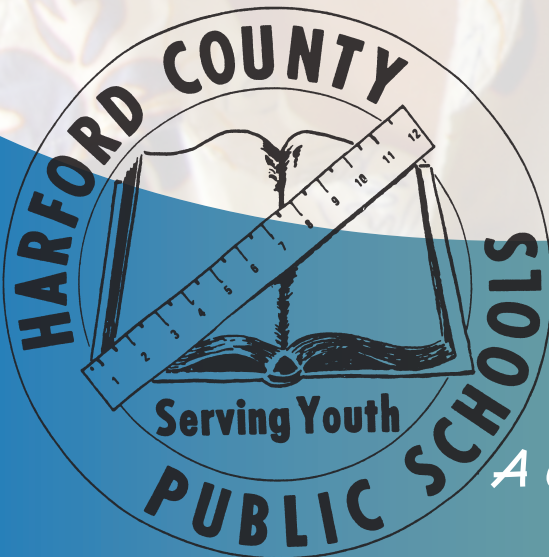




# Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2010



*A Component Unit of Harford County, Maryland*

## Harford County Public Schools

102 S. Hickory Avenue • Bel Air, MD 21014

*Prepared by the Division of Business Services Finance Department*

## 2009 to 2010 Board of Education of Harford County



Pictured from left to right:

Seated: Robert M. Tomback, Ph.D., Mark M. Wolkow,  
Leonard D. Wheeler, Ed.D., Donald R. Osman

Standing: Thomas P. Evans, John L. Smilko, Alysson L. Krchnavy, Kate Kidwell

Not pictured: Ruth R. Rich

**Harford County Public Schools**  
A Component Unit of Harford County, Maryland  
102 South Hickory Avenue  
Bel Air, Maryland 21014



**Comprehensive Annual Financial Report**  
**For the Fiscal Year ended June 30, 2010**

Prepared by the Division of Business Services  
Finance Department

**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.

# Harford County Public Schools

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## *Student Contributions*

<u>Student</u>	<u>Grade</u>	<u>School</u>	<u>Page</u>
Bethany Gwiazda	12	Harford Technical High School	1
Steven Willett	4	Abingdon Elementary School	11
David Simmons	10	Aberdeen High School	12
Kristen Krebs	4	Emmorton Elementary School	26
Zack Tabor	12	Havre de Grace High School	53
Daniel Engbert	6	Bel Air Middle School	55
Meghan O'Donnell	7	North Harford Middle School	62
Hanna Nilles	6	Fallston Middle School	74
Kim Eddy	10	Joppatowne High School	75
Hannah Taylor	11	Bel Air High School	75
Megan Walthmeyer	11	North Harford High School	78
Kayla Trimble	11	C. Milton Wright High School	78

### ***Cover Design*** by Amanda Spencer, Public Relations Specialist

Upper Left – Two graduating seniors who completed their formal high school education through the 2010 Harford County Public School summer school session received their high school diplomas during a morning ceremony held in the Aberdeen High School auditorium on Friday, July 30, 2010.

Upper Right – Students from George D. Lisby at Hillsdale Elementary School are filled with excitement as they ride the bus on the first day of school during the superintendent's annual first day bus ride to kick off the school year.

Lower Center – Three students in the Global Studies Program/International Baccalaureate Diploma Programme at Edgewood High School pose for a photo during the celebration event for the school having received its official authorization as an International Baccalaureate World School.

# Harford County Public Schools

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# Harford County Public Schools

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# *Introductory Section*

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*Bethany Gwiazda, Harford Technical High School, Grade 12*

# Harford County Public Schools

where



## Vision

Harford County is a community of learners where educating everyone takes everyone. We empower all students to contribute to a diverse, democratic, and change-oriented society. Our public schools, parents, public officials, businesses, community organizations, and citizens actively commit to educate all students to become caring, respectful, and responsible citizens.

## Mission

The Mission of Harford County Public Schools is to foster a quality educational system that challenges students to develop knowledge and skills, and to inspire them to become life-long learners and good citizens.

## Goals

- Every student graduates ready to succeed.
- Every student achieves personal and academic growth.
- Every student connects with great employees.
- Every student benefits from accountable adults.
- Every student feels comfortable going to school.



# Board of Education of Harford County

The members of the Board as of June 30, 2010, their represented areas, and the year of expiration of their terms are as follows.

<u>Title</u>	<u>Name</u>	<u>Area</u>	<u>Term Ends</u>
President	Mark M. Wolkow	Abingdon/Edgewood	2011*
Vice-president	Leonard D. Wheeler, Ed. D.	Aberdeen	2015
Other members	John L. Smilko	Joppa	2010
	Thomas P. Evans	Fallston	2011
	Ruth R. Rich	North Harford	2011*
	Alysson L. Krchnavy	Bel Air	2015
	Donald R. Osman	Havre de Grace	2011
Student member	Kate Kidwell		2010

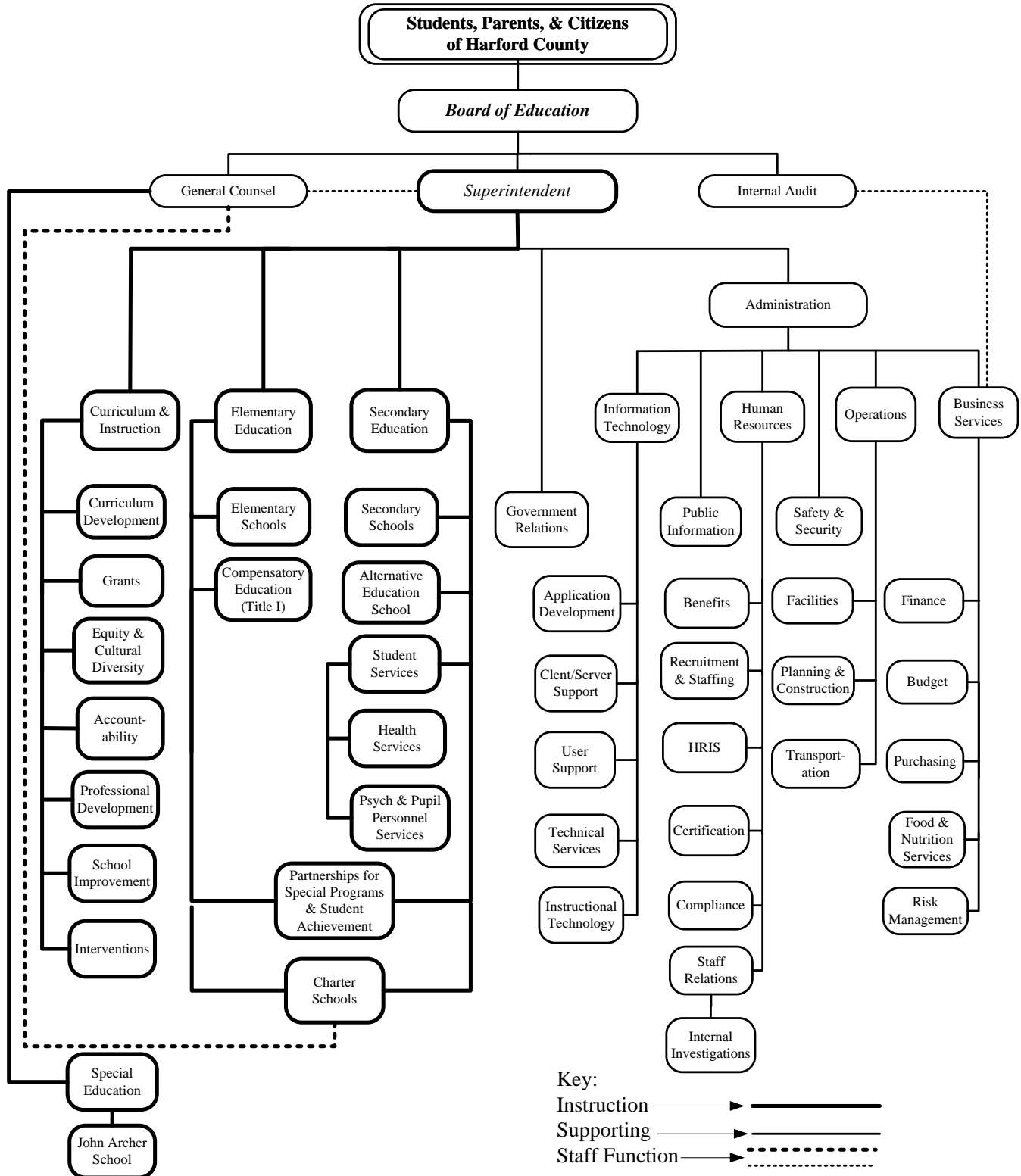
\* Legislation will change the composition of the Board from all members appointed by the Governor. The Board will expand by two members with six being elected and three being appointed plus the student member. Elections are scheduled for November 2010 with those members being seated on July 1, 2011. The transition adjusts the term ending dates of the current Board members. One of two members noted above will have their appointed term extended to 2015 to facilitate the transition.

## Superintendent's Staff

Dr. Robert M. Tomback	Superintendent
Mr. Joseph P. Licata	Chief Administrative Officer
Mr. Cornell S. Brown, Jr.	Assistant Superintendent of Operations
Mrs. Linda J. Chamberlin	Executive Director of Elementary Education
Mr. John M. Markowski	Chief Financial Officer
Mr. H. Andrew Moore	Director of Information and Technology Services
Mr. Jonathan D. O'Neal	Assistant Superintendent of Human Resources
Mr. Patrick P. Spicer	General Counsel
Mr. David A. Volrath	Executive Director of Secondary Education
Vacant	Assistant Superintendent for Curriculum & Instruction

# Harford County Public Schools

Organization at June 30, 2010





# *Harford County Public Schools*

102 S. Hickory Avenue ♦ Bel Air, MD 21014 410-838-7300 Fax 410-893-2478

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

September 30, 2010

Members of the Board of Education:

The Public School Laws of the State of Maryland require school districts publish within three months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2010.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

SB & Company, LLC, a firm of licensed certified public accountants, have issued an unqualified (“clean”) opinion on Harford County Public Schools (HCPS) financial statements for the fiscal year ended June 30, 2010. The independent public accountants’ report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent public accountants’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

All funds and accounts of the HCPS are included in the comprehensive annual financial report. For financial reporting purposes, HCPS has been defined as a component unit of the Harford County Government. Therefore, HCPS is included in the comprehensive annual financial report of Harford County.

## ***Profile of the Government***

HCPS is a fiscally dependent school system with an actual enrollment of 38,637 students in fiscal 2010. HCPS is the 135th largest school system of the 17,817 regular school districts in the country when ranked by enrollment. There are 24 school districts in the State of Maryland. This places HCPS in the top one percent of school districts by size. The student body will be served by a projected 5,478.3 FTE faculty and staff positions for fiscal 2011.

## *Harford County Public Schools*

Currently Harford County has 53 public schools along with 48 non public schools 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. Of the 53 public schools in the system there are 32 elementary schools, nine middle schools, nine high schools, one special education school, one technical high school, and one alternative education school. A wide array of programs are offered to all students to assist in raising academic achievement, such as early reading and SAT preparation, to competitive athletics and the arts. For the last year data is available, FY08, HCPS' per pupil expenditures were \$11,141, ranking it 17<sup>th</sup> of the 24 school districts in the State.

Considerable construction and renovation funding has been approved for the enhancement and upgrading of the school system buildings. Replacement buildings for Edgewood High School and Deerfield Elementary School opened at the beginning of the current school year in August 2010. The new Red Pump Elementary School will be the 54<sup>th</sup> school and is slated to open in August 2011.

### ***Local economy***

Harford County has been, and continues to be, fiscally sound, thanks to conservative fiscal management. The County is effectively dealing with the pressures brought on by declining County revenues caused, in part, by Maryland's State budget deficit as well as the global economic crisis.

The days of the HCPS revenue stream being highly predicable and reliable are over. Almost immediately as fiscal 2009 began, the County, because of major unanticipated declines in income tax revenues, began cost-cutting measures to get through the year. Each County department was asked to reduce their 2009 operating budget by as much as 5.0 percent. The same was asked of the Board of Education, the Harford Community College, the Harford County Sheriff's Office, and the Library System.

As work on the fiscal 2010 budget moved forward, the economic picture worsened for the nation, the State of Maryland and the County. Because of this the fiscal 2010 proposed budget, submitted to the County Council in April, included nearly \$38.0 million in cuts to the Operating Budget; an average 6.0 percent reduction to each County department and funding concessions willingly agreed to by the Board of Education, the Harford Community College, the Harford County Sheriff's Office, the Library System and the Volunteer Fire Companies. The County Council, anticipating further economic challenges, made amendments to the budget, cutting an additional 5.0 percent across the board, exclusive of the Sheriff's Office, the Board of Education, the Harford Community College and the Volunteer Fire Companies. These amendments brought the total average cuts to over 12.0 percent. Some, but certainly not all, of the consequences of these reductions are: thirty-four County employees laid off, five furlough days for all government employees exclusive of Public Safety and Education, reductions in Library hours, elimination of Saturday Harford Transit bus service, reducing operations at the Tollgate Road yard waste site to one day a week, to name a few.

Although the real estate market in the County, as in the nation, has been cooling down since 2006, real property tax, the County's largest revenue source remains strong. In fiscal 2009 real

## *Harford County Public Schools*

property tax represented 43.0 percent of total budgeted revenue. Harford County's property tax revenues are expected to continue to grow though the rate of growth has slowed. Effective in fiscal 2010 the Council adopted Resolution No. 06-09, on May 29, 2009, which reduces the property tax rate from \$1.082 to \$1.064 for real property and decreases the corporate/personal property rate from \$2.705 to \$2.660. In spite of the downward trend in the real estate market and the tax rate reductions, budgeted real property taxes for fiscal 2010 are expected to increase 8.6 percent, representing 50.0 percent of total budgeted revenues.

The income tax revenue, the second largest revenue source in the County, which is directly affected by population growth, employment levels and personal income, has shown steady growth over the last ten years. But for most of 2008 and 2009 the quarterly income tax receipts have been slowing, largely due to the slowdown in the overall economy, which is expected to continue into fiscal 2010. Added to this is the impact of the Special Session of the Maryland General Assembly's action in November 2007, which changed income tax law to establish new individual income tax brackets and rates beginning this past January 2008. The Department of Legislative Services for the State of Maryland estimates the impact on Harford County will be a loss of \$4.0 million. As a result of these factors, the County is projecting a 12.6 percent decrease in income tax receipts in fiscal 2010, representing 26.9 percent of total budgeted revenue.

Other County revenues tied to the State and affected by the State of Maryland's budget shortfalls in fiscal 2010 have impacted the County. There has been a 90.0 percent decrease in Highway User Tax revenue and a 35.0 percent decrease in Police Aid monies. In addition the State has cut monies to the County Health Department by 35.0 percent and cut the funding formula for Harford Community College by 5.0 percent. Additional State budget cuts that will affect the County are anticipated but not yet identified; any supplementary cuts may require further adjustments to the County's budget.

### ***Long-term financial planning***

In 2002 the State legislature enacted the Bridge to Excellence in Public Schools Act. This law initiated major changes in the State financing of local schools in an effort to achieve both funding equity and adequacy between Maryland's 24 school districts. The law achieved its promise of an increase in State funding to public education of \$1.3 billion over six years. However, the governor of Maryland convened a special session of the Maryland general assembly in October 2007 to reduce the projected \$1.5 billion state structural deficit. During the special session, increases in taxes were approved and planned funding increases for public education were curtailed through FY2011. As a result, increases in State Aid to the Unrestricted Budget will be at a minimum growth of 1% over next year.

In 2009, the State legislature enacted changes to the Harford County Board of Education. Currently the Board is comprised of seven members appointed by the governor and one student member. The legislation expands the Board to nine members and one student member. Ultimately six members will be elected and three appointed by the governor. The transition will not be complete until the Board is seated in 2015.

