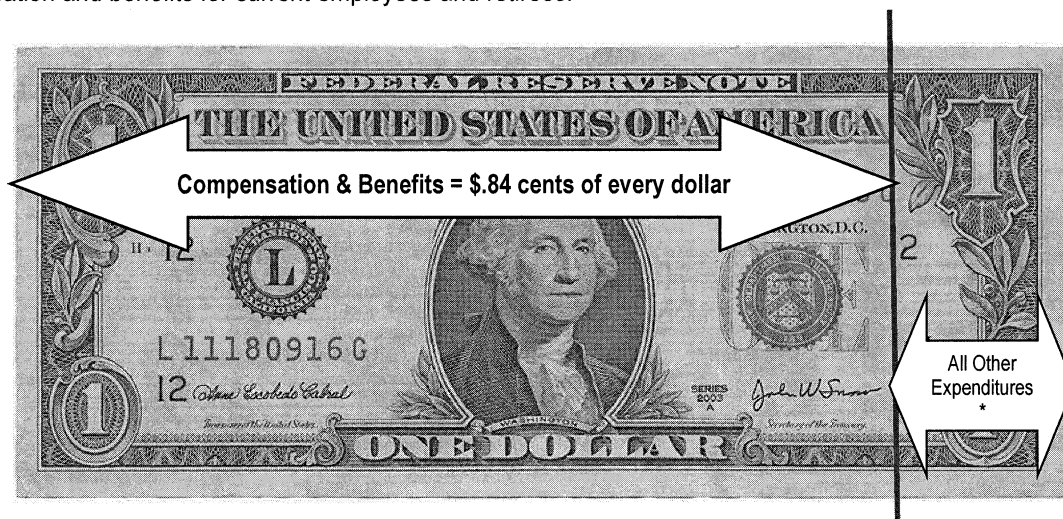
## Overview of the School System

### Schools are Labor Intensive



Compensation related expenditures represent over \$358.2 million or 83.73% of the total fiscal 2013 Unrestricted Operating Budget, a typical pattern for a human capital-intensive enterprise such as a school system. These expenditures include all salary and wages, health and dental benefits, life insurance, retirement costs, social security, workers' compensation, and tuition reimbursement. Clearly, the operation of the public school system is an investment in human capital assets. In addition and not reflected in the above numbers is a contribution in the State Budget for retirement costs for certificated positions. The State of Maryland is projected to contribute \$30.6 million on behalf of Harford County Public Schools employees. If the pension contribution from the State is added into the totals, the compensation related expenditures would total \$388.7 million or 84.81%.

In the HCPS Unrestricted Budget for fiscal year 2013, almost \$.84 cents of every dollar is devoted to employee compensation and benefits for current employees and retirees.



\*All other expenditures, including, but not limited to, utilities for sixty-one buildings, contracted bus service, fuel for special education bus service, non-public placement tuition costs, maintenance supplies/equipment and instructional supplies, furniture and equipment.



## Overview of the School System

The following table identifies total positions by program:

<b>Harford County Public Schools Position Summary by Program/Fund</b>				
Summary by Program	FTE FY 11	FTE FY 12	FTE FY 13	12 - 13 Change
<b>BOARD OF EDUCATION</b>	<b>4.0</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>
Board of Education Services	-	1.0	1.0	0.0
Legal Services	2.0	2.0	2.0	0.0
Internal Audit Services	2.0	2.0	2.0	0.0
<b>EXECUTIVE ADMINISTRATION</b>	<b>20.7</b>	<b>18.7</b>	<b>16.7</b>	<b>(2.0)</b>
Executive Administration Office	12.0	11.0	10.0	(1.0)
Community Engagement	3.0	2.0	2.0	0.0
Communications	5.7	5.7	4.7	(1.0)
<b>EDUCATION SERVICES</b>	<b>2,956.6</b>	<b>2,951.5</b>	<b>2,886.6</b>	<b>(64.9)</b>
Office of Education Services	8.0	8.0	8.0	0.0
Regular Programs	2,551.2	2,547.7	2,486.7	(61.0)
Career and Technology Programs	140.6	138.4	138.4	0.0
School Library Media Program	115.7	118.3	118.3	0.0
Gifted and Talented Program	20.4	20.9	20.9	0.0
Intervention Services	39.8	33.3	29.3	(4.0)
Magnet and Signature Programs	26.9	30.9	31.0	0.1
Other Special Programs	54.0	54.0	54.0	0.0
<b>SPECIAL EDUCATION</b>	<b>932.9</b>	<b>920.9</b>	<b>914.9</b>	<b>(6.0)</b>
<b>SAFETY AND SECURITY</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>0.0</b>
<b>STUDENT SERVICES</b>	<b>247.9</b>	<b>250.7</b>	<b>251.2</b>	<b>0.5</b>
School Counseling Services	120.2	121.7	122.2	0.5
Psychological Services	37.2	37.5	37.5	0.0
Pupil Services	20.0	20.0	20.0	0.0
Health Services	70.5	71.5	71.5	0.0
<b>CURRICULUM AND INSTRUCTION</b>	<b>39.0</b>	<b>38.0</b>	<b>37.0</b>	<b>(1.0)</b>
Curriculum Dev. and Implementation	30.0	30.0	29.0	(1.0)
Professional Development	3.0	3.0	3.0	0.0
Office of Accountability	6.0	5.0	5.0	0.0
<b>OPERATIONS AND MAINTENANCE</b>	<b>644.4</b>	<b>658.3</b>	<b>664.3</b>	<b>6.0</b>
Transportation	208.4	214.4	220.4	6.0
Facilities Management	424.0	432.9	432.9	0.0
Utility Resource Management	2.0	2.0	2.0	0.0
Planning and Construction	10.0	9.0	9.0	0.0
<b>BUSINESS SERVICES</b>	<b>36.0</b>	<b>36.0</b>	<b>35.0</b>	<b>(1.0)</b>
Fiscal Services	18.0	19.0	19.0	0.0
Purchasing	18.0	17.0	16.0	(1.0)
<b>HUMAN RESOURCES</b>	<b>28.0</b>	<b>29.0</b>	<b>29.0</b>	<b>0.0</b>
<b>OFFICE OF TECHNOLOGY &amp; INFO.</b>	<b>54.0</b>	<b>55.5</b>	<b>54.5</b>	<b>(1.0)</b>
<b>Total Unrestricted Fund</b>	<b>4,965.5</b>	<b>4,965.6</b>	<b>4,896.2</b>	<b>(69.4)</b>
<b>Restricted Fund</b>	<b>265.0</b>	<b>219.2</b>	<b>209.6</b>	<b>(9.6)</b>
<b>TOTAL CURRENT EXPENSE FUND</b>	<b>5,230.5</b>	<b>5,184.8</b>	<b>5,105.8</b>	<b>(79.0)</b>
Food Service	253.5	263.5	263.5	-
<b>HCPS TOTAL POSITIONS</b>	<b>5,484.0</b>	<b>5,448.3</b>	<b>5,369.3</b>	<b>(79.0)</b>