# *Harford County Public Schools*

## ***Relevant financial policies***

Primary funding is provided by the State of Maryland and Harford County Government. The budget is approved by the Board of Education and the Harford County Council in accordance with State laws. The Board has no authority to levy and collect taxes or increase the budget. Formal budgetary integration, including encumbrance accounting, is employed as a management control device during the year for the governmental fund types. Management is authorized to transfer funds within major categories of expenditure, as defined by statute. Transfers between categories of expenditure during the fiscal year require approval of both the Board of Education and Harford County Council.

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

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

## ***Major initiatives***

Construction is underway for the new Red Pump Elementary School. The new elementary school will necessitate a comprehensive redistricting in the coming years.

Magnet and completer school programs continue to expand.

## **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, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, HCPS also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the Year Beginning July 1, 2009. In order to qualify for the

## *Harford County Public Schools*

Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the services of the entire staff of the Finance Department, Office of Internal Audit, and SB & Company, LLC. Many other offices in the system contributed to provide data for this report, including the students whose art work is published throughout the document. Our appreciation is extended to all who assisted in the timely closing of the school system's financial records and in the preparation of this report. Credit must also be given to the Superintendent and Board of Education for their unfailing support for maintaining the highest standards of professionalism in the management of HCPS' finances.

Sincerely,



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Robert M. Tomback, Ph.D.  
Superintendent



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John M. Markowski  
Chief Financial Officer



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Jay Staab  
Finance Director



# 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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

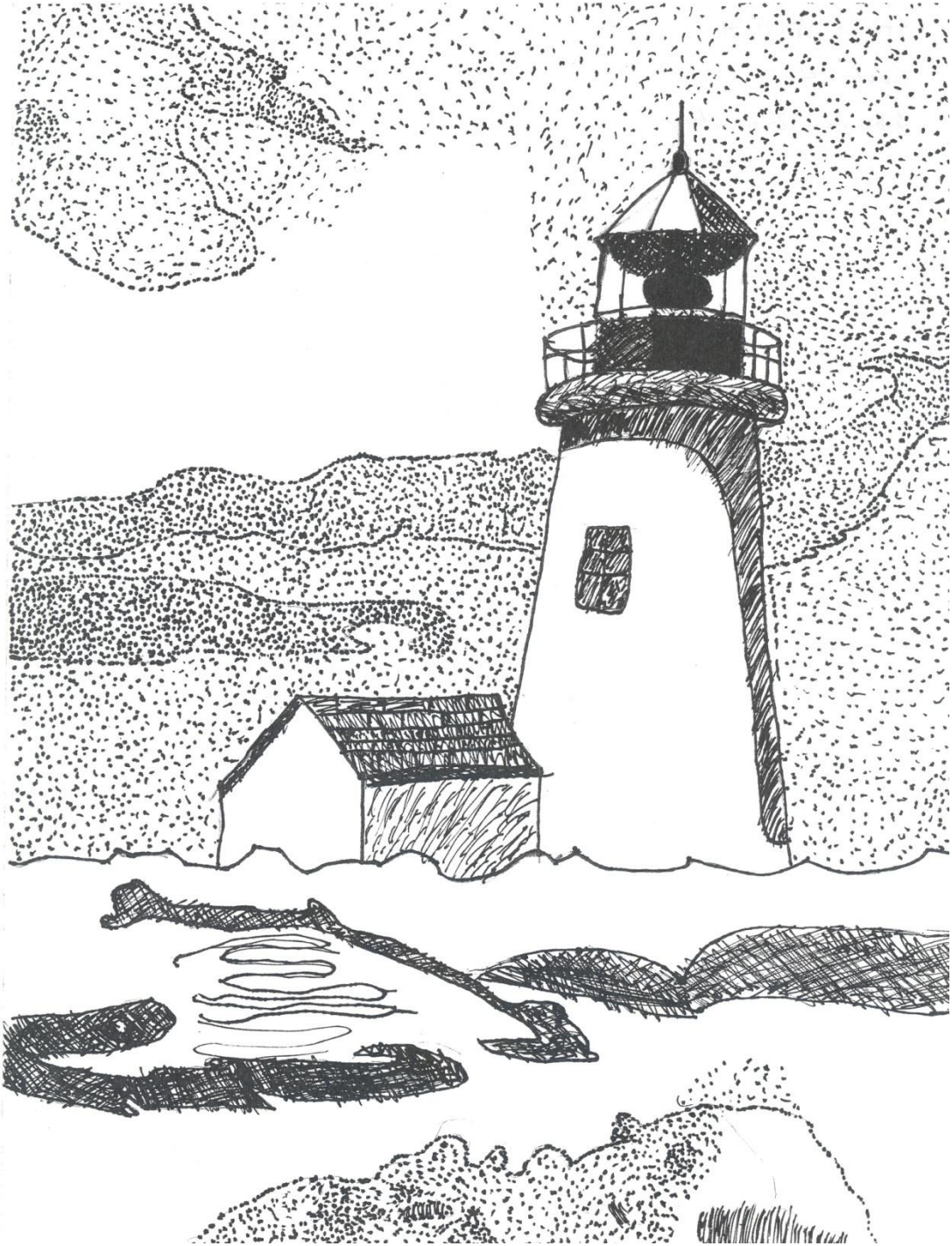


President

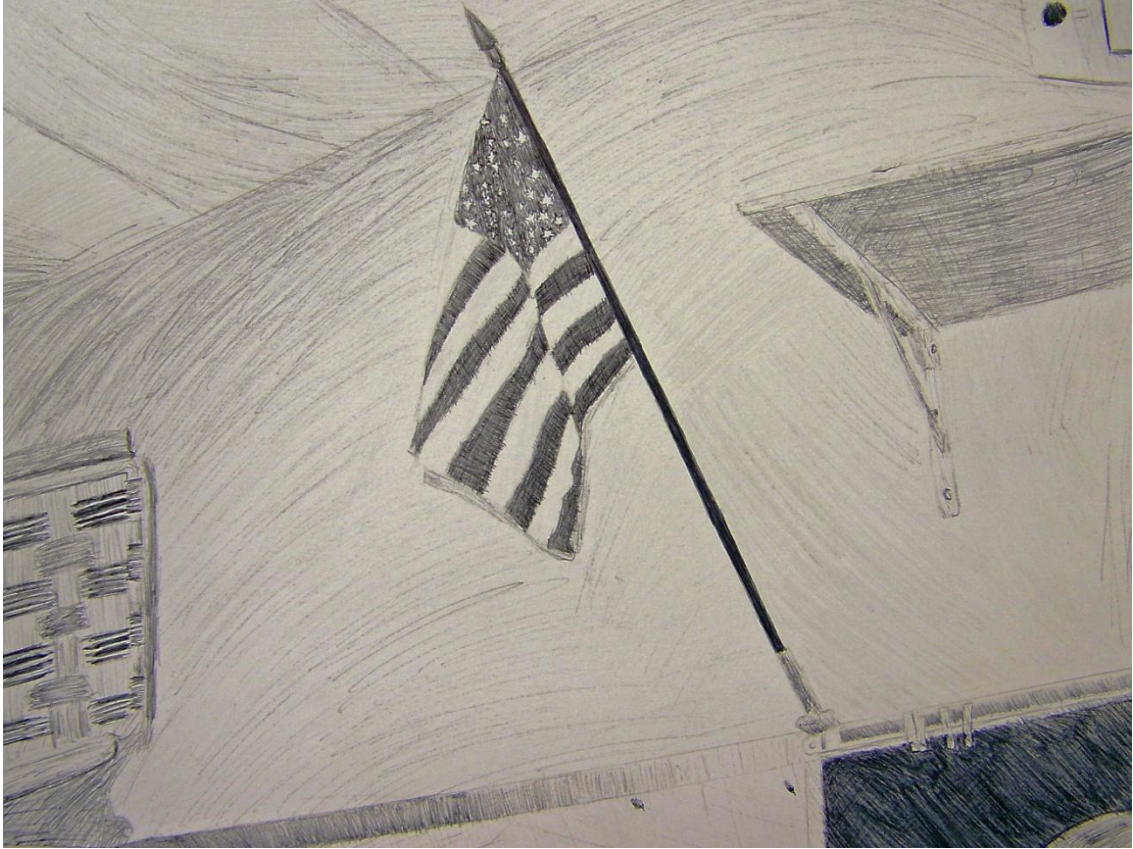
Executive Director

# Financial Section

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*Steven Willett, Abingdon Elementary School, Grade 4*



*David Simmons, Aberdeen High School, Grade 10*





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

## **Report of Independent Public Accountants**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools, a component unit of Harford County, Maryland, as of and for the year ended June 30, 2010, which collectively comprise the Harford County Public Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Harford County Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



**SB & COMPANY, LLC**  
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In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2010, on our consideration of the Harford County Public School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, schedule of funding progress, and budgetary comparison information as listed in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Harford County Public Schools' basic financial statements. The accompanying food service fund statement of revenues, expenditures and changes in fund balance compared to budget, school construction fund statement of expenditures by project, agency fund statement of increases, decreases and fund balances and combining statement of fiduciary net assets, and combining statement of changes in assets and liabilities (collectively, the Statements), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical tables as listed in the accompanying table of contents have not been subjected the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Hunt Valley, Maryland  
September 14, 2010

*SB's Company, LLC*

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

**June 30, 2010**

Our discussion and analysis of Harford County Public Schools' (HCPS) financial performance provides an overview of HCPS' financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the financial statements.

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**

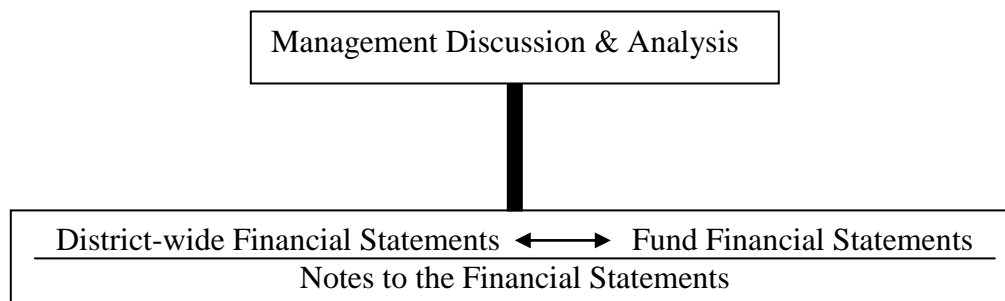
Net assets of HCPS grew by \$29.6 million during the fiscal year driven by additions in capital assets for the fiscal year.

The final unrestricted General Fund budget remained unchanged during the year from the originally adopted budget.

The General Fund unrestricted, undesignated fund balance on a budgetary basis increased from \$4,637,987 to \$8,819,623, a total of approximately \$4.2 million which was the product of spending containment strategies enacted during the year in response to funding reductions by the state and County governments. Accumulating fund balance was also a strategic decision to prepare for additional funding reductions or cost shifting by the state government, notably the threat to move some portion of teacher pension costs to the local school systems.

The unrestricted General Fund actual revenues exceeded the amended budget by \$1,316,095 or three tenths of a percent (0.3%), and expenditures were \$8,323,544, or one and ninety-nine hundredths of a percent (1.99%), under the amended budget.

**Basic Financial Statements**



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

***June 30, 2010***

The illustration above represents the minimum requirements for the basic external financial statements.

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

The *statement of net assets* presents information on all of the assets and liabilities of HCPS with the difference between the two reported as *net assets*. The *statement of activities* presents information showing how HCPS' net assets changed during the most recent fiscal year.

These statements measure the change in total economic resources during the period utilizing the accrual basis of accounting. This means that any change in net assets is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (like earned but unused employees leave), or for which cash has already been expended (depreciation of buildings and equipment already purchased).

The District-wide perspective is unrelated to budget and accordingly, budget comparisons are not provided.

***Fund financial statements.*** A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Harford County Public Schools uses fund accounting to ensure and demonstrate compliance with finance-related requirements. HCPS' funds are in two categories, governmental funds and fiduciary funds. Harford County Public Schools does not operate any enterprise activities that are reported as proprietary funds.

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

Accordingly, the modified accrual basis of accounting that measures these cash flows is used. In the case of Harford County Public Schools, open encumbrances are excluded from expenditures and the State of Maryland's contribution to the teachers retirement system is added to revenue and expenditures.

Fund Financial Statements are also unrelated to budget and accordingly, budget comparisons are not provided in the presentation.

Budgetary presentation of individual fund financial information utilizing the current financial resources measurement focus and the budgetary basis of accounting is presented as part of the Fund Financial Statements as well. In these statements, available cash flows of HCPS itself are



## Harford County Public Schools

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

June 30, 2010

measured as well as the commitment to acquire goods or services with that cash. Open encumbrances at year-end are included in the expenditures.

This is the legal basis upon which the budget is adopted so budget comparisons are provided. GASB Statement Number 34 requires that we present the original adopted budget as well as the final budget and discuss the changes between them.

	<b>District-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 (Exhibit 8).** HCPS is the trustee, or fiduciary, for its retiree health plan trust, scholarship, and student activity funds. These funds are reported as separate Agency and Trust Funds. We exclude these activities from Harford County Public Schools' other financial statements because the assets cannot be used to finance HCPS' activities. We are responsible for ensuring that the assets reported in these Funds are used for their intended purposes.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

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

### District-wide Financial Analysis

Net assets may serve over time as a useful indicator of a district's financial position. In the case of HCPS, assets exceeded liabilities by \$459 million at the close of the fiscal year.

By far the largest portion of HCPS' net assets reflects the investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to the students and citizens of Harford County and are not available for future spending. Although HCPS' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Minimal debt for assets is carried by HCPS. As previously

## Harford County Public Schools

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

June 30, 2010

explained, we are fiscally dependent and nearly all capital debt is carried by the County and State governments.

	June 30, 2010	June 30, 2009	\$ Change	% Change
Current and other assets	\$ 56,119,861	\$ 54,299,396	\$ 1,820,465	3.35%
Capital assets	543,856,719	483,209,783	60,646,936	12.55%
Total assets	<u>599,976,580</u>	<u>537,509,179</u>	<u>62,467,401</u>	<u>11.62%</u>
Current and other liabilities	21,653,795	26,353,548	(4,699,753)	-17.83%
Long-term liabilities	119,764,247	82,200,859	37,563,388	45.70%
Total liabilities	<u>141,418,042</u>	<u>108,554,407</u>	<u>32,863,635</u>	<u>30.27%</u>
Net assets				
Capital assets	533,572,077	472,628,213	60,943,864	12.89%
Restricted assets	9,747,082	7,868,560	1,878,522	23.87%
Unrestricted	(84,760,621)	(51,542,001)	(33,218,620)	64.45%
Total net assets	<u>\$ 458,558,538</u>	<u>\$ 428,954,772</u>	<u>\$ 29,603,766</u>	<u>6.90%</u>

HCPS' net assets increased by almost \$29.6 million during the fiscal year ending June 30, 2010, as illustrated in the above table and Exhibit 2. The growth is attributed to increased capital assets and the results of operations for the year but was diminished by increasing liabilities associated with other post-employment benefits (OPEB).

The unrestricted deficit at June 30, 2010 of \$84.8 million is the result of reducing the fund balance from the General Fund (Exhibit 3) of \$25 million with the compensated absences long-term liabilities of \$27.6 million and \$82.2 million for other post-employment benefits. We are committed by employee agreements to pay employees at retirement twenty-five percent (25%) of their earned but unused sick leave. For administrators the limit is 250 days, all others are up to 200 days, plus any earned and unused vacation. The long-term portion is the amount we expect to pay beyond June 30, 2010. Slightly over \$23.5 million is attributed to sick leave and \$4.1 million to vacation leave liabilities. Historically this liability was funded on a "pay as you go" basis from available current financial resources. This method is expected to continue. The remaining \$10.3 million long-term liability balance represents our obligations under the capital lease for the construction of a new administration building.