## Overview of the School System

The following table represents the approved Capital Improvement Program for FY 2013:

<b>HARFORD COUNTY PUBLIC SCHOOLS APPROVED CAPITAL IMPROVEMENT BUDGET - FISCAL YEAR 2013</b>					
	HCPS PRIORITY	STATE APPROVED	LOCAL APPROVED	STATE REIMBURSED FUNDING*	TOTAL CAPITAL FUNDING REQUEST
Red Pump Elementary School (1)	0	\$9,809,000	\$0	-\$9,570,000	\$239,000
Magnolia Middle School HVAC (2)	1	\$2,646,000	\$0	\$965,300	\$3,611,300
North Harford Elementary School HVAC (2)	2	\$1,226,610	\$0	\$1,050,390	\$2,277,000
Havre de Grace High School Roof (3)	3	\$830,000	\$0	\$556,000	\$1,386,000
Stadium Improvement Upgrades	4	\$0	\$0		\$0
ADA Improvements and Survey	N/A	\$0	\$0	\$50,000	\$50,000
Athletic Fields Repair & Restoration	N/A	\$0	\$0	\$70,000	\$70,000
Backflow Prevention	N/A	\$0	\$0	\$50,000	\$50,000
Band Uniform Refresh	N/A	\$0	\$0	\$10,000	\$10,000
Bleacher Replacement	N/A	\$0	\$0	\$0	\$0
Building Envelope Improvements (4)	N/A	\$0	\$0	\$100,000	\$100,000
Career & Tech. Ed. Equipment	N/A	\$0	\$0	\$50,000	\$50,000
Energy Conservation Measures	N/A	\$0	\$0	\$0	\$0
Environmental Compliance (5)	N/A	\$0	\$0	\$100,000	\$100,000
Equipment & Furniture Replacement	N/A	\$0	\$0	\$0	\$0
Fire Alarm & ER Communications	N/A	\$0	\$0	\$0	\$0
Floor Covering Replacement	N/A	\$0	\$0	\$0	\$0
Locker Replacement	N/A	\$0	\$0	\$0	\$0
Major HVAC Repairs	N/A	\$0	\$0	\$0	\$0
Music Equipment Refresh	N/A	\$0	\$0	\$50,000	\$50,000
Music Technology Labs	N/A	\$0	\$0	\$0	\$0
Outdoor Track Reconditioning	N/A	\$0	\$0	\$25,000	\$25,000
Paving - New Parking Areas	N/A	\$0	\$0	\$0	\$0
Paving - Overlay and Maintenance	N/A	\$0	\$0	\$0	\$0
Playground Equipment	N/A	\$0	\$0	\$150,000	\$150,000
Relocatable Classrooms	N/A	\$0	\$400,000	\$0	\$400,000
Replacement Buses (6)	N/A	\$0	\$0	\$288,000	\$288,000
Replacement Vehicles	N/A	\$0	\$0	\$0	\$0
Security Cameras	N/A	\$0	\$0	\$150,000	\$150,000
Septic Facility Code Upgrades (7)	N/A	\$0	\$0	\$485,179	\$485,179
Special Ed. Facility Improvements	N/A	\$0	\$0	\$100,000	\$100,000
Storm Water Management	N/A	\$0	\$0	\$400,000	\$400,000
Swimming Pool Renovations	N/A	\$0	\$0	\$0	\$0
Technology Education Lab Refresh	N/A	\$0	\$0	\$150,000	\$150,000
Technology Infrastructure	N/A	\$0	\$0	\$3,498,487	\$3,498,487
Textbook/Supplemental Refresh	N/A	\$0	\$0	\$1,271,644	\$1,271,644
<b>Total</b>		<b>\$14,511,610</b>	<b>\$400,000</b>	<b>\$0</b>	<b>\$14,911,610</b>

**NOTES:**

- 1 - State Reimbursement - \$239,000 will not be allocated
- 2 - HVAC Systemic (State funding and reimbursement funding)
- 3 - Havre de Grace Roof Replacement Project for FY 13 Only
- 4 - Funds designated for Southampton MS Exterior Doors & Hardw are

- 5 - \$10,000 for North Harford High School Wetlands Effluent Discharge
- 6 - Three (3) New Buses
- 7 - Funds will be used to relocate the Red Pump ES Pre-Treatment Facility

\* State reimbursement of \$9,570,000 has been reallocated.

# Understanding the Budget

## Welcome to Harford County Public Schools' Program-based Budget

The program-based budget presents a different view of how funds are allocated. This format is part of the continuing effort to produce a more useful budget tool for decision-making and conveying information about Harford County Public Schools. As an alternative to the categorical method of reporting budgets that is required by Maryland State Department of Education (MSDE), the program-based budget shows the allocation of funds and personnel across broad programmatic areas, such as:

- Board of Education Services
- Executive Administration
- Education Services
- Extra-curricular Activities
- Special Education
- Safety and Security
- Student Services
- Curriculum and Instruction
- Operations and Maintenance
- Business Services
- Human Resources
- Information and Technology Systems

This view of the budget allows readers to determine how available funding is matched to services provided. Policy decisions can be made by program area. Additionally, given the abilities of the budget database, the Budget Office continues to maintain the ability to produce the budget document by category to comply with state reporting requirements.

The program-based budget presents the Operating Budget over a three-year perspective of resource allocation by programmatic area. In addition, supporting details for each program are provided for more information on how funds and personnel are distributed within each program. The narrative that accompanies each program provides an overview of service delivery.

This document represents the Board of Education's continuing commitment to improve the usefulness of the budget document in planning and management. We hope you enjoy utilizing this document. If you like our work, tell others; if not, tell us.

Harford County Public Schools has received the Government Finance Officers Association Distinguished Budget Presentation Award for the past eight years. We believe this current budget continues to conform to the program requirements and will submit this budget to determine eligibility for another award. We are one of less than 100 school districts nationwide that have received the award.

James M. Jewell, [James.Jewell@hcps.org](mailto:James.Jewell@hcps.org)  
Assistant Superintendent of Business Services

Edward B. Fields III  
Budget Director

Jeannine M. Ravenscraft  
Senior Budget Analyst

Mary L. Edmunds  
Position Control Analyst

Michele D. Sledge  
Capital Budget Analyst

# Understanding the Budget

## Fiscal 2013 Budget Submission Framework

The budget represents the operational plan, stated in financial terms, for carrying out the goals of the school system.

- **Base Budget Adjustments** – The Budget Department in conjunction with Budget Managers, the Superintendent, and the Leadership Team, realign current funding based on four years of actual historical data and changing program requirements to better meet the goals and objectives of the entire Harford County Public School system. Base Budget Adjustments are simply a realignment of current funds with no additional financial impact. These adjustments are reflected throughout the document in the column entitled “FY 2013 Base Budget”.
- **Salary Adjustments** - The difficult economic times of the past several years have had a significant impact on state and local funding for school systems. The stark budget realities faced by Harford County Public Schools in fiscal years 2010 through 2012 required difficult decisions in order to balance the HCPS Budget and absorb operating cost increases of \$32.3 million. Harford County Public School employees will receive their first wage increase since July 1, 2008 in the FY 2013 budget.
- **Benefit Adjustments** - The budget includes a pension cost increase of \$5.5 million in fiscal 2013 related to the teaching positions in HCPS. This increase was legislatively mandated by the State of Maryland and effective in FY 2013. The additional costs of the pension were funded by Harford County and become a component of the maintenance of effort for HCPS.
- **Cost of Doing Business** – Cost of doing business increases in the Unrestricted Operating Budget totaling \$.8 million are also included. These expenditures, which include inflationary and non-discretionary costs, include expenditures for state/federal mandates, additional drivers and attendants for new special education buses, continued development of magnet programs and contracted service increases.

## Budget Planning and Adoption Process

Maryland school systems are revenue dependent upon the state and local governments. The Board of Education has no taxing authority<sup>1</sup>. State funding is primarily established during the annual legislative session of the Maryland General Assembly during January through April each year. State funds are administered through the Maryland State Department of Education.

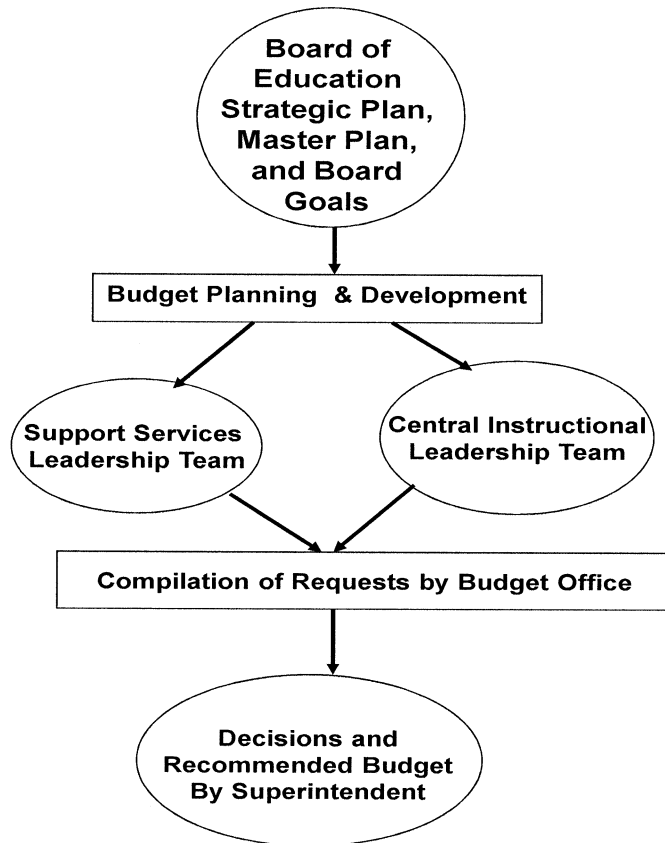
The Board of Education has developed and approved a Strategic Plan with four timeless goals and benchmarks for improvement. The Board has also approved the Master Plan (a State and Federal Government requirement) with four goals. These two documents determine the budget planning and development process for programs the Superintendent incorporates in the recommended budget. Input is received from the individual school administrators by the Central Instructional Leadership Team and from operating support areas to the Support Services Leadership Team. In addition, the Board and Superintendent receive citizen input. New requested dollars in the budget are reflected by Board Goal in concert with the Strategic Plan and Master Plan. The budget planning and development process is identified in the following flow charts.