Results of operations for HCPS as a whole are presented in Exhibit 2, the Statement of Activities. Approximately \$549 million in expenses are reported. To the extent possible revenue directly attributed to the function or program is reported against the appropriate expense. Included in such revenues are charges for services and grants. \$331.5 million in expenses were paid using other general revenue sources not specifically attributed to a function or program.

## Harford County Public Schools

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

June 30, 2010

The Food Service program is designed to be self-funded. Allocation of depreciation expense produced a net cost of service for this program.

	Total Cost of Services	Net Cost of Services	% Net Cost to Total
Instruction	\$ 383,382,564	\$ 200,601,726	60.53%
Pupil personnel	2,338,402	2,185,225	0.66%
Health services	5,069,023	5,069,023	1.53%
Pupil transportation	33,647,222	21,613,440	6.52%
Operation and maintenance of plant	54,440,261	51,503,643	15.54%
Food services	15,390,849	1,039,048	0.31%
All others	54,519,556	49,460,422	14.92%
Total	<u>\$ 548,787,877</u>	<u>\$ 331,472,527</u>	<u>100.00%</u>

Above is a table summarizing the district-wide cost of services for each program or function. About 85% of the net costs of services are directly related to students' instruction and welfare. Of the remaining 15%, all but about 4.5% is used for the direct administration of schools and instructional support. It is important to note that in this report format, costs for employee benefits and depreciation on fixed assets are allocated to the appropriate program or function.

Total revenues decreased by 1% from the prior year, as shown on the table below. This decrease is attributable to state aid, and capital decreases reflecting the reduction in capital construction. HCPS is fiscally dependent on local and state aid to fund its daily operations. State aid is largely formula driven based on student population and wealth. Local revenue, provided by the Harford County Government, is dependent upon the economic condition of the County. However, the education statute requires a minimum level of funding equal to the prior year's per pupil contribution times the current year projected enrollment. Most the operating and capital grant funding is from the State and County governments as well.

Expenses grew at 3.7%. The bulk of the growth, in terms of dollars, occurred in the instruction category reflecting continued wage and benefit cost increases and the addition of new teaching positions. Other large dollar increases in pupil transportation and operation of plant reflect the continued fluctuation of energy costs in addition to the wage and benefit cost increases just mentioned.

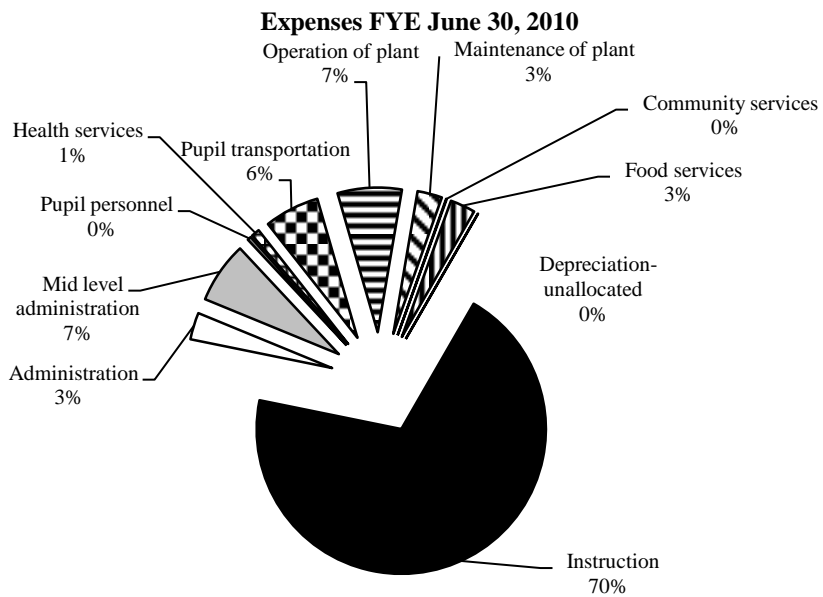
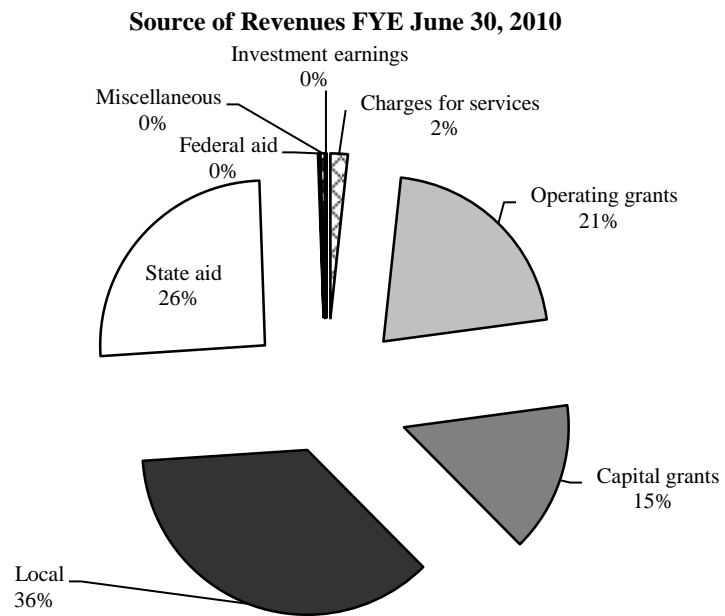
# Harford County Public Schools

## Management's Discussion and Analysis (MD&A) June 30, 2010

### Changes in Net Assets

	June 30, 2010	June 30, 2009	\$ Change	% Change
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 9,825,325	\$ 10,162,013	\$ (336,688)	-3.31%
Operating grants	122,435,621	106,729,436	15,706,185	14.72%
Capital grants	85,054,404	104,870,845	(19,816,441)	-18.90%
Local	210,414,800	206,978,734	3,436,066	1.66%
State aid	147,509,796	153,313,189	(5,803,393)	-3.79%
Federal aid	625,283	278,693	346,590	124.36%
Miscellaneous	2,486,813	2,204,316	282,497	12.82%
Investment earnings	39,601	225,730	(186,129)	-82.46%
<b>Total revenues</b>	<u>578,391,643</u>	<u>584,762,956</u>	<u>(6,371,313)</u>	<u>-1.09%</u>
<b>Expenses</b>				
Instruction	383,382,564	367,727,094	15,655,470	4.26%
Administration	16,515,429	16,474,874	40,555	0.25%
Mid level administration	37,515,873	36,854,924	660,949	1.79%
Pupil personnel	2,338,402	2,312,317	26,085	1.13%
Health services	5,069,023	5,102,625	(33,602)	-0.66%
Pupil transportation	33,647,222	32,723,827	923,395	2.82%
Operation of plant	39,310,381	37,614,013	1,696,368	4.51%
Maintenance of plant	15,129,880	14,521,738	608,142	4.19%
Community services	398,983	479,717	(80,734)	-16.83%
Food services	15,390,849	15,144,343	246,506	1.63%
Depreciation-unallocated	89,271	89,271	0	0.00%
<b>Total expenses</b>	<u>548,787,877</u>	<u>529,044,743</u>	<u>19,743,134</u>	<u>3.73%</u>
<b>Increase in net assets</b>	<u>\$ 29,603,766</u>	<u>\$ 55,718,213</u>	<u>\$ (26,114,447)</u>	<u>-46.87%</u>

Management's Discussion and Analysis (MD&A)  
June 30, 2010



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

**June 30, 2010**

**Fund Performance**

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

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

**General Fund - Unrestricted (Exhibit 7)**

Changes made to the original budget during the fiscal year were inter-categorical transfers made for two purposes; provide for additional non-public placement special education costs and provide additional instructional materials to the schools. The total budget adopted at the beginning of the year remained unchanged at the end of the year.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Change</u>
<b>REVENUE</b>					
Local	\$ 210,914,800	\$ 210,914,800	\$ -	\$ -	\$ -
State	198,509,826	198,509,826	-	-	-
Federal	380,330	380,330	-	-	-
Earnings on investments	505,000	505,000	-	-	-
Other Sources	2,577,566	2,577,566	-	-	-
Prior year's fund balance	4,637,987	4,637,987	-	-	-
Total revenues	<u>\$ 417,525,509</u>	<u>\$ 417,525,509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Administration	\$ 11,419,315	\$ 11,419,315	\$ -	\$ -	\$ -
Mid-Level Administration	25,840,063	25,840,063	-	-	-
Instructional Salaries	167,806,314	167,806,314	-	-	-
Textbooks	7,875,818	7,965,818	90,000	-	90,000
Other Instructional Costs	2,931,737	3,131,737	200,000	-	200,000
Special Education	38,439,884	39,035,884	596,000	-	596,000
Student Personnel Services	1,656,112	1,656,112	-	-	-
Student Health Services	3,333,736	3,333,736	-	-	-
Student Transportation	28,879,448	28,379,448	-	500,000	(500,000)
Operation of Plant	31,632,074	31,246,074	-	386,000	(386,000)
Maintenance of Plant	11,824,711	11,824,711	-	-	-
Fixed Charges	85,032,979	85,032,979	-	-	-
Community Services	520,473	520,473	-	-	-
Capital Outlay	332,845	332,845	-	-	-
Total expenditures	<u>\$ 417,525,509</u>	<u>\$ 417,525,509</u>	<u>\$ 886,000</u>	<u>\$ 886,000</u>	<u>\$ -</u>

## *Harford County Public Schools*

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

**June 30, 2010**

It is critical for the reader to understand that local and state revenues account for 99% of the total General Fund unrestricted revenue. Until recently, both have been stable and highly predictable. In the past few years, as state and local revenues declined with the general condition of the economy, mid-year legislative and executive initiatives resulted in the reduction of revenues.

To facilitate the anticipated County revenue shortfalls this fiscal year requests were made to all departments and agencies to restrict spending in October 2009 resulting in a budget reduction of \$500,000 in County revenues for the year.

Interest earnings continue to fall well below budget as a result of historic low rates and aggressive cash management by the County in matching our cash demands with their payment schedule to us.

Other revenue is substantially over budget. Included are tuition, facility rental, e-rate rebates, Medicare Part D receipts, dividends from MABE's insurance programs, and payments from health and dental insurance carriers. Major receipt amounts in the miscellaneous revenue account are from the following:

Health reinsurance*	\$693,703
Health & dental performance penalties/settlements*	153,098
Excess of dental premiums over claims*	444,791
Residual flex plan *	56,057
MABE insurance dividend	100,984
Medicare Part D*	706,097
Refund non-public placement	20,000

\*Contribution to OPEB Investment Trust Fund appropriated for FY11.

Always frugal, over the past two years hiring, conference, and other expenditure restrictions implemented early in the fiscal year helped achieve spending 1.99% (one and ninety-nine hundredths percent) below budget in FY10.

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

At June 30, 2010 the HCPS had over \$672.6 million invested in a broad range of capital assets including land (over 1,952 acres), buildings (over 6 million square feet) and improvements, furniture, vehicles and other equipment. Capital assets increased by just over \$70 million from the same time last year, excluding the effect of depreciation, as shown in the table below. This increase is primarily attributed to the near completion of replacement schools for Edgewood High School and Deerfield Elementary School both opening in August 2010. Significant progress was also made on the construction of the Red Pump Elementary School scheduled to receive students in August 2011.



## Harford County Public Schools

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

June 30, 2010

	June 30, 2010	June 30, 2009	\$ Change	% Change
Construction in progress	\$ 201,713,777	\$ 206,054,529	\$ (4,340,752)	-2.11%
School properties	441,947,687	369,653,077	72,294,610	19.56%
Furniture, fixtures and equipment	28,969,652	26,584,066	2,385,586	8.97%
Total capital assets	\$ <u>672,631,116</u>	\$ <u>602,291,672</u>	\$ <u>70,339,444</u>	<u>11.68%</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 and has no debt policy.

#### Future Issues

Significant legislation by the federal and state governments has impacted public education in Maryland. The federal “No Child Left Behind” act requires that the all students meet standards and that each school and sub-group of students show adequate yearly progress. In addition it requires that teachers be highly qualified in their content areas.

Maryland enacted the “Bridge to Excellence” statute which requires that each school district adopt a master plan. This plan is to be reviewed by the County governments, and then submitted to the Maryland State Department of Education for approval. A component of the plan is the fiscal impact of each new initiative contained in the plan.

As noted above, construction of Red Pump Elementary School is underway with a planned opening for August 2011.

Exacerbating the facilities issues is the anticipation of the expansion of the mission of Aberdeen Proving Ground (APG), the County’s largest employer. Congress approved in its Base Realignment and Closure (BRAC) legislation closing the facility in Fort Monmouth, NJ and relocating it to APG. Despite numerous studies to determine the impact on the region surrounding APG that impact has yet be determined or experienced. The move is to be completed by 2011.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as *other postemployment benefits*, or *OPEB*.

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

***June 30, 2010***

HCPS made several policy changes with respect to benefits provided to retirees and committed to using excess monies in the health insurance rate stabilization account and federal Medicare Part D reimbursement to at least partially fund the OPEB liability. Currently HCPS is participating in a multi-employer OPEB Investment Trust administered by the Maryland Association of Boards of Education (MABE). We believe this structure is unique in the country. While we have the vehicle to invest OPEB funds the issue will be whether or not the County will fund OPEB contributions to meet our proposed 15 year timeframe to achieve full funding. The current economic climate has been, and is forecast to continue to be, prohibitive to this objective. Meanwhile the unfunded liability continues to grow.

An effort in FY11 to amend the health care plan to increase various co-pays, deductibles and maximum out of pocket costs for employees and retirees. Effective July 1, 2011, these changes were implemented. However grievances and contract impasse procedures are underway with two of the bargaining units represented by the Maryland State Education Association. The outcome remains uncertain.

Federal grant programs, notably EdJobs, are further clouding the fiscal picture. While the additional funds are welcome, restrictions on their use and the intended purpose of preserving classroom teaching positions are less applicable at HCPS than in other parts of the nation. We neither reduced the workforce nor imposed furlough days throughout the economic decline.

The continuing escalation and unpredictability of energy costs remains a vexing problem for this, and all other districts. By action of the Board a \$1 million designation of fund balance was set aside for future energy costs to offset whatever future unanticipated costs will arise.

HCPS has not escaped the souring economy. As both the state and County experience continuing reductions in revenue a source of relief for them is passing costs off to local Boards of Education. With the stimulus funding made available to public schools some of those reductions are absorbed. Of greatest concern are discussions to modify the maintenance of effort calculation statutorily required by County governments to fund their local school systems, and the transfer so some part of teacher pension costs now paid directly by the State to the local Boards of Education. We will be monitoring the upcoming legislative session to track progress on both of these issues.

**Contacting Harford County Public Schools' Financial Management**

Our financial report is designed to provide our citizens, taxpayers, parents, and students with a general overview of the HCPS' finances and to demonstrate its accountability for the money it receives.

If you have questions about this report or wish to request additional financial information, contact the Chief Financial Officer at (410) 588-5243, or Jay G. Staab, Finance Director, (410) 588-5237, at Harford County Public Schools, 102 South Hickory Avenue, Bel Air, Maryland 21014.