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<sup>1</sup>“Title 5 - Financing”, *Education Article of the Annotated Code of Maryland* as amended.

# Understanding the Budget

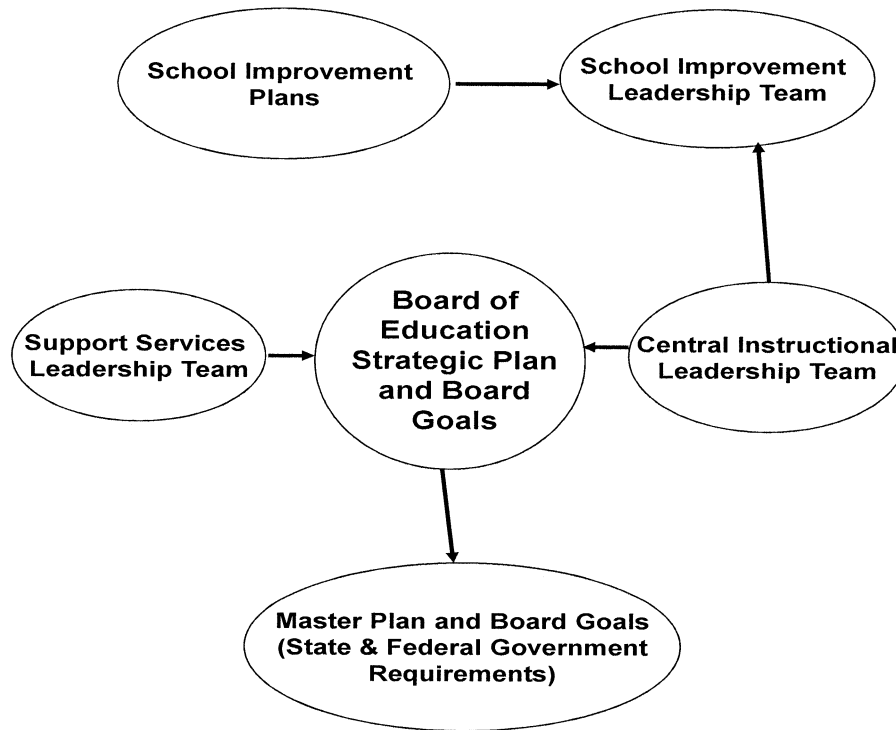
The following chart reflects the interconnectivity of the budget planning and development process.



The Master Plan is a State and Federal Requirement under Bridge to excellence and No Child Left Behind Laws.

# Understanding the Budget

The following chart reflects the interconnectivity of the Strategic Plan, the Master Plan, the Central Instructional Leadership Team, and the Support Services Leadership Team in the budget planning and development process.



The Superintendent submits the Recommended Budget to the Board of Education during a school board meeting in December (see calendar on subsequent pages). The Board holds public hearings for stakeholders and work sessions during January to consider modifying the budget prior to submittal of the Board's Proposed Budget to the County Executive by the end of January. The County Executive has until April 1 to establish funding levels for the next fiscal year. Once the Board receives the funding level from the County Executive, the operating budget is modified for submittal to the County Council in line with the projected state and county funding levels. The County Council receives the County budget on April 1<sup>st</sup> and holds public hearings and work sessions during April and May. The Council may add to the County Executive's funding level only by reducing the funds for other functions of the County government, or having the County Treasurer revise projected revenues upward indicating that additional funds will be available for the next fiscal year.

# Understanding the Budget

The Board of Education submits the revised proposed budget to the County Council in mid-April and the County Council has until May 31 to determine final funding levels for the County allocation. The County Council adopts the County Budget by May 31<sup>st</sup>. At that point the County government funding is fixed for the School System. Once this allocation is approved, the Board of Education will revise the budgeted expenditures to equal the total approved revenues. The Board approves the final budget by the end of June, prior to the start of the next fiscal year, July 1. The Board approved budget then goes back to the County for final approval certification, required by State law, which often occurs in July. This completes the budget development and approval process.

## **Budget Calendar**

Each year, a budget calendar is prepared and presented to the senior staff and budget managers as a suggested schedule to follow in order to produce the final budget document. The calendar is driven by the Board review, County Government review, County Council review, and state and local funding and reporting requirements.

<b>Fiscal Year 2013 Budget Calendar</b>	
October 10, 2011	Budget Office distributes budget packages to budget managers.
October 28, 2011	Budget managers submit base budget and cost of doing business adjustments.
November 11, 2011	Budget managers submit program narratives and performance measures.
November 2011	Superintendent reviews budget submissions, goals and issues.
December 19, 2011	Superintendent releases FY 2013 Recommended Budget.
January 9, 2012	Board of Education conducts budget work session and accepts public comment.
January 18, 2012	Board of Education conducts budget work session and accepts public comment.
January 30, 2012	Board of Education adopts FY 2013 BOE Recommended Budget.
February 14, 2012	Board presents budget to Harford County Executive.
March 30, 2012	County Executive releases proposed funding levels for FY 2013.
April 26, 2012	Board presents revised budget to Harford County Council.
May 29, 2012	Harford County Council approves final funding for FY 2013
June 11, 2012	Board of Education conducts final budget work session and approves HCPS Budget for FY 2013.
July 10, 2012	HCPS receives final certification of the FY 2013 Budget from the County Executive and County Council

The Budget Office provides on-going support to the County Administration during their review of the Budget. The Budget Office will continue on-going account analysis to look for additional realignments.

## **School System Planning**

The budget planning and formulation process is just one of many division wide, short and long range planning processes. At the center of all of the Harford County Public Schools planning activities is the Board of Education's Strategic Plan and the Master Plan as required by the State of Maryland. The student achievement goals, along with the other documents, provide framework for the school system's operation and for the Board's future work. The annual budget reflects the school system's varied plans by allocating resources to carry out the goals defined through the division wide planning processes. In addition to the School Board Strategic Plan and the Master Plan which sets the priorities and direction of the entire budget process, the major planning activities are as follows: Approved Annual Budget, Capital Improvement Plan, School Leadership Instructional Plan, School Improvement Plans, Facilities Master Plan, and Technology Plan.

In the budget planning for upcoming years, various expenditure categories are reviewed and calculated as to need and affordability in accordance with the Strategic Plan and Master Plan adopted by the Board of Education. Growth of new positions are reviewed and approved for consideration in the Proposed Budget by the Superintendent with final approval by the Board of Education. Expenditure increases that are considered cost of

## Understanding the Budget

doing business increases (inflationary or service costs to continue the same level of services to students and staff) are reviewed and projected. Where possible, Purchasing will enter into utility and fuel contracts to ensure a known price factor for projecting future utility and fuel price increases based on consumption.

An energy management system through the use of computerized sensors and controls, monitors heat and coolness in buildings and adjusts temperatures accordingly for efficient use of energy resources. A Facilities Management Plan is adopted reflecting needed repairs, maintenance, and upgrades to buildings and grounds for maintenance and capital construction projections. The Capital Improvement Plan is reviewed annually with projections into the next decade for additional new capacity, modernizations, renovations, and equipment replacements.

The budget planning process considers all of this information with an eye to the future in developing the proposed budget as to the sustainability of proposed changes and additions.

### **Summary of Accounting Policies**

The Board of Education of Harford County is a component unit of Harford County, Maryland by virtue of the County's responsibility for levying taxes and its budgetary control over the Board of Education. Accordingly, the financial statements of the Board are included in the financial statements of Harford County. The accounting policies of The Board of Education of Harford County conform to generally accepted accounting principles (GAAP) for governmental units. The following is a summary of the significant policies employed by the Board:

### **Government Wide and Fund Financial Statements**

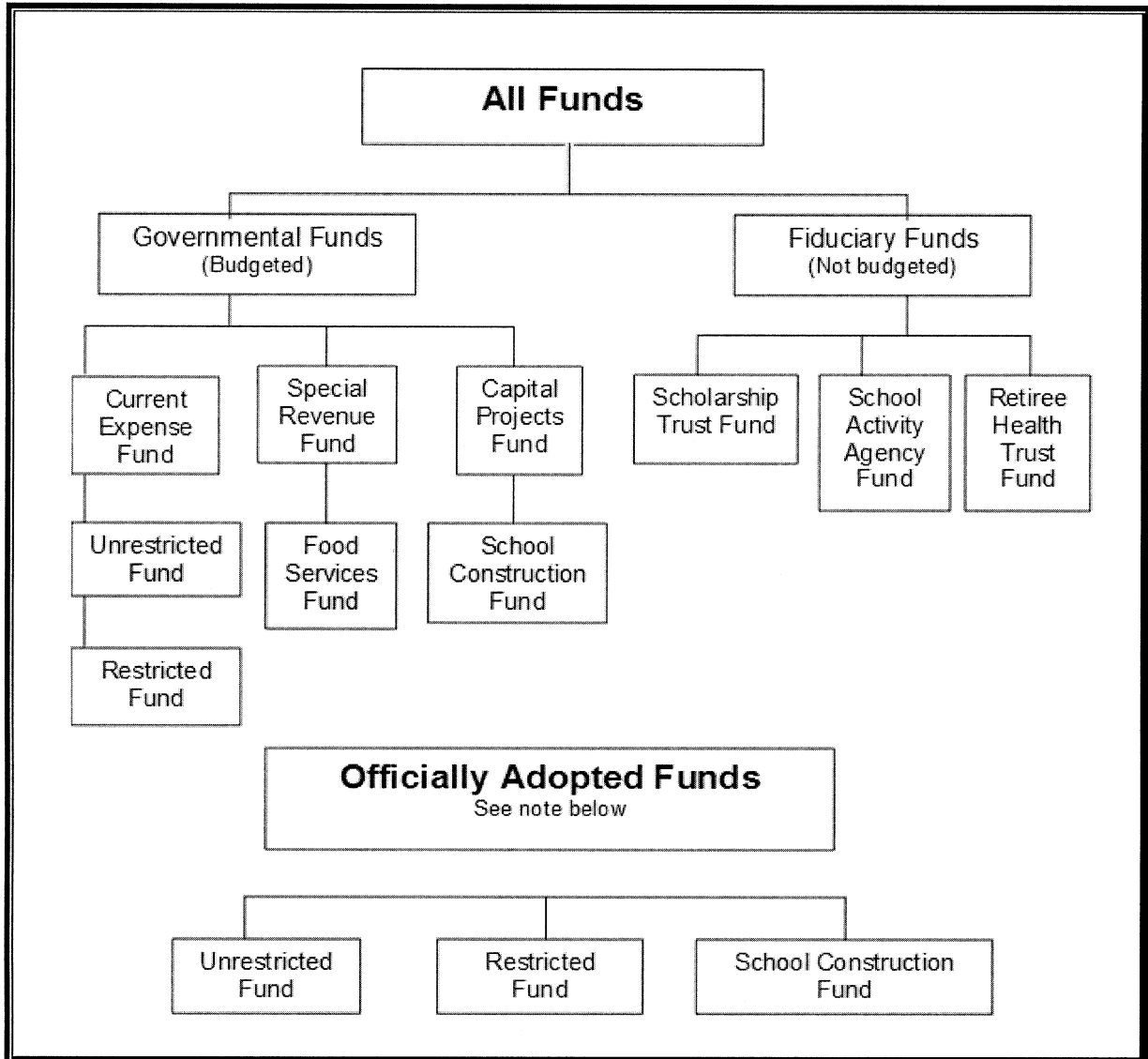
The statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the Board of Education of Harford County as a whole. For the most part, the effect of interfund activity has been removed from those statements. The activities of the General Fund (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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government wide financial statements. All individual governmental funds are considered to be major funds and are reported as separate columns in the fund financial statements. The Board has no proprietary funds.