*Kristen Krebs, Emmorton Elementary School, Grade 4*

**Harford County Public Schools**


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**STATEMENT OF NET ASSETS**
**JUNE 30, 2010**
**Governmental Activities**
**ASSETS**

Cash and cash equivalents	\$ 323,182
Investments	24,514,077
Due from other units of government	22,748,902
Other receivables	7,734,334
Inventory	799,366
Capital assets:	
Construction in progress	201,713,777
School properties	441,947,687
Furniture, fixtures and equipment	28,969,652
Less: accumulated depreciation	<u>(128,774,397)</u>
Total capital assets, net of depreciation	<u>543,856,719</u>
Total assets	<u><u>599,976,580</u></u>

**LIABILITIES**

Accounts payable	15,744,708
Cash overdraft	1,924,383
Accrued salaries and wages	1,723,508
Payroll taxes payable	508,936
Unearned revenue	162,560
Noncurrent liabilities:	
Due within one year	1,589,700
Due in more than one year	<u>119,764,247</u>
Total liabilities	<u><u>141,418,042</u></u>

**NET ASSETS**

Invested in capital assets net of related debt under capital lease	533,572,077
Restricted for:	
Food services	2,195,732
Capital Projects	7,551,350
Unrestricted	<u>(84,760,621)</u>
Total net assets	<u><u>\$ 458,558,538</u></u>

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

## Harford County Public Schools

### STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental activities:					
Instruction:					
Regular education	\$ 294,136,114	\$ 1,648,421	\$ 58,275,007	\$ 82,197,624	\$ (152,015,062)
Special education	89,246,450	-	40,659,786	-	(48,586,664)
Total Instruction	383,382,564	1,648,421	98,934,793	82,197,624	(200,601,726)
Support services					
Administration	16,515,429	-	1,397,731	91,256	(15,026,442)
Mid level administration	37,515,873	-	3,224,459	-	(34,291,414)
Pupil personnel services	2,338,402	-	153,177	-	(2,185,225)
Health services	5,069,023	-	-	-	(5,069,023)
Pupil transportation	33,647,222	-	11,085,699	948,083	(21,613,440)
Operation of plant	39,310,381	-	-	4,275	(39,306,106)
Maintenance of plant and equipment	15,129,880	-	1,119,177	1,813,166	(12,197,537)
Community services	398,983	338,029	7,659	-	(53,295)
Food services	15,390,849	7,838,875	6,512,926	-	(1,039,048)
Depreciation - unallocated	89,271	-	-	-	(89,271)
Total Support Services	165,405,313	8,176,904	23,500,828	2,856,780	(130,870,801)
Total governmental activities	\$ 548,787,877	\$ 9,825,325	\$ 122,435,621	\$ 85,054,404	(331,472,527)
General revenues:					
Local appropriations					210,414,800
State Aid - unrestricted					147,509,796
Federal Aid - unrestricted					625,283
Miscellaneous					2,486,813
Unrestricted investment earnings					39,601
Total general revenues					361,076,293
Change in net assets					29,603,766
Net assets - beginning of year					428,954,772
Net assets - end of year					\$ 458,558,538

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

**Harford County Public Schools**
**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<b>Current Expense (General)</b>	<b>Food Services (Special Revenue)</b>	<b>School Construction (Capital Projects)</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 323,182	\$ -	\$ 323,182
Investments	22,397,724	2,116,353	-	24,514,077
Due from other units of government	3,017,309	407,865	19,323,728	22,748,902
Other receivables	7,488,474	-	245,860	7,734,334
Due from other funds	869,130	-	769,288	1,638,418
Inventory	359,770	439,596	-	799,366
<b>Total assets</b>	<b>\$ 34,132,407</b>	<b>\$ 3,286,996</b>	<b>\$ 20,338,876</b>	<b>\$ 57,758,279</b>
<b>LIABILITIES</b>				
Accounts payable	2,800,400	222,134	12,722,174	15,744,708
Cash overdraft	1,924,383	-	-	1,924,383
Accrued salaries and wages	1,723,508	-	-	1,723,508
Payroll taxes payable	508,936	-	-	508,936
Due to other funds	769,288	869,130	-	1,638,418
Unearned revenue	97,208	-	65,352	162,560
Compensated absences payable	1,277,986	-	-	1,277,986
<b>Total liabilities</b>	<b>9,101,709</b>	<b>1,091,264</b>	<b>12,787,526</b>	<b>22,980,499</b>
<b>FUND BALANCES</b>				
Reserved for encumbrances	2,404,997	29,861	36,299,112	38,733,970
Reserved for inventory - U.S.D.A.	-	278,434	-	278,434
Unreserved:				-
Designated	7,657,880	-	-	7,657,880
Undesignated	14,967,821	1,887,437	(28,747,762)	(11,892,504)
<b>Total fund balances</b>	<b>25,030,698</b>	<b>2,195,732</b>	<b>7,551,350</b>	<b>34,777,780</b>
<b>Total liabilities and fund balances</b>	<b>\$ 34,132,407</b>	<b>\$ 3,286,996</b>	<b>\$ 20,338,876</b>	<b>\$ 57,758,279</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 ASSETS JUNE 30, 2010*

Total fund balances - governmental funds (Exhibit 3)	\$ 34,777,780
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$672,631,116 and the accumulated depreciation is \$128,774,397.	543,856,719
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 (\$27,578,504), an obligation under capital lease (\$10,284,642) and Net OPEB Obligation (\$82,212,815).	<u>(120,075,961)</u>
<b>Total net assets - governmental activities (Exhibit 1)</b>	<b><u>\$ 458,558,538</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 FISCAL YEAR ENDED JUNE 30, 2010**

	<b>General Fund</b>	<b>Food Services Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
<u>Intergovernmental Revenues</u>				
Local sources	\$ 210,414,800	\$ -	\$ 64,798,532	\$ 275,213,332
State sources	230,102,841	277,745	17,377,596	247,758,182
Special state and federal programs	33,329,650	-	-	33,329,650
Federal sources	625,283	6,234,983	-	6,860,266
Earnings on investments	39,601	198	-	39,799
Charges for services	-	7,838,875	-	7,838,875
Miscellaneous revenues	4,473,263	-	2,878,276	7,351,539
Total revenues	<u>478,985,438</u>	<u>14,351,801</u>	<u>85,054,404</u>	<u>578,391,643</u>
<b>Expenditures</b>				
<u>Current</u>				
Administrative services	10,708,101	-	-	10,708,101
Mid level administrative services	25,417,187	-	-	25,417,187
Instructional salaries	166,083,827	-	-	166,083,827
Instructional textbooks and supplies	7,757,879	-	-	7,757,879
Other instructional costs	2,903,516	-	-	2,903,516
Special education	39,030,095	-	-	39,030,095
Student personnel services	1,615,403	-	-	1,615,403
Health services	3,255,200	-	-	3,255,200
Pupil transportation services	27,655,271	-	-	27,655,271
Operation of plant	29,129,358	-	-	29,129,358
Maintenance of plant and equipment	11,013,736	-	-	11,013,736
Fixed charges	115,721,145	-	-	115,721,145
Community services	352,180	-	-	352,180
Special state and federal programs	33,329,650	-	-	33,329,650
Costs of operation - food services	-	14,314,608	-	14,314,608
Capital outlay	356,408	-	83,305,397	83,661,805
Total expenditures	<u>474,328,956</u>	<u>14,314,608</u>	<u>83,305,397</u>	<u>571,948,961</u>
Excess (deficit) of revenues over expenditures	4,656,482	37,193	1,749,007	6,442,682
Net change in fund balances	4,656,482	37,193	1,749,007	6,442,682
Fund balances - beginning of year	20,374,216	2,066,217	5,802,343	28,242,776
Increase in reserve for inventory - U.S.D.A.	-	92,322	-	92,322
<b>Fund balances - end of year</b>	<u>\$ 25,030,698</u>	<u>\$ 2,195,732</u>	<u>\$ 7,551,350</u>	<u>\$ 34,777,780</u>

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



**Harford County Public Schools**


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**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**FOR THE YEAR ENDED JUNE 30, 2010**

Total net change in fund balances - governmental funds (Exhibit 5)	\$ 6,442,682
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 capital outlay ( \$70,908,299 ) exceeds depreciation expense ( \$ 10,212,779 ) and loss on disposal of assets (\$48,584).	60,646,936
Capital lease provides current financial resources to government funds but increases long-term liabilities in the statement of net assets. Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, the net effect of capital lease borrowing and repayment was \$296,928.	296,928
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 \$176,102.	(176,102)
OPEB costs reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(37,699,000)
In the statement of activities, all inventories are charged to expense as goods are used in operations (the consumption method). However, in the government funds, the value of U.S.D.A. commodities is recorded as an expenditure at the time the inventory is acquired (the purchase method) and reflected as a reservation of fund balance. The increase in the amount of fund balance reserved for inventory during the year was \$64,365	92,322
<b>Change in net assets of governmental activities (Exhibit 2)</b>	<b>\$ 29,603,766</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 FISCAL YEAR ENDED JUNE 30, 2010**

	Unrestricted				Restricted			
	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>Revenues</b>								
<u>Intergovernmental Revenues</u>								
Local	\$ 210,914,800	\$ 210,914,800	\$ 210,414,800	\$ (500,000)	\$ -	\$ -	\$ -	\$ -
State	198,509,826	198,509,826	198,524,593	14,767	-	-	-	-
Federal	380,330	380,330	625,283	244,953	-	-	-	-
Special state and federal	-	-	-	-	32,701,475	46,653,802	33,693,057	(12,960,745)
Earnings on investments	505,000	505,000	25,826	(479,174)	-	-	-	-
Other Sources	2,577,566	2,577,566	4,613,115	2,035,549	-	-	-	-
Fund balance at July 1, 2009 - designated for fiscal year ended June 30, 2010	4,637,987	4,637,987	4,637,987	-	-	-	-	-
<b>Total revenues</b>	<u>\$ 417,525,509</u>	<u>\$ 417,525,509</u>	418,841,604	<u>\$ 1,316,095</u>	<u>\$ 32,701,475</u>	<u>\$ 46,653,802</u>	<u>\$ 33,693,057</u>	<u>\$ (12,960,745)</u>
<b>Expenditures</b>								
<u>Current</u>								
Administrative services	\$ 11,419,315	\$ 11,419,315	10,770,085	\$ 649,230	\$ 358,158	\$ 715,044	\$ 454,159	\$ 260,885
Mid-level administration	25,840,063	25,840,063	25,410,540	429,523	279,114	419,170	373,317	45,853
Instructional salaries	167,806,314	167,806,314	166,083,827	1,722,487	4,720,465	6,146,907	4,282,685	1,864,222
Instructional textbooks and supplies	7,875,818	7,965,818	7,302,108	663,710	613,242	1,374,465	890,292	484,173
Other instructional costs	2,931,737	3,131,737	2,770,461	361,276	1,293,551	3,527,514	2,010,147	1,517,367
Special education	38,439,884	39,035,884	39,031,901	3,983	17,130,990	24,432,976	17,290,186	7,142,790
Student personnel services	1,656,112	1,656,112	1,615,160	40,952	-	-	-	-
Student health services	3,333,736	3,333,736	3,242,916	90,820	-	-	-	-
Student transportation	28,879,448	28,379,448	27,655,360	724,088	-	313,067	315,104	(2,037)
Operation of plant	31,632,074	31,246,074	29,288,406	1,957,668	-	-	-	-
Maintenance of plant	11,824,711	11,824,711	11,203,889	620,822	-	137,128	137,128	-
Fixed charges	85,032,979	85,032,979	84,142,897	890,082	8,088,576	8,445,651	6,944,206	1,501,445
Community services	520,473	520,473	352,180	168,293	-	-	-	-
Capital outlay	332,845	332,845	332,235	610	217,379	1,141,880	995,833	146,047
<b>Total expenditures</b>	<u>\$ 417,525,509</u>	<u>\$ 417,525,509</u>	409,201,965	<u>\$ 8,323,544</u>	<u>\$ 32,701,475</u>	<u>\$ 46,653,802</u>	<u>\$ 33,693,057</u>	<u>\$ 12,960,745</u>
Excess of revenues over expenditures			9,639,639					
Transfer to capital projects fund			-					
Excess of revenues over expenditures and transfer			9,639,639					
Total fund balance at July 1, 2009			11,475,851					
Designated fund balance at July 1, 2009 (recognized as revenue above)			<u>(4,637,987)</u>					
Total fund balance			16,477,503					
Fund balance at June 30, 2010 - designated for fiscal year 2011			(5,432,714)					
Fund balance at June 30, 2010 - designated for future contingencies			<u>(2,225,166)</u>					
<b>Fund balance at June 30, 2010 - undesignated</b>			<u>\$ 8,819,623</u>					

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

**Harford County Public Schools**


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**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2010**

	<b>Retiree Health Plan Trust</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Cash and cash equivalents	\$ 10,962,506	\$ 2,725,004
<b>Total assets</b>	<u>\$ 10,962,506</u>	<u>\$ 2,725,004</u>
<b>Liabilities</b>		
Scholarship funds payable	\$ -	\$ 78,711
School activity funds payable	<u>-</u>	<u>2,646,293</u>
<b>Total liabilities</b>	<u>\$ -</u>	<u>\$ 2,725,004</u>
<b>Net Assets</b>		
Held in trust for retiree health plan benefits	\$ 10,962,506	\$ -
<b>Total net assets</b>	<u>\$ 10,962,506</u>	<u>\$ -</u>

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

**Harford County Public Schools**


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**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<b>Retiree Health Plan Trust</b>
<b>Additions</b>	
Net investment portfolio results	\$ 743,128
<b>Total additions</b>	<u>\$ 743,128</u>
<b>Deductions</b>	
Administrative expenses	\$ 13,970
<b>Total deductions</b>	<u>\$ 13,970</u>
<b>Net increase</b>	\$ 729,158
Net fiduciary assets as of July 1, 2009	<u>\$ 10,233,348</u>
<b>Net fiduciary assets as of June 30, 2010</b>	<u><u>\$ 10,962,506</u></u>

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

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Board of Education of Harford County (the Board) is a body politic and corporate established by the Public School Laws of Maryland. For financial reporting purposes, the Board (alternatively referred to herein as Harford County Public Schools) is a component unit of Harford County, Maryland by virtue of the County's responsibility for levying taxes 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 Harford County Public Schools conform to generally accepted accounting principles (GAAP) for governmental units. Significant accounting policies employed by the Board are as follows:

**Government-Wide and Fund Financial Statements**

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

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

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Local appropriations and state and federal aid are recognized as revenues in the year for which they were approved by the provider. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to certain compensated absences are recognized when the obligations are expected to be liquidated with expendable available resources.

Local appropriations and state and federal aid associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria have been met. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met.

Interfund balances account for expenditures paid in the general fund for other funds through a common system. Reimbursements are made periodically as revenues are received.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting.

The Retiree Health Plan Trust Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

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

**Governmental Funds**

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

*Food Service Fund (Special Revenue Fund)* - 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.

*School Construction Fund (Capital Projects Fund)* - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Fiduciary Funds**

*Scholarship and School Funds (Agency Fund)* - Agency funds are used to account for assets held by the Board in a trustee capacity. Scholarship funds account for monies that have been donated for scholarships until awarded. The school funds account for student activities such as student clubs, yearbooks and field trips. These funds are the direct responsibility of the principals of the respective schools.

*Retiree Health Plan Trust Fund* – This fund was established to prefund other postemployment benefits (OPEB) that the Board provides to retirees and their dependents of Harford County Public Schools.

**Applicability of Accounting Pronouncements**

The accounting policies of Harford County Public Schools conform to accounting principles generally accepted in the United States of America. Accordingly, the Board applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the 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.

**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. Capital assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment are depreciated using the straight-line method over estimated useful lives of 20-50 years for buildings, improvements and infrastructure, and 5-20 years for equipment.

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

**Budgets and Budgetary Accounting**

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

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

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Budgets and Budgetary Accounting** (continued)

The budgetary basis differs from GAAP, which is used for the fund financial statements, in that encumbrances, which represent commitments to purchase goods and services, are treated as expenditures of the current period rather than as reservations of the fund balance. The other principal difference is that under the budgetary basis, certain designations of the prior year's fund balance are treated as revenue of the current period. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (non-GAAP basis) and Actual-General Fund is presented using the budgetary basis of accounting.