# Understanding the Budget



Note: The Maryland State Department of Education requires us to adopt the Unrestricted Fund, Restricted Fund, School Construction Fund and a Debt Service Fund. The Restricted Fund Budget is for informational purposes as the actual budget during the fiscal year is based on approved grant agreements from State and Federal sources and may span multiple fiscal years. The Debt Service Fund is not one of our Funds for Financial Statement Purposes. The Debt Service Fund consists of the long term payments made by the County Government for the financing of school construction capital projects. The Restricted Fund expenditures account for grant agreements under special state and federal programs and may exceed budgeted amounts as the grant programs may span multiple fiscal years. 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 revenue amounts of the respective grants to be received or actual receipts.

# Understanding the Budget

## 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 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.

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 School System 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.

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

Capital Projects Fund (School Construction Fund) - Capital projects funds are used to account for financial resources to be used for the acquisition, construction, or improvements to major capital facilities. A capital expenditure is the amount used during a particular period to acquire or improve long-term assets such as property, plant, or equipment.

### *Fiduciary Funds*

Agency Fund (School Funds) - Agency funds are used to account for assets held by the Board in a trustee capacity. School activity fund accounts are the direct responsibility of the principals of their respective schools. The Scholarship Trust Funds account for monies that have been donated for the scholarships until awarded. The Retiree Health Plan Trust Fund accounts for funding of the other postemployment benefits that the Board provides to retirees and their dependents. Fiduciary Funds are not included as part of the HCPS budget process.

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

# Understanding the Budget

## **Basis of Budgeting**

The Board adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

Budgets are normally prepared 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.

Revenues and expenditures will be budgeted and recorded in accordance with mandated requirements of the Maryland State Department of Education (MSDE). The structure of the accounts is based on the MSDE Financial Reporting Manual for Maryland Schools. The school system prepares a program based budget document for decision-making and conveying information about Harford County Public Schools.

Budgets are adopted for the Unrestricted Fund, the Restricted Fund, and the School Construction Fund. The Current Expense Fund consists of the Unrestricted Fund and the Restricted Fund. The Unrestricted Fund is the main operating fund (General Fund) of the school system where expenditures will be supported by ongoing revenues. The Restricted Fund expenditures account for grant agreements under special state and federal programs and may exceed budgeted amounts as the grant programs may span multiple fiscal years. 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 revenue amounts of the respective grants to be received or actual receipts. The Restricted Fund is comprised of federal, state, and private grants and the funded expenditures for specific purposes as identified with each funding source.

The Food Service Fund (a Special Revenue Fund) Budget is not adopted as part of the operating budget. Expenditures are limited to the projected receipts or value of food products from federal, state, and other sources of revenues. This is a self supporting fund that covers the entire cost of food service to students and staff including equipment replacement.

Individual Capital Projects are approved as part of the School Construction Fund (Capital Projects Fund) Budget. These projects are also approved by the County Government and the State. 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. 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 budget may be amended during the fiscal year through supplemental appropriations provided by the county, state, or other source of funds. Additionally, a supplemental increase in revenues or expenditures would require the Board of Education, the County Executive, and the County Council to approve a change in appropriations.

In addition, budgets are not adopted for the Debt Service Fund and the Pension Fund. The State of Maryland requires the Debt Service Fund to be included as part of the Annual Budget Certification Statement for school systems in Maryland. The Debt Service Fund consists of long term payments made by the County Government for the financing of school construction projects.

The Pension Fund is used to account for the State Payments made on behalf of the school system employees who are members of the Teachers Retirement and Pension System.

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 Unrestricted Fund, Restricted Fund, Food Service Fund, and Capital Projects Fund.

# Understanding the Budget

## **Financial Policies**

The fiscal year for the school system shall begin on the first day of July and shall end on the thirtieth day of June of the succeeding year. The School System shall annually adopt a balanced budget for the Unrestricted Funds, where expected operating revenues are equal to expected operating expenditures. Any increase in expenses, decreases in revenues, or combination of the two that would result in a budget imbalance will require budget revision, rather than spending unappropriated surpluses or designated reserves to support ongoing operations. Any year end operating surpluses will revert to unappropriated balances for use in maintaining reserve levels set by policy and the balance will be available for capital projects and/or "one-time only" Unrestricted Fund expenditures. Budgetary control is maintained at the category level as defined by the Maryland State Department of Education and in accordance with the Education Article of the Annotated Code of Maryland. The Chief Financial Officer or their designee may invest reserve funds in a manner which will assure the safety of the investment and which is consistent with sound financial management practices. The School System adheres to Harford County Government's legislatively adopted Investment Policy.

The accounting policies of the Board of Education of Harford County conform to accounting principles generally accepted in the United States of America. Accordingly, the Board adheres to all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins.

## ***Balanced Budget***

According to the State of Maryland Annotated Code, local governments and school systems must operate under an annual balanced budget. An adopted budget, by the Board of Education and Harford County Government is balanced when the sum of estimated net revenues and appropriated fund balances is equal to total expenditure appropriations.

## ***Revenue Policies***

Projected revenues must be measurable and obtainable during a fiscal year. Since Harford County Public Schools receives the majority of total revenues from the State of Maryland and the County Government sources, the school system will budget the projected revenues based on the approval of the revenue stream from the perspective approved governmental budgets. Revenues generated internally or from other sources must be measurable and obtainable with sufficient documentation of the source or stream of payments. Revenues will be monitored on a continuous basis to ensure that actual revenues will meet or exceed budget. In the event of a revenue shortfall, budgetary adjustments will be made on a timely basis to ensure that the School System will not operate in a deficit situation. One time revenues or appropriated fund balance will be used for one time purchases, such as, vehicles, equipment, etc. One time revenues will not be used to fund ongoing expenditures without Board approval and only in extraordinary circumstances.

## ***Expenditure Policies***

Expenditures will also be monitored throughout the fiscal year. Currently, monthly financial statements are issued to various budget managers in the school system including reports to individual school principals. The capability exists for budget managers or principals to review their expenditures on-line each day. The Budget Office will analyze various expenditure line items on an ongoing basis and recommend changes to the Assistant Superintendent of Business Services and/or Superintendent of Schools.

Salary expenditures, fringe benefits, and utility costs, which represent approximately 90% of the total expenditure budget, will be reviewed frequently by the Budget Office staff to ensure expenditures are in line with budgetary projections. In the event that transfers or supplemental appropriations are required, a recommendation will be forwarded from the Business Services Office to the Superintendent of Schools.

Transfers may be made within the Maryland State Department of Education defined categories with the approval of the Superintendent of Schools as budgetary control is at the category level. Requests for transfers between Maryland State Department of Education defined categories must be recommended by the Superintendent of Schools and submitted to the Board of Education for approval. After approval, the transfers

# Understanding the Budget

must be submitted to the County Executive and County Council for approval or denial. No action within thirty (30) days of submission constitutes approval.

Expenditures from grant funding sources will not exceed anticipated grant revenues. Future ongoing commitments will be avoided if possible. The receipt of grant funds for a program must produce a worthwhile result. Should grant funding be eliminated, a review of the program efforts will be undertaken to determine if the program efforts will be funded from ongoing operating funds within the Unrestricted Fund.

Financial reports by State Category are provided monthly to schools and departments for monitoring purposes. In addition, schools and departments have access to current information online every day for monitoring purposes. Budget Manager Reports are provided monthly to budget managers for monitoring purposes. Quarterly financial reports are provided to the Board of Education and County government to recognize status of revenues and expenditures, and changes in revenue and expenditure appropriations that have occurred since the Budget was adopted.

## ***Investment Policy***

Statutes authorize the Board to invest in obligations of the United States Government, federal government agency obligations, secured time deposits in Maryland banks, bankers' acceptances, the Maryland Local Government Investment Pool, money market mutual funds, commercial paper and repurchase agreements secured by direct government or agency obligations.

The Board is a participant in the Maryland Local Government Investment Pool (MLGIP) 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 amortization 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.

## ***Debt Policy***

Harford County Public Schools does not have the authority to issue long term debt. The Harford County Government determines the long term debt financing levels to be used in conjunction with the Board of Education's Capital Improvements Program to be funded through the School Construction Fund. The School system does have the authority to enter into alternative financing mechanisms such as leases and lease purchase transactions. Lease purchase financing transactions related to building and or land purchases require the approval of the Board of Education and the County Government.

## ***Fund Balance***

Fund balance is the accumulation of annual surpluses or deficits in a fund. The fund balance is the residual, the difference between the funding level and the expenditures. A simplified representation would be: **Fund Balance=Assets–Liabilities.**

The Board of Education has established a policy designed to maintain a designated fund balance between 0.1% and 0.25% but not less than \$500,000 to deal with unbudgeted events that may arise in managing a \$600 million dollar public service. Since the budget is a spending plan based on a series of assumptions and estimates developed upwards of two years prior to actual use, during the course of the fiscal year, adjustments are necessary. It is important to note that even though the fund balance may exist, controls exist on the transfer of funds to ensure that expenditures do not exceed available resources. A transfer of any portion of the fund balance to an operating budget category would require the approval of the Board of Education, the County Executive, and the County Council. The Board will also consider the use of a designated fund balance as a resource to replenish the health insurance Rate Stabilization Fund should the fund be used to cover health costs incurred that exceed premium payments. Utilization of the Rate Stabilization Fund requires the fund be replenished in a timely manner. With the Board of Education covering upwards of 90 percent of health insurance costs, the Board would cover 90 percent of the Rate Stabilization Fund requirements. The remaining portion would be covered through participant contributions. In fiscal 2008, the Board also designated a portion of fund balance to be used as an Emergency Fuel Reserve based on the uncertainty that exists in estimating future fuel costs.