*Operating Budget (General Fund)*

- 1) In early June, budget questionnaires are distributed to principals and staff members. These questionnaires and supporting documents are due in the office of the Director of Budget at the beginning of October.
- 2) At the regular monthly meetings in October and November, the Board will establish its priorities for the operating budget.
- 3) At the regular monthly meeting in December, the Superintendent of Schools will present the recommended operating budget to the Board and the general public.
- 4) In December, the Board will hold a special meeting for the purpose of providing for a public hearing on the Superintendent's recommended operating budget.
- 5) At the regular monthly meeting in January, the Board will adopt an operating budget and submit the adopted operating budget to the County Executive.
- 6) After approval or adjustment by the County Council, the final operating budget is approved by the Board in June.
- 7) Budgets are normally adopted on a basis consistent with GAAP except for the inclusion of portions of the prior year's fund balance as revenues, the inclusion of encumbrances as expenditures and the exclusion of retirement payments made on the Board's behalf by the State of Maryland as revenues and expenditures. Budget comparisons presented are on a non-GAAP budgetary basis.
- 8) Transfers may be made within the major categories by the Board of Education without the approval of the County Council as budgetary control is at the category level.
- 9) Requests for transfers between major categories must be submitted to the County Council for approval or denial. No action within thirty (30) days of submission constitutes approval.

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.



**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Budgets and Budgetary Accounting** (continued)

*Food Services Fund Budget (Special Revenue Fund)*

The Food Service Fund Budget is not a legally adopted budget and, therefore, a budget to actual presentation is not included in the basic financial statements. The comparison with actual revenues and expenditures is presented as a supplementary schedule to these financial statements. Revenue from Federal sources in the Food Services Fund includes \$852,431 of donated commodities from the United States Department of Agriculture.

*Capital Budget - School Construction Fund (Capital Projects Fund)*

Annual budgetary comparisons to actual expenditures are not presented in the financial statements for the capital projects fund.

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

**Encumbrances**

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

**Cash and Investments**

A. Cash on Hand

At year end, cash on hand for petty cash and change funds was \$100.

B. Deposits

As of June 30, 2010, the book and bank balances of cash were \$1,123,703 and \$3,347,412, respectively. The bank balance of \$ 3,347,412 was 100% covered by Federal Depository Insurance and or collateralized with federal government backed securities held in the pledging bank's trust department in the Board's name. The Board has a contractual arrangement with the bank for funds to be transferred daily from investment in a repurchase agreement to cover checks as presented.

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Cash and Investments** (continued)

C. 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, 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 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.

At June 30, 2010 the Board's investment balances were as follows:

	<b>Fair Value</b>
Repurchase agreements	\$ 4,444,314
Maryland Local Government Investment Pool	20,069,763
<b>Total Investments</b>	<b>\$ 24,514,077</b>

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

Cash on hand	\$ 100
Carrying amount of deposits	12,086,209
Carrying amount of cash overdraft	1,924,383
Carrying amount of investments	24,514,077
Total cash and investments	38,524,769
Less: Amounts in fiduciary funds	13,687,510
<b>Total Cash and Investments Per Statement of Net Assets</b>	<b>\$ 24,837,259</b>
Cash and cash equivalents	\$ 323,182
Investments	24,514,077
<b>Total Cash and Investments Per Statement of Net Assets</b>	<b>\$ 24,837,259</b>

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Cash and Investments** (continued)

*Investment 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 of Education’s exposure to fair value losses arising from increasing interest rates, the Board of Education’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 of Education’s management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Board of Education from having to sell investments below original cost for that purpose. The investments at June 30, 2009, complied with the Board of Education’s investment policy as of that date.

Investment income includes the following for the year ended June 30, 2010:

Net interest and dividends	\$ 39,799
Less: Restricted net investment income	198
<b>Total Net Investment Income Per Statement of Activities</b>	<b>\$ 39,601</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 Maryland Local Government Investment Pool, money market mutual funds, commercial paper and repurchase agreements secured by direct government or agency obligations.

*Concentration of Credit Risk*

In accordance with its investment policy, with the exception of US Treasury securities, repurchase agreements, US government agencies and MLGIP, no more than 50% of the Board’s total investment portfolio is to be invested in a single security type. With the exception of overnight repurchase agreements with the Board’s lead bank and the MLGIP, no more than 50% of the Board’s portfolio may be invested in a single institution.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the Board will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. For the Board of Education, \$4,444,314 in repurchase agreements and \$20,069,763 in the MLGIP, the underlying securities were held by a custodian in the Board of Education’s name. As of June 30, 2010, all of the Board of Education’s investments were insured or registered, or were held by the custodian in the Board of Education’s name or were invested in MLGIP. The Board’s policy is that all investments must be fully collateralized. As of June 30, 2010, the Board’s investments were not exposed to custodial credit risk.

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Cash and Investments** (continued)

*Investment in External Investment Pool*

The Board has funds designated for Other Postemployment Benefits that are held by Maryland Association of Boards of Education (MABE). As of June 30, 2010, MABE held \$10,962,506 in cash and cash equivalents in the investment pool for the Board. The investment policy of MABE is set and monitored by MABE's Board of Trustees. MABE primarily invests in registered securities and mutual funds.

**Due From Other Units of Government and Other Receivables**

Due from other units of government consists primarily of amounts due for local and state appropriations under the operating budget and capital projects and, expenditures in excess of amounts received under grant agreements. Other receivables include amounts due from other local education agencies for out of county tuition and the deposit with the Harford County Consortium for stabilization of health insurance costs.

Accounts receivable are not collateralized, but are primarily with other governmental units and related agencies. These entities rarely default on their obligations and management of the Board considers all amounts collectible at June 30, 2010. Therefore, no valuation allowance is provided against the amounts due.

**Inventory**

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable food and supplies held for consumption. The cost is recorded as an asset at the time individual inventory items are purchased. Inventory is charged to expenditures as the inventory is consumed, except for USDA commodities inventory which is recorded as expenditures as the inventory is acquired.

**Compensated Absences**

At June 30, 2010, annual and sick leave earned, applicable to governmental fund types, but not taken by Board of Education employees, was \$28,856,490. This amount is based on vested accumulated leave as of June 30, 2010, for personnel 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 of 200 days. An accrual in the amount of \$1,277,986 was made in the General Fund for the year ended June 30, 2010. This amount was an estimate of the accumulated annual and sick leave which will be paid to retirees at the beginning of the fiscal year ending June 30, 2011. Essentially all such payments to retirees are made in the first month of the new fiscal year. The remaining long-term liability for accumulated annual and sick leave earned in the amount of \$27,578,504 is reported as a long-term liability in the Government-wide financial statements. The long-term portion is not reported in the fund financial statements.

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations placed on their use through external restrictions imposed by grantors or laws or regulations of other governments.

**Use of Estimates in Preparing Financial Statements**

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

**NOTE 2 - CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2010 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifi- cations</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 9,672,942	\$ -	\$ -	\$ 9,672,942
Construction in progress	<u>206,054,529</u>	<u>65,821,491</u>	<u>(70,162,243)</u>	<u>201,713,777</u>
Total capital assets not being depreciated	<u>215,727,471</u>	<u>65,821,491</u>	<u>(70,162,243)</u>	<u>211,386,719</u>
Capital assets being depreciated:				
Land improvements	8,284,455	760,915	-	9,045,370
Buildings	351,695,680	1,371,452	70,162,243	423,229,375
Furniture and equipment	<u>26,584,066</u>	<u>2,954,441</u>	<u>(568,855)</u>	<u>28,969,652</u>
Total capital assets being depreciated	<u>386,564,201</u>	<u>5,086,808</u>	<u>69,593,388</u>	<u>461,244,397</u>
Less accumulated depreciation for:				
Land improvements	2,647,986	392,769	-	3,040,755
Buildings	102,789,961	6,981,057	-	109,771,018
Furniture and equipment	<u>13,643,942</u>	<u>2,838,953</u>	<u>(520,271)</u>	<u>15,962,624</u>
Total accumulated depreciation	<u>119,081,889</u>	<u>10,212,779</u>	<u>(520,271)</u>	<u>128,774,397</u>
Total capital assets being depreciated, net	<u>267,482,312</u>	<u>(5,125,972)</u>	<u>70,113,660</u>	<u>332,470,000</u>

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

<b>Governmental activities capital assets, net</b>	<u>\$ 483,209,783</u>	<u>\$ 60,695,520</u>	<u>\$ (48,584)</u>	<u>\$543,856,719</u>
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**NOTE 2 - CAPITAL ASSETS** (continued)

Depreciation expense for the year ended June 30, 2010 was charged to governmental functions as follows:

Depreciation not allocated to specific functions	\$	89,271
Administration		715,533
Mid-level administration		4,502
Instruction		5,559,850
Special education		9,704
Pupil service		15,780
Transportation		860,125
Operations		1,775,742
Maintenance		946,834
Food service		<u>235,438</u>
<b>Total</b>		<u>\$ 10,212,779</u>

The Board has active school construction projects as of June 30, 2010 as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Project:		
Emmorton Elementary Fire Alarm	\$ 49,500	\$ 19,722
Bel Air High Modernization	72,611,337	1,108,607
Bel Air Elementary Site Improvements	69,806	354,043
Southampton Middle HVAC	631,979	532,459
Campus Hills Elementary	781,526	365,588
Fallston High Wastewater Treatment	106,026	2,643,580
John Archer	66,073	16,972
Red Pump Elementary	9,257,779	17,254,124
Joppatowne High	169,450	-
Youth's Benefit Elementary Modernization	1,615,693	40,153
Deerfield Elementary Modernization	25,919,096	4,271,190
Edgewood High Modernization	70,605,806	6,070,730
Joppatowne Elementary Modernization	19,276,705	185,509
North Harford High Grandstands	<u>553,001</u>	<u>27,481</u>
<b>Total</b>	<u>\$ 201,713,777</u>	<u>\$ 32,890,158</u>

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

**NOTE 3 - RECONCILIATION OF BUDGETARY DATA**

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - General Fund is prepared on a legally prescribed budgetary basis of

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

accounting which differs from GAAP. The purpose of the budgetary basis of accounting is to demonstrate compliance with the legal requirements of Harford County, the State of Maryland and special federal and state programs.

The differences between the two methods are set forth below:

Revenues (non-GAAP budgetary basis) (unrestricted and restricted)	\$ 452,534,661
Fund balance at June 30, 2010 designated for current year's expenditures	(4,637,987)
Revenues adjusted by encumbrances of expenditure driven grants	(363,407)
Pension contributions made directly by State	31,578,248
Interest earned on rate stabilization deposit	13,775
Changes in value of rate stabilization fund	(139,852)

<b>Revenues (GAAP basis)</b>	<b>\$ 478,985,438</b>
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Expenditures (non-GAAP budgetary basis) (unrestricted and restricted)	\$ 442,895,022
Encumbrance adjustments (net)	(144,314)
Pension contributions made directly by State	31,578,248

<b>Expenditures (GAAP basis)</b>	<b>\$ 474,328,956</b>
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The undesignated fund balances in the current expense fund (General Fund) are reconciled as follows:

Undesignated fund balance (non-GAAP budgetary basis)	\$ 8,819,623
Cumulative effect of:	
Revenues adjusted by encumbrances of expenditure driven grants	(786,314)
Rate stabilization and MAMSI receivable	6,934,512

<b>Undesignated fund balance (GAAP basis)</b>	<b>\$ 14,967,821</b>
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**HARFORD COUNTY PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 4 - FUND BALANCES**

Fund balance at June 30, 2010 designated for future use consists of the following:

	<b>General Fund</b>
<b>Designated Fund Balance</b>	
Revenue for fiscal year 2011	\$ 5,432,714
Future health insurance call	1,225,166
Emergency fuel reserve	1,000,000
<b>Total</b>	<b>\$ 7,657,880</b>

**Capital Projects Fund**

The School Construction Fund (Capital Projects Fund) had an undesignated fund balance deficit of \$28,747,762 as of June 30, 2010. School construction is accounted for on a project basis where revenues are recognized at the same time as related expenditures. Under the budgetary basis of accounting, this results in a fund balance of zero at the end of each period.

Under GAAP, revenues are not recognized to the extent of the outstanding reserve for encumbrances causing a deficit in undesignated fund balance equal to that reserve. As of June 30, 2010, \$6,440,882 received from the state for reimbursement of capital projects previously reimbursed by the County and \$1,110,468 in fund balance transferred from the general fund remained unspent. These funds are required to be used for future capital projects and were recognized as revenue and are restricted net assets.

**NOTE 5 - PENSION PLANS**

**Plan Description**

The Board's employees are covered by the Teachers Retirement System of the State of Maryland, the Teachers Pension System of the State of Maryland or The Employees Retirement System of the State of Maryland. These systems are part of the Maryland State Retirement and Pension System (the State System), and are cost-sharing multiple-employer public employee retirement systems. The State System provides pension, death and disability benefits to plan members and beneficiaries. The State of Maryland pays a substantial portion of employer contributions on behalf of the Board. The plan is administered by the State Retirement Agency (the Agency).

Responsibility for the administration and operation of the State System is vested in a 12-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issued a publicly available financial report that includes basic financial statements and required supplementary information for the State System. The report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202, or by calling 410-625-5555.



**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 5 - PENSION PLANS** (continued)

**Plan Description** (continued)

The State Personnel and Pensions Article requires active members to contribute to the State System at the rate of 5% or 7% of their covered salary depending upon the retirement option selected. Harford County Public Schools is required to contribute at an actuarially determined rate. The State's contributions on behalf of the Board for the years ended June 30, 2010, 2009, and 2008 were \$31,578,248, \$26,419,617 and \$23,870,733, respectively, which were equal to the required contributions for each year. The Board's contribution for the years ended June 30, 2010, 2009 and 2008 were \$3,469,631, \$2,985,775 and \$3,183,434, respectively, which were equal to the required contributions for each year.

**NOTE 6 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

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

*Medical Benefits* - Retirees are eligible for continued membership in one of the school system's group medical plans provided that they have at least 10 years service with the Harford County Public Schools and are under 65 years of age. The school system pays premiums for these plans limited to 80% or 90% based on the health plan chosen. Supplemental coverage for retirees 65 years of age and older are also paid up to 90% of premiums for such coverage. The medical benefits paid by the Board for the year ended June 30, 2010 was \$13,961,138. As of June 30, 2010, 1,834 of approximately 2,003 eligible participants were receiving benefits.

*Dental Benefits* - The Board pays 90% of dental coverage for retirees with at least 10 years service. The dental benefits paid by the Board for the year ended June 30, 2010 was \$736,272. As of June 30, 2010, 1,835 of approximately 2,003 eligible participants were receiving benefits.

*Life Insurance Benefits* - The Board pays 90% of the life insurance premiums for retirees with at least 10 years of service with the amount of insurance coverage reducing from \$20,000 upon retirement to \$10,000 five years after retirement. The life insurance benefits paid by the Board for the year ended June 30, 2010 was \$42,583. As of June 30, 2010, 1,761 of approximately 2,003 eligible participants were receiving benefits.

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

*Annual OPEB Cost and Net OPEB Obligation*

The Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation:

Annual required contribution	\$ 54,208,000
Interest on net OPEB obligation	1,781,000
Amortization of net OPEB obligation	(1,822,000)
Annual OPEB cost (expense)	54,167,000
Contributions made	16,468,000
Increase in net OPEB obligation	37,699,000
Net OPEB obligation - beginning of year	44,513,815
Net OPEB obligation - end of year	\$ 82,212,815

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2010 was as follows:

<b>Fiscal Year</b>	<b>Annual</b>	<b>Percentage of Annual OPEB</b>	<b>Net OPEB</b>
<b><u>Ended</u></b>	<b><u>OPEB Cost</u></b>	<b><u>Cost Contributed</u></b>	<b><u>Obligation</u></b>
6/30/10	\$54,167,000	30.4%	\$82,212,815

*Funded Status and Funding Progress*

As of July 1, 2009, the plan was 2.1 percent funded. The actuarial accrued liability for benefits was \$626,155,000, and the actuarial value of assets was \$10,233,348, resulting in an unfunded actuarial accrued liability (UAAL) of \$615,921,652. The covered payroll (annual payroll of active employees covered by the plan) was \$278,636,614, and the ratio of the UAAL to the covered payroll was 221.05 percent.