## Understanding the Budget

### Current Expense Fund Undesignated Fund Balance

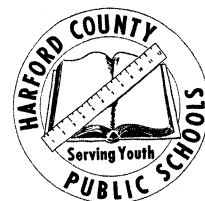
#### Policy Statement

The Current Expense Fund budgetary basis undesignated fund balance target is to range between one-tenth percent (0.1%) and one-quarter percent (0.25%) of the ensuing year's expenditures but not less than \$500,000. Amounts in excess of the targeted one-quarter percent (0.25%) of the ensuing year's expenditures are to be used for one-time expenditures in the ensuing year (e.g. transfer to capital projects accounts, equipment purchases, and new program start-up costs).

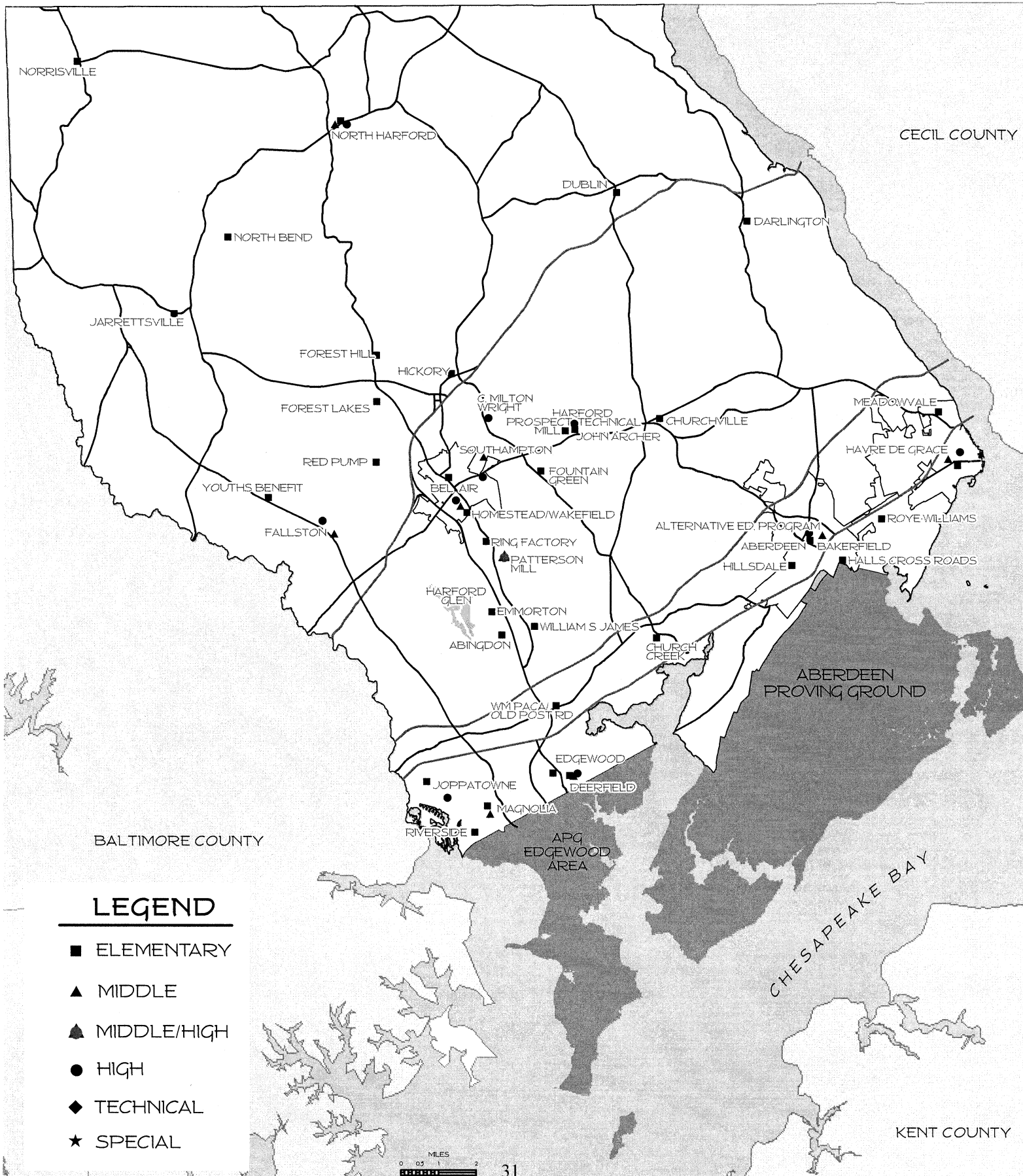
*Adopted May 22, 2001 by the Board of Education for Harford County*

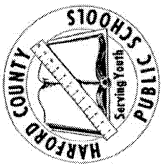
Due to the current economic conditions, we have included in the budget the use of fund balance (onetime funding) to support ongoing expenses of the Unrestricted Fund for fiscal 2013. The Board of Education has approved this change in their policy based on the economic challenges we currently face.

# HARFORD COUNTY PUBLIC SCHOOLS



P E N N S Y L V A N I A





# HARFORD COUNTY PUBLIC SCHOOLS

## ORGANIZATION CHART OF ADMINISTRATION

JULY 2011