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

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

*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 actuarial assumptions are as follows:

Valuation Date	July 1, 2008
Actuarial Cost Method	Projected unit method
Amortization Method	Level percentage of projected payroll over a 30-year period
Asset Valuation Method	Market value
Actuarial Assumptions:	
Discount Rate	4.00%
Investment Rate of Return	4.00% per year compounded annually
Payroll Growth Rate	3%
Healthcare Cost Trend Rates:	
Pre-65 Medical	8.76% initial / 4.1% ultimate (not applicable to Life)
Post-65 Medical	8.76% initial / 4.1% ultimate (not applicable to Life)
Dental	5.0%

The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

Schedule of Funding Progress

Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2008	\$ 12,136,368	\$ 361,962,000	\$ 349,825,632	3.47%	\$ 274,153,946	127.60%
July 1, 2008	\$ 12,136,368	\$ 589,795,000	\$ 577,658,632	2.10%	\$ 278,038,509	207.76%
July 1, 2009	\$ 10,233,348	\$ 626,155,000	615,921,652	1.67%	\$ 278,636,614	221.05%

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

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 7 - LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2010 was as follows:

	<b>Balance at July 1, 2009</b>	<b>Increase</b>	<b>Reductions</b>	<b>Balance at June 30, 2010</b>	<b>Due Within One Year</b>
Capital lease	\$ 10,581,570	\$ -	\$ 296,928	\$ 10,284,642	\$ 311,714
Compensated absence	28,792,505	1,593,902	1,529,917	28,856,490	1,277,986
OPEB obligation	44,513,815	54,167,000	16,468,000	82,212,815	-
<b>Total Governmental Activities</b>	<b>\$ 83,887,890</b>	<b>\$ 55,760,902</b>	<b>\$ 18,294,845</b>	<b>\$ 121,353,947</b>	<b>\$ 1,589,700</b>

Compensated absences have typically been liquidated by the General Fund in prior years.

The Board entered into lease agreements as lessee to construct the administration building in the amount of \$11,400,223, which was completed in January 2007. The lease agreement is for a period of twenty-five years. The asset acquired and capitalized under the capital lease is as follows:

Building cost	\$ 10,852,395
Less accumulated depreciation	976,716
<b>Net Book Value</b>	<b><u>\$ 9,875,679</u></b>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010 were as follows:

<b>Years Ending June 30,</b>	
2011	\$ 823,822
2012	823,822
2013	823,822
2014	823,822
2015 – 2019	4,119,110
2020 – 2024	4,119,110
2025 – 2029	4,119,110
2030	823,822
Total minimum lease payments	<u>16,476,440</u>
Less:	
Amount representing interest	6,191,798
<b>Present Value of Minimum Lease Payments</b>	<b><u>\$ 10,284,642</u></b>

**HARFORD COUNTY PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 8 - RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board is a member of the Maryland Association of Boards of Education Group Liability Insurance Pool and the Workmen's Compensation Self Insurance Fund.

These pools are self insurance funds for the various member Maryland Boards of Education. The pools were organized for the purpose of minimizing the cost of insurance and related administrative expenses.

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

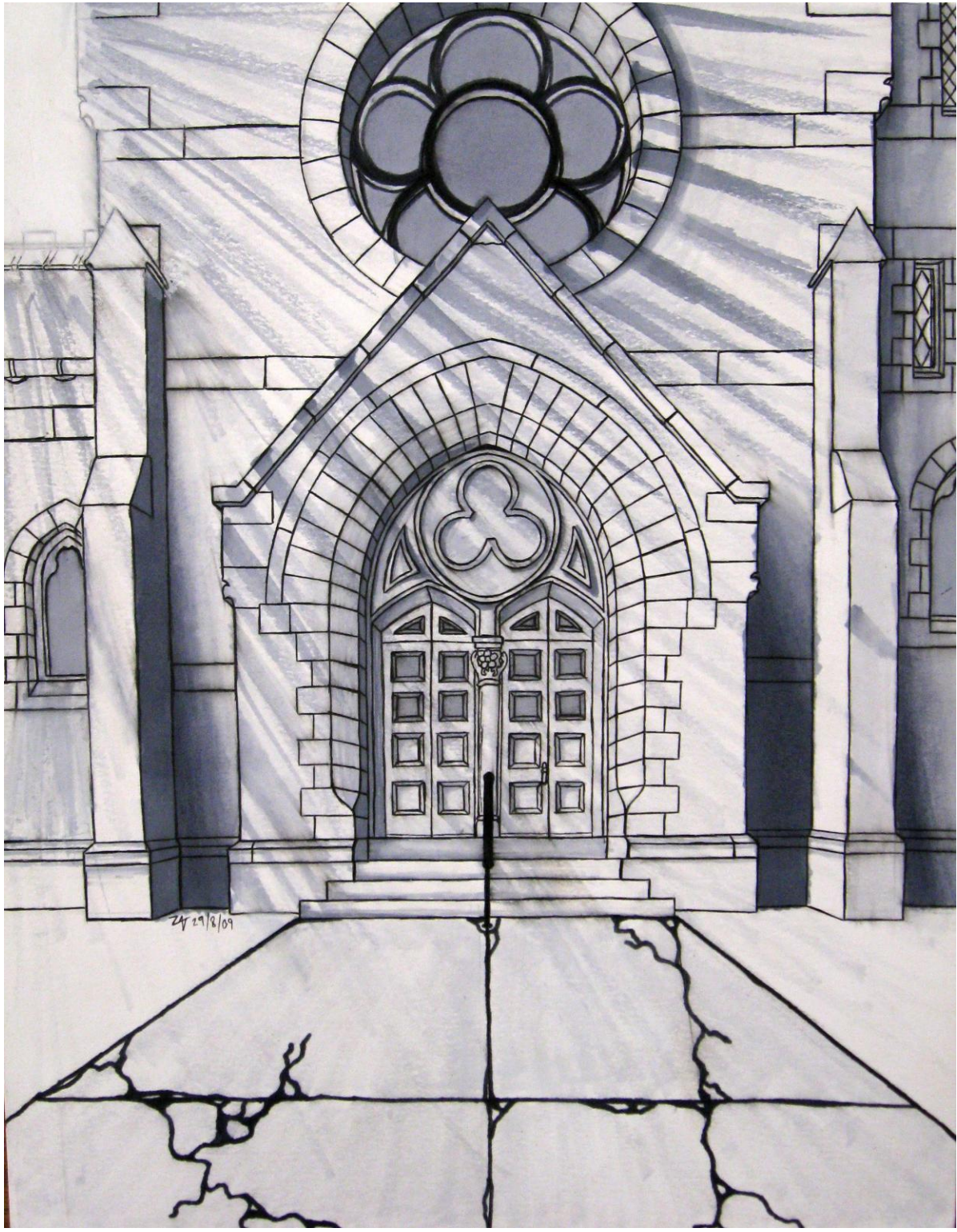
**NOTE 9 - CONTINGENCIES AND COMMITMENTS**

The Board has also been named as defendant in several lawsuits, the outcome of which is 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 leased certain properties for offices, storage and other uses under long-term operating leases before the completion of the administration building. Expenditures for rent under operating leases amounted to approximately \$111,302 for the year ended June 30, 2010.

# Required Supplemental Information

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*Zack Tabor, Havre de Grace High School, Grade 12*

**HARFORD COUNTY PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR OTHER POSTEMPLOYMENT BENEFIT PLAN  
June 30, 2010**

Schedule of Funding Progress

Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2008	\$ 12,136,368	\$ 361,962,000	\$ 349,825,632	3.47%	\$ 274,153,946	127.60%
July 1, 2008	\$ 12,136,368	\$ 589,795,000	\$ 577,658,632	2.10%	\$ 278,038,509	207.76%
July 1, 2009	\$ 10,233,348	\$ 626,155,000	615,921,652	1.67%	\$ 278,636,614	221.05%

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



## Other Supplemental Information

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*Daniel Engert, Bel Air Middle School, Grade 6*



**Harford County Public Schools**


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**FOOD SERVICE FUND  
(SPECIAL REVENUE FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE COMPARED TO BUDGET (NON-GAAP BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Cafeteria sales	\$ 8,370,713	\$ 7,838,875	\$ (531,838)
<u>Federal Aid</u>			
School Lunch Program	3,648,184	4,098,397	450,213
School Breakfast Program	968,452	1,110,646	142,194
Other Programs	65,000	173,509	108,509
U.S.D.A. Commodities	816,000	852,431	36,431
Total federal aid	5,497,636	6,234,983	737,347
<u>State Aid</u>			
Child Feeding Program	287,176	277,745	(9,431)
Interest earned	80,000	198	(79,802)
Miscellaneous revenues	-	-	-
Fund balance at July 1, 2009 - designated for fiscal year ended June 30, 2010	150,000	150,000	-
<b>Total revenues</b>	<u>\$ 14,385,525</u>	14,501,801	116,276
<b>Expenditures</b>			
Salaries and wages	5,236,902	5,137,954	98,948
Contracted services	229,500	328,553	(99,053)
Supplies and materials	5,954,482	6,007,461	(52,979)
Other charges	1,857,626	1,810,083	47,543
Furniture and equipment	291,015	257,167	33,848
U.S.D.A. commodities	816,000	760,109	55,891
<b>Total expenditures</b>	<u>\$ 14,385,525</u>	14,301,327	84,198
Deficit of revenues over expenditures		200,474	32,078
Total fund balance at July 1, 2009		2,023,075	
Increase (decrease) in reserve for inventory of U.S.D.A commodities		92,322	
Designated fund balance at July 1, 2009 (recognized as revenue above)		(150,000)	
Total fund Balance		2,165,871	
Reserved for inventory of U.S.D.A. commodities - end of year		(278,434)	
<b>Fund balance at June 30, 2010 - undesignated</b>		<u>\$ 1,887,437</u>	

## Harford County Public Schools

### SCHOOL CONSTRUCTION FUND (CAPITAL PROJECTS FUND) SCHEDULE OF EXPENDITURES BY PROJECT FOR THE FISCAL YEAR ENDED JUNE 30, 2010

#### Construction in Progress - By Project

Campus Hills Elementary	300-1901	\$ 69,377
Red Pump Elementary	300-4901	7,595,174
Patterson Mill Middle/High School	300-8701	423,761
Aberdeen High School Addition	305-7005	87,927
Joppatowne High School Gymnasium	305-8108	73,872
Deerfield Elementary Modernization	310-2010	10,534,451
Homestead/Wakefield Elementary Modernization	310-3510	25,859
Joppatowne Elementary Modernization	310-3710	2,818,350
William Paca/Old Post Rd Elementary Modernization	310-4010	1,770
Youth's Benefit Elementary Modernization	310-4810	806,422
Aberdeen High North Building	310-7110	9,790
Bel Air High Modernization	310-7310	12,556,024
Edgewood High Modernization	310-7610	33,613,400
North Harford High Modernization	310-8010	1,206,090
John Archer Modernization	310-9110	46,815
Prospect Mill Elem. Remedial Capacity Renovations	315-2915	4,951
Technology Education Lab Refresh	315-9017	27,166
Planetaria Refresh	315-9018	5
Data Center Air Conditioning	325-0183	250,330
Homestead Wakefield Elementary Air Conditioning	325-4083	15,710
Southampton Middle Roof	325-7425	1,068,834
Southampton Middle HVAC	325-7468	659,000
Fallston High Roof	325-8225	24,042
North Harford Middle School HVAC	325-8368	221,130
Roofing Projects	325-9025	(33,297)
Harford Technical High School Athletic Fields	330-0462	111,944
Bel Air Elementary Improvements	330-1432	70,186
Relocatables	340-9041	587,154
Technology Wiring	350-9051	109,942
Milestone Project	350-9053	1,890,837
Technology Refresh	350-9057	2,375,370
Integrated Business Systems	350-9058	91,256
William S. James Elementary Chiller	360-1363	10,441
Jarrettsville Elementary HVAC	360-3668	208,584
Fallston High Waste Water Treatment Plant	360-8276	73,318
Environmental Compliance	360-9065	59,235
Alarms	360-9074	137,225
Maintenance Replacement Vehicles	360-9075	444,899
Backflow Prevention	360-9078	9,194
Storm Water Management, Erosion and Sediment Control	360-9079	8,211
Paving - New	360-9081	80,799
Paving - Overlay and Maintenance	360-9082	140,136
Locker Replacements	360-9083	132,363
Athletic Fields	360-9162	15,436
HVAC Major Repairs	360-9968	1,604,293
William S. James Elementary Playground	390-1395	36,847
Churchville Elementary Playground	390-1695	90,000
Forest Lakes Elementary Playground	390-2895	75,000
Magnolia Elementary Playground	390-3195	80,000
Riverside Elementary Playground	390-4395	74,000
Furniture	390-9092	90,540
Buses	390-9096	948,083
Music Refresh	390-9097	43,185
Security Cameras	390-9098	189,286
Math Refresh	390-9099	30,460
Textbooks	390-9793	1,248,904
Textbooks - FY08	390-9893	76,055
CTE Equipment Refresh	390-9990	44,328
Textbooks - Social Science	390-9993	1,158
Swimming Pools	391-9095	9,775
		<u>\$ 83,305,397</u>

## Harford County Public Schools

### AGENCY FUNDS SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2010

#### School Activity Funds

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
<u>Elementary Schools</u>				
Abingdon	\$ 10,288	\$ 35,178	\$ 30,683	\$ 14,783
Bakerfield	17,578	21,908	14,624	24,862
Bel Air	15,614	21,743	31,196	6,161
Church Creek	9,021	21,844	18,976	11,889
Churchville	16,400	20,319	26,910	9,809
Darlington	4,160	13,625	12,438	5,347
Deerfield	78,519	66,105	17,132	127,492
Dublin	10,766	9,157	5,283	14,640
Edgewood	15,062	22,090	22,648	14,504
Emmorton	39,874	29,300	32,103	37,071
Forest Hill	9,135	38,129	40,369	6,895
Forest Lakes	14,719	38,242	32,935	20,026
Fountain Green	22,382	38,404	43,194	17,592
George D. Lisby at Hillsdale	10,994	37,072	34,734	13,332
Hall's Cross Roads	22,178	28,470	28,381	22,267
Harford Glen	-	9,019	4,984	4,035
Havre de Grace	14,566	40,415	34,904	20,077
Hickory	50,897	73,367	84,118	40,146
Homestead-Wakefield	13,212	58,085	64,238	7,059
Jarrettsville	29,727	52,788	54,397	28,118
John Archer	42,485	45,704	41,533	46,656
Joppatowne	14,005	25,059	21,777	17,287
Magnolia	11,220	31,421	30,570	12,071
Meadowvale	5,762	16,629	17,897	4,494
Norrisville	9,925	12,614	8,821	13,718
North Bend	26,955	44,273	58,124	13,104
North Harford	16,333	52,473	50,111	18,695
Prospect Mill	16,873	46,641	47,936	15,578
Ring Factory	15,907	54,874	41,676	29,105
Riverside	13,946	43,005	36,261	20,690
Roye-Williams	13,230	20,306	14,612	18,924
William S. James	10,158	40,002	29,446	20,714
William Paca - Old Post	12,957	17,372	14,624	15,705
Youth's Benefit	34,388	54,870	72,540	16,718
Total elementary schools	649,236	1,180,503	1,120,175	709,564

## Harford County Public Schools

### AGENCY FUNDS SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2010

#### School Activity Funds

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
<u>Middle Schools</u>				
Aberdeen	58,869	123,551	106,504	75,916
Bel Air	67,013	181,968	166,545	82,436
Edgewood	21,467	123,114	100,006	44,575
Fallston	76,906	152,634	149,993	79,547
Havre de Grace	32,285	88,359	86,006	34,638
Magnolia	25,616	97,735	77,105	46,246
North Harford	51,824	207,326	211,184	47,966
Patterson Mill	20,879	107,546	96,733	31,692
Southampton	75,541	222,801	238,080	60,262
Total middle schools	430,400	1,305,034	1,232,156	503,278
<u>High Schools</u>				
Aberdeen	147,421	400,638	397,541	150,518
Alternative Education	115,622	124,017	166,961	72,678
Bel Air	310,293	374,028	485,219	199,102
C. Milton Wright	234,661	545,087	588,391	191,357
Edgewood	93,962	216,768	206,815	103,915
Fallston	128,364	403,704	426,039	106,029
Harford Technical	197,941	660,343	677,492	180,792
Havre de Grace	103,283	220,136	221,654	101,765
Joppatowne	84,173	174,783	184,380	74,576
North Harford	175,630	385,356	376,262	184,724
Patterson Mill	51,964	402,207	386,176	67,995
Total high schools	1,643,314	3,907,067	4,116,930	1,433,451
Total - all School Activity Funds	2,722,950	6,392,604	6,469,261	2,646,293
Scholarship Funds	74,944	5,797	2,030	78,711
Total - Agency Funds	\$ 2,797,894	\$ 6,398,401	\$ 6,471,291	\$ 2,725,004

## Harford County Public Schools

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS**  
**JUNE 30, 2010**

	<b>Scholarship Funds</b>	<b>Student Activity Funds</b>	<b>Total Agency Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 78,711	\$ 2,646,293	\$ 2,725,004
<b>Total assets</b>	<u>\$ 78,711</u>	<u>\$ 2,646,293</u>	<u>\$ 2,725,004</u>
<b>Liabilities</b>			
Scholarship funds payable	\$ 78,711	\$ -	\$ 78,711
School activity funds payable	<u>-</u>	<u>2,646,293</u>	<u>2,646,293</u>
<b>Total liabilities</b>	<u>\$ 78,711</u>	<u>\$ 2,646,293</u>	<u>\$ 2,725,004</u>

## Harford County Public Schools

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUNDS  
FOR FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<b>SCHOLARSHIP FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 74,944	\$ 5,797	\$ 2,030	\$ 78,711
<b>LIABILITIES</b>				
Scholarship funds payable	\$ 74,944	\$ 5,797	\$ 2,030	\$ 78,711
<b>STUDENT ACTIVITY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,722,950	\$ 6,392,604	\$ 6,469,261	\$ 2,646,293
<b>LIABILITIES</b>				
Student activity funds payable	\$ 2,722,950	\$ 6,392,604	\$ 6,469,261	\$ 2,646,293
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,797,894	\$ 6,398,401	\$ 6,471,291	\$ 2,725,004
<b>LIABILITIES</b>				
Scholarship funds payable	\$ 74,944	\$ 5,797	\$ 2,030	\$ 78,711
Student activity funds payable	2,722,950	6,392,604	6,469,261	\$ 2,646,293
Total Liabilities	2,797,894	\$ 6,398,401	\$ 6,471,291	\$ 2,725,004



*Megan O'Donnell, North Harford Middle School, Grade 7*

# 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 district's overall financial health.

Contents	Page
Financial Trends	64 - 67
<i>These schedules contain trend information to help the reader understand how the district's financial performance and well-being have changed over time.</i>	
Demographic and Economic Information	68 - 70
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.</i>	
Operating Information	71 - 73
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services it provides and activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year after June 30, 2004 and from the Independent Auditors' Report, Financial Statements and Supplemental Information for the relevant year prior to that.



## Harford County Public Schools

### *Net Assets by Component*

#### *Last Ten Fiscal Years\**

*(accrual basis of accounting)*

*(amounts expressed in thousands)*

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities									
Invested in capital assets, net of related debt	160,480	181,349	196,877	224,456	265,089	297,606	379,249	472,628	533,572
Restricted for food services	2,075	2,446	2,848	3,005	2,976	2,699	2,456	2,066	2,196
Restricted for capital projects	-	-	-	-	-	25	8,072	5,802	7,551
Unrestricted	(20,762)	(22,021)	(20,828)	(11,933)	(4,063)	1,827	(16,540)	(51,542)	(84,761)
Total governmental activities net assets	<u>141,793</u>	<u>161,774</u>	<u>178,897</u>	<u>215,528</u>	<u>264,002</u>	<u>302,157</u>	<u>373,237</u>	<u>428,954</u>	<u>458,558</u>

\* Prior to fiscal year 2002 generally accepted accounting principles required the use of the modified accrual basis of accounting therefore accrual basis data is unavailable.

## Harford County Public Schools

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Functions/Programs</b>									
<b>Expenses</b>									
Governmental activities:									
Instruction:									
Regular education	174,675	187,371	191,404	200,144	229,007	247,876	277,212	290,266	294,136
Special education	36,762	39,276	40,855	47,269	54,113	60,048	69,664	77,461	89,247
Total Instruction	<u>211,437</u>	<u>226,647</u>	<u>232,259</u>	<u>247,413</u>	<u>283,120</u>	<u>307,924</u>	<u>346,876</u>	<u>367,727</u>	<u>383,383</u>
Support services									
Administration	7,112	7,212	8,443	9,101	11,908	14,041	15,647	16,475	16,516
Mid level administration	22,761	22,884	23,341	25,130	28,393	31,195	35,358	36,855	37,516
Pupil personnel services	1,450	1,411	1,485	1,504	1,777	1,948	2,198	2,312	2,338
Health services	2,418	2,662	2,605	3,434	3,487	4,106	4,740	5,103	5,069
Pupil transportation	16,970	18,048	19,310	20,884	23,234	25,716	31,197	32,724	33,647
Operation of plant	21,154	21,504	23,562	24,925	27,912	31,282	36,304	37,614	39,310
Maintenance of plant and equipment	8,807	8,898	9,945	10,489	11,671	12,742	14,528	14,522	15,130
Community services	318	362	319	420	434	498	499	480	399
Food services	8,557	9,558	10,332	11,329	12,229	13,519	14,179	15,144	15,391
Depreciation - unallocated	103	107	107	103	103	94	89	89	89
Total Support Services	<u>89,650</u>	<u>92,646</u>	<u>99,449</u>	<u>107,319</u>	<u>121,148</u>	<u>135,141</u>	<u>154,739</u>	<u>161,318</u>	<u>165,405</u>
Total governmental activities	<u>301,087</u>	<u>319,293</u>	<u>331,708</u>	<u>354,732</u>	<u>404,268</u>	<u>443,065</u>	<u>501,615</u>	<u>529,045</u>	<u>548,788</u>
<b>Program revenues</b>									
Charges for services:									
Regular education	841	859	928	1,133	1,529	1,500	1,730	1,688	1,648
Community services	288	250	324	378	439	466	488	415	338
Food services	6,084	6,328	6,658	7,186	7,666	8,132	8,348	8,059	7,839
Operating grants and contributions	56,590	59,861	64,773	69,930	79,547	89,364	102,132	106,729	122,436
Capital grants and contributions	23,249	29,005	20,599	38,598	56,320	47,943	101,153	104,871	85,054
Total governmental activities program revenues	<u>87,052</u>	<u>96,303</u>	<u>93,282</u>	<u>117,225</u>	<u>145,501</u>	<u>147,405</u>	<u>213,851</u>	<u>221,762</u>	<u>217,315</u>
Total governmental net expense	<u>(214,035)</u>	<u>(222,990)</u>	<u>(238,426)</u>	<u>(237,507)</u>	<u>(258,767)</u>	<u>(295,660)</u>	<u>(287,764)</u>	<u>(307,283)</u>	<u>(331,473)</u>
<b>General Revenues and Other Changes in Net Assets</b>									
General revenues:									
Local appropriations	138,335	146,051	148,150	154,047	175,415	189,415	199,615	206,979	210,415
State Aid	89,590	96,272	105,600	112,468	125,158	138,061	152,542	153,313	147,510
Federal Aid	401	421	386	371	411	443	340	279	625
Miscellaneous	1,510	93	1,293	2,060	5,464	4,525	5,083	2,204	2,487
Unrestricted investment earnings	318	134	120	323	793	1,371	1,264	226	40
Total general revenues	<u>230,154</u>	<u>242,971</u>	<u>255,549</u>	<u>269,269</u>	<u>307,241</u>	<u>333,815</u>	<u>358,844</u>	<u>363,001</u>	<u>361,077</u>
<b>Change in Net Assets</b>	<u>16,119</u>	<u>19,981</u>	<u>17,123</u>	<u>31,762</u>	<u>48,474</u>	<u>38,155</u>	<u>71,080</u>	<u>55,718</u>	<u>29,604</u>
Net assets - beginning of year	125,674	141,793	161,774	178,897	215,528	264,002	302,157	373,237	428,955
Adjustment to Restate Beginning Net Assets	-	-	-	4,869	-	-	-	-	-
Net assets - beginning of year, as Restated	<u>125,674</u>	<u>141,793</u>	<u>161,774</u>	<u>183,766</u>	<u>215,528</u>	<u>264,002</u>	<u>302,157</u>	<u>373,237</u>	<u>428,955</u>
Net assets - end of year	<u>141,793</u>	<u>161,774</u>	<u>178,897</u>	<u>215,528</u>	<u>264,002</u>	<u>302,157</u>	<u>373,237</u>	<u>428,955</u>	<u>458,559</u>

\* Prior to fiscal year 2002 generally accepted accounting principles required the use of the modified accrual basis of accounting therefore accrual basis data is unavailable.

## Harford County Public Schools

### *Fund Balances of Governmental Funds*

#### *Last Ten Fiscal Years*

*(modified accrual basis of accounting)*

*(amounts expressed in thousands)*

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund										
Reserved	2,584	1,945	2,911	3,409	3,523	4,230	5,338	2,937	2,261	2,405
Unreserved	2,034	2,045	910	2,778	7,635	16,188	22,128	16,152	18,113	22,626
Total general fund	<u>4,618</u>	<u>3,990</u>	<u>3,821</u>	<u>6,187</u>	<u>11,158</u>	<u>20,418</u>	<u>27,466</u>	<u>19,089</u>	<u>20,374</u>	<u>25,031</u>
All other governmental funds										
Reserved	12,184	28,229	15,196	12,191	37,660	34,804	31,198	64,514	70,062	36,608
Unreserved, reported in:										
Special revenue fund	1,151	1,743	1,762	2,052	2,132	2,543	2,315	2,318	1,837	1,887
Capital projects fund	<u>(11,628)</u>	<u>(27,897)</u>	<u>(14,512)</u>	<u>(11,395)</u>	<u>(36,786)</u>	<u>(34,371)</u>	<u>(30,789)</u>	<u>(56,304)</u>	<u>(64,031)</u>	<u>(28,748)</u>
Total all other governmental funds	<u>1,707</u>	<u>2,075</u>	<u>2,446</u>	<u>2,848</u>	<u>3,006</u>	<u>2,976</u>	<u>2,724</u>	<u>10,528</u>	<u>7,868</u>	<u>9,747</u>

## 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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
<b>Intergovernmental revenues</b>										
Local	140,346	154,360	164,163	167,880	177,486	224,683	228,930	278,735	299,449	275,213
State	123,533	124,525	136,685	144,371	168,141	183,301	205,345	245,316	241,878	247,758
Special state and federal programs	3,212	25,508	26,744	22,839	21,833	23,558	24,835	24,881	24,357	33,330
Federal	19,552	3,608	3,870	4,401	4,711	5,036	5,177	5,358	5,907	6,860
Earnings on investments	860	350	159	137	501	1,066	1,530	1,348	235	40
Charges for services	5,559	6,084	6,328	6,658	7,186	7,666	8,132	8,348	8,059	7,839
Donation of land from county	-	-	-	-	3,063	-	-	-	-	-
Miscellaneous revenues	3,351	2,771	1,325	2,545	3,574	7,432	7,271	8,709	4,878	7,352
<b>Total revenues</b>	<b>296,413</b>	<b>317,206</b>	<b>339,274</b>	<b>348,831</b>	<b>386,495</b>	<b>452,742</b>	<b>481,220</b>	<b>572,695</b>	<b>584,763</b>	<b>578,392</b>
<b>Expenditures</b>										
<b>Current</b>										
Administrative services	5,367	5,687	5,615	6,205	6,781	8,381	9,906	10,732	11,044	10,708
Mid level administrative services	15,889	17,154	17,707	17,428	18,638	21,411	23,592	25,282	25,556	25,417
Instructional salaries	107,187	114,172	118,502	122,904	126,644	143,325	158,371	167,938	168,953	166,084
Instructional textbooks and supplies	4,445	5,471	5,596	5,512	6,070	8,584	9,885	9,962	8,405	7,758
Other instructional costs	1,222	1,554	1,640	1,912	2,208	2,409	2,103	2,848	3,406	2,904
Special education	18,223	19,627	20,329	22,459	23,921	27,764	31,751	35,782	38,054	39,030
Student personnel services	1,030	1,083	1,123	1,131	1,180	1,373	1,524	1,621	1,629	1,615
Health services	1,793	1,903	1,934	2,124	2,272	2,512	3,047	3,222	3,400	3,255
Pupil transportation services	14,763	15,442	16,293	17,103	18,642	20,632	22,617	26,889	27,321	27,655
Operation of plant	17,581	17,239	18,307	19,238	21,128	23,603	26,036	28,859	29,063	29,129
Maintenance of plant and equipment	7,214	7,047	7,483	8,089	8,511	9,239	10,096	11,269	10,701	11,014
Fixed charges	53,197	52,589	58,769	67,459	72,732	80,122	88,247	112,856	107,605	115,721
Community services	277	283	328	293	377	398	455	450	429	352
Special state and federal programs	19,552	25,508	26,744	22,839	21,833	23,558	24,835	24,880	24,357	33,330
Costs of operations - food services	8,197	8,870	9,601	10,709	11,600	12,652	13,517	13,977	14,435	14,315
Capital outlay	23,108	23,744	29,092	20,846	41,242	66,404	48,395	96,663	111,844	83,662
<b>Total expenditures</b>	<b>299,045</b>	<b>317,373</b>	<b>339,063</b>	<b>346,251</b>	<b>383,779</b>	<b>452,367</b>	<b>474,377</b>	<b>573,230</b>	<b>586,202</b>	<b>571,949</b>
Excess (deficit) of revenues over expenditures	(2,632)	(167)	211	2,580	2,716	375	6,843	(535)	(1,439)	6,443
<b>Other financing sources (uses)</b>										
Proceeds from capital lease	-	-	-	-	2,475	8,893	32	-	-	-
Increase (decrease) in reserve for inventory	70	(92)	(10)	188	(62)	(38)	-	(38)	-	92
<b>Net change in fund balances</b>	<b>(2,562)</b>	<b>(259)</b>	<b>201</b>	<b>2,768</b>	<b>5,129</b>	<b>9,230</b>	<b>6,875</b>	<b>(573)</b>	<b>(1,439)</b>	<b>6,535</b>

## Harford County Public Schools

### Enrollment by School and Student to Teacher Ratio Last Ten Years

	At September 30,										2009 Capacity	Percent of Capacity
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		
Abingdon Elementary	859	833	853	836	841	822	751	769	795	766	864	88.66%
Bakersfield Elementary	530	551	506	510	507	463	447	463	477	457	455	100.44%
Bel Air Elementary	537	567	577	525	533	524	505	487	512	508	500	101.60%
Church Creek Elementary	800	743	730	733	754	778	755	736	743	774	789	98.10%
Churchville Elementary	367	408	384	398	383	383	371	359	363	371	388	95.62%
Darlington Elementary	165	145	123	141	137	139	130	126	125	123	192	64.06%
Deerfield Elementary	594	589	639	687	670	584	569	545	520	514	555	92.61%
Dublin Elementary	280	266	258	260	268	239	250	246	247	247	295	83.73%
Edgewood Elementary	421	447	442	458	506	473	422	419	393	434	511	84.93%
Emmorton Elementary	544	544	576	580	617	617	653	667	676	704	549	128.23%
Forest Hill Elementary	609	710	536	580	603	579	585	575	564	579	581	99.66%
Forest Lakes Elementary	523	525	684	675	679	714	707	695	664	682	548	124.45%
Fountain Green Elementary	611	605	616	647	616	664	643	662	651	604	571	105.78%
George D. Lisby Elementary at Hillsda	446	440	391	383	378	347	333	311	350	333	432	77.08%
Halls Cross Roads Elementary	431	401	401	359	364	383	415	437	430	446	632	70.57%
Havre de Grace Elementary	470	505	481	487	461	413	368	373	393	416	574	72.47%
Hickory Elementary	613	674	693	693	667	696	664	693	702	687	622	110.45%
Homestead-Wakefield Elementary	1,035	992	982	992	970	958	934	919	905	937	907	103.31%
Jarrettsville Elementary	517	480	480	470	455	455	423	443	414	416	520	80.00%
Joppatowne Elementary	528	568	593	564	567	581	522	515	546	548	653	83.92%
Magnolia Elementary	610	596	589	566	574	515	512	526	536	563	499	112.83%
Meadowvale Elementary	647	577	588	602	574	603	571	549	545	538	568	94.72%
Norrisville Elementary	206	192	191	194	184	207	221	206	192	170	252	67.46%
North Bend Elementary	522	503	500	481	470	449	428	399	402	389	535	72.71%
North Harford Elementary	499	498	532	539	534	551	518	502	469	490	487	100.62%
Prospect Mill Elementary	879	839	911	879	907	976	1,008	980	951	931	680	136.91%
Ring Factory Elementary	675	619	596	567	555	541	530	527	500	513	549	93.44%
Riverside Elementary	562	559	544	564	559	554	568	547	504	502	522	96.17%
Roye-Williams Elementary	654	630	620	563	641	577	546	493	426	440	752	58.51%
William Paca/Old Post Road Elementa	1,071	1,066	1,055	1,033	1,026	1,052	1,044	1,010	1,020	1,005	940	106.91%
William S. James Elementary	600	589	560	526	520	498	496	501	487	481	476	101.05%
Youths Benefit Elementary	1,068	1,014	1,003	985	1,008	1,029	1,044	1,067	1,072	1,041	890	116.97%
<b>Total Elementary Schools</b>	<b>18,873</b>	<b>18,675</b>	<b>18,634</b>	<b>18,477</b>	<b>18,528</b>	<b>18,364</b>	<b>17,933</b>	<b>17,747</b>	<b>17,574</b>	<b>17,609</b>	<b>18,288</b>	96.29%
Aberdeen Middle	1,228	1,265	1,299	1,293	1,301	1,247	1,207	1,095	1,120	1,095	1,444	75.83%
Bel Air Middle	1,218	1,265	1,429	1,461	1,402	1,434	1,403	1,244	1,249	1,267	1,318	96.13%
Edgewood Middle	1,228	1,331	1,349	1,346	1,275	1,216	1,164	1,151	1,028	1,046	1,370	76.35%
Fallston Middle	1,145	1,118	1,274	1,228	1,224	1,212	1,180	925	905	892	1,105	80.72%
Havre de Grace Middle	599	624	657	650	605	589	599	609	613	584	775	75.35%
Magnolia Middle	882	912	935	903	913	916	869	874	785	795	1,073	74.09%
North Harford Middle	1,063	1,129	1,226	1,200	1,118	1,123	1,085	1,153	1,134	1,113	1,243	89.54%
Patterson Mill Middle	-	-	-	-	-	-	-	735	763	775	733	105.73%
Southampton Middle	1,951	2,008	1,613	1,541	1,528	1,535	1,549	1,252	1,295	1,256	1,540	81.56%
<b>Total Middle Schools</b>	<b>9,314</b>	<b>9,652</b>	<b>9,782</b>	<b>9,622</b>	<b>9,366</b>	<b>9,272</b>	<b>9,056</b>	<b>9,038</b>	<b>8,892</b>	<b>8,823</b>	<b>10,601</b>	83.23%
Aberdeen High	1,204	1,220	1,250	1,250	1,357	1,543	1,589	1,569	1,504	1,464	1,370	106.86%
Bel Air High	1,587	1,573	1,573	1,649	1,636	1,639	1,683	1,403	1,380	1,431	1,668	85.79%
C. Milton Wright High	1,788	1,840	1,793	1,789	1,911	1,834	1,850	1,746	1,587	1,591	1,678	94.82%
Edgewood High	1,093	1,183	1,226	1,327	1,357	1,316	1,261	1,177	1,123	1,194	1,380	86.52%
Fallston High	1,618	1,651	1,656	1,672	1,635	1,643	1,606	1,453	1,365	1,209	1,529	79.07%
Harford Technical High	935	1,014	1,054	1,070	1,069	1,052	1,056	1,056	1,040	1,026	920	111.52%
Havre de Grace High	639	663	690	687	705	721	717	769	764	775	850	91.18%
Joppatowne High	1,069	1,074	1,052	1,051	1,108	1,118	1,063	1,004	969	952	1,126	84.55%
North Harford High	1,233	1,270	1,370	1,425	1,447	1,445	1,437	1,385	1,367	1,393	1,603	86.90%
Patterson Mill High	-	-	-	-	-	-	-	436	701	949	1,030	92.14%
<b>Total High Schools</b>	<b>11,166</b>	<b>11,488</b>	<b>11,664</b>	<b>11,920</b>	<b>12,225</b>	<b>12,311</b>	<b>12,262</b>	<b>11,998</b>	<b>11,800</b>	<b>11,984</b>	<b>13,154</b>	91.11%
<b>Total Secondary Schools</b>	<b>20,480</b>	<b>21,140</b>	<b>21,446</b>	<b>21,542</b>	<b>21,591</b>	<b>21,583</b>	<b>21,318</b>	<b>21,036</b>	<b>20,692</b>	<b>20,807</b>	<b>23,755</b>	87.59%
Alternative Education	54	15	20	30	17	113	139	155	106	76	250	30.40%
Restoration Academy (Charter)	-	-	-	-	-	-	21	78	79	-	-	N/A
John Archer	155	165	164	154	158	152	160	159	159	147	210	70.00%
<b>Total Special Schools</b>	<b>209</b>	<b>180</b>	<b>184</b>	<b>184</b>	<b>175</b>	<b>265</b>	<b>320</b>	<b>392</b>	<b>344</b>	<b>223</b>	<b>460</b>	48.48%
<b>Total All Schools</b>	<b>39,562</b>	<b>39,995</b>	<b>40,264</b>	<b>40,203</b>	<b>40,294</b>	<b>40,212</b>	<b>39,571</b>	<b>39,175</b>	<b>38,610</b>	<b>38,639</b>	<b>42,503</b>	90.91%
<b>Teachers &amp; Therapists Staff (1)</b>	<b>2,442</b>	<b>2,486</b>	<b>2,579</b>	<b>2,590</b>	<b>2,357</b>	<b>2,437</b>	<b>2,589</b>	<b>2,809</b>	<b>2,835</b>	<b>2,778</b>		
<b>Student/Teacher Ratio</b>	<b>16.20</b>	<b>16.09</b>	<b>15.61</b>	<b>15.52</b>	<b>17.10</b>	<b>16.50</b>	<b>15.28</b>	<b>13.95</b>	<b>13.62</b>	<b>13.91</b>		

Source: Monthly Report on Enrollment at September 30.

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

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

	September 30,									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Elementary School:										
Preschool	84	66	80	86	83	66	55	53	49	61
Prekindergarten	829	827	836	811	849	825	841	813	825	837
Kindergarten	2,716	2,804	2,796	2,721	2,653	2,811	2,611	2,823	2,704	2,734
Grade 1	2,963	2,867	2,944	2,948	2,908	2,778	2,849	2,603	2,836	2,736
2	2,814	2,960	2,879	2,904	2,953	2,907	2,756	2,848	2,643	2,873
3	3,062	2,880	3,025	2,923	2,937	2,964	2,894	2,761	2,862	2,670
4	3,072	3,115	2,932	3,068	3,006	2,971	2,947	2,906	2,762	2,925
5	<u>3,292</u>	<u>3,105</u>	<u>3,106</u>	<u>2,978</u>	<u>3,139</u>	<u>3,042</u>	<u>2,980</u>	<u>2,940</u>	<u>2,893</u>	<u>2,773</u>
Total Elementary School	<u>18,832</u>	<u>18,624</u>	<u>18,598</u>	<u>18,439</u>	<u>18,528</u>	<u>18,364</u>	<u>17,933</u>	<u>17,747</u>	<u>17,574</u>	<u>17,609</u>
Middle School:										
Grade 6	3,223	3,305	3,139	3,113	2,983	3,090	2,995	2,948	2,904	2,912
7	3,042	3,268	3,331	3,200	3,137	3,010	3,052	3,042	2,967	2,927
8	<u>3,051</u>	<u>3,079</u>	<u>3,315</u>	<u>3,311</u>	<u>3,249</u>	<u>3,189</u>	<u>3,040</u>	<u>3,090</u>	<u>3,069</u>	<u>2,991</u>
Total Middle School	<u>9,316</u>	<u>9,652</u>	<u>9,785</u>	<u>9,624</u>	<u>9,369</u>	<u>9,289</u>	<u>9,087</u>	<u>9,080</u>	<u>8,940</u>	<u>8,830</u>
High School:										
Grade 9	3,295	3,119	3,214	3,456	3,640	3,508	3,402	3,340	3,285	3,380
10	2,850	3,105	3,007	2,987	3,071	3,220	3,107	3,029	3,005	3,041
11	2,615	2,759	2,792	2,734	2,825	2,931	2,995	2,869	2,841	2,856
12	<u>2,443</u>	<u>2,520</u>	<u>2,629</u>	<u>2,734</u>	<u>2,703</u>	<u>2,748</u>	<u>2,887</u>	<u>2,951</u>	<u>2,806</u>	<u>2,776</u>
Total High School	<u>11,203</u>	<u>11,503</u>	<u>11,642</u>	<u>11,911</u>	<u>12,239</u>	<u>12,407</u>	<u>12,391</u>	<u>12,189</u>	<u>11,937</u>	<u>12,053</u>
Special Education	<u>211</u>	<u>216</u>	<u>239</u>	<u>229</u>	<u>158</u>	<u>152</u>	<u>160</u>	<u>159</u>	<u>159</u>	<u>147</u>
<b>Total Enrollment</b>	<u>39,562</u>	<u>39,995</u>	<u>40,264</u>	<u>40,203</u>	<u>40,294</u>	<u>40,212</u>	<u>39,571</u>	<u>39,175</u>	<u>38,610</u>	<u>38,639</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

### *Other Data*

#### *Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Per Pupil Expenditures*</b>		<b>Number of School Bus Riders***</b>	<b>Food Services****</b>	
	<b>Dollars</b>	<b>State Rank**</b>		<b>Breakfasts Served</b>	<b>Lunches Served</b>
2000	6,962	23	33,140	397,346	2,385,171
2001	7,312	23	32,952	444,326	2,485,410
2002	7,304	24	33,850	501,288	2,626,581
2003	7,655	24	33,720	516,174	2,683,060
2004	7,816	24	34,140	632,276	2,947,239
2005	8,237	24	35,119	707,951	3,378,561
2006	9,104	23	35,340	791,792	3,527,756
2007	10,247	15	34,226	847,799	3,651,405
2008	11,141	17	33,797	865,842	3,554,739
2009	not available		33,386	902,890	3,531,171
2010	not available		34,236	956,592	3,586,382

\* Source: Maryland State Department of Education

## Harford County Public Schools

### Student Academic Performance 2009 Test Results

		<u>Harford</u>	<u>State</u>	<u>Nation</u>		<u>Harford</u>	<u>State</u>	<u>Nation</u>
<b>Scholastic Assessment Test (SAT)</b>				<b>High School Assessments (HSA)</b>				
	<u>Average Score</u>				<u>Percent Passing</u>			
	Verbal	505	499	502	English 2	Not Available	Not Available	not applicable
	Math	521	502	519	Biology	Not Available		
	Writing	490	497	494	Government	Not Available		
					Algebra	Not Available		
<b>Marvland School Assessments (MSA)</b>								
		<u>Percent Passing</u>				<u>Percent Passing</u>		
	<b>Reading</b>			not applicable	<b>Math</b>			not applicable
Grade 3	Advanced	12.6%	16.9%		Advanced	28.6%	26.7%	
	Proficient	69.1%	66.1%		Proficient	59.9%	55.9%	
	Basic*	12.6%	17.0%		Basic*	11.5%	17.4%	
Grade 4	Advanced	25.5%	27.9%		Advanced	46.1%	42.4%	
	Proficient	64.7%	60.5%		Proficient	45.3%	46.2%	
	Basic*	9.9%	11.5%		Basic*	8.6%	11.4%	
Grade 5	Advanced	59.4%	51.0%		Advanced	28.7%	25.4%	
	Proficient	32.1%	35.7%		Proficient	57.1%	55.1%	
	Basic*	8.5%	13.3%		Basic*	14.2%	19.5%	
Grade 6	Advanced	50.4%	42.9%		Advanced	31.4%	31.8%	
	Proficient	37.4%	38.8%		Proficient	48.1%	44.0%	
	Basic*	12.2%	18.2%		Basic*	20.5%	24.2%	
Grade 7	Advanced	44.3%	42.9%		Advanced	20.8%	21.7%	
	Proficient	41.5%	38.3%		Proficient	51.1%	46.5%	
	Basic*	14.2%	18.8%		Basic*	28.0%	31.8%	
Grade 8	Advanced	43.2%	34.1%		Advanced	29.5%	29.0%	
	Proficient	38.9%	38.7%		Proficient	34.1%	32.8%	
	Basic*	17.9%	27.2%		Basic*	36.5%	38.1%	
English 2	Advanced	Not Available			Algebra/DA			
	Proficient	Not Available		Advanced	Not Available			
	Basic*	Not Available		Proficient	Not Available			
				Basic*	Not Available			

Source: Office of Accountability, HCPS



## Harford County Public Schools

### Insurance Summary FY2010

Type of Coverage	Name of Company	Policy Number	Policy Period	Limits
Workers Compensation	MABE Group Self-Insurance Fund	N/A	7/1/09-6/30/10	Statutory up to \$400,000
Excess Workers Compensation	Safety National	SP-3C17-MD	7/1/09-6/30/10	Statutory excess of \$400,000
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/1/09-6/30/10	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Liability	MABE Group Insurance Pool	N/A	7/1/09-6/30/10	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	N/A	7/1/09-6/30/10	\$100,000 combined single limit \$1 million combined single limit for Bus Contractors
Excess School Bus Liability	Lexington Insurance Company	61844561	07/1/09-7/1/10	\$1 million excess of \$1 million **Contracted buses only
Personal Injury Protection	MABE Group Insurance Pool	N/A	7/1/09-6/30/10	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/1/09-6/30/10	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	N/A	7/1/09-6/30/10	\$100,000 per loss
Criminal Proceeding and Intentional Conduct Defense Reimbursement	MABE Group Insurance Pool	N/A	7/1/09-6/30/10	\$50,000 per covered person \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/1/09-6/30/10	\$500,000 per occurrence
Excess Property and Boiler and	PEPIP	PEPIP0910	7/01/09-6/30/10	\$1 billion per occurrence

## Harford County Public Schools

### Facilities Information

	Gross Square Feet	Acres	Year Constructed	Age in Years
<b>Central Offices</b>				
102 S. Hickory	73,122	0.77	2005	5
Hickory Annex	39,930	7.15	various	n/a
Forest Hill Annex	30,315	5.96	various	n/a
45 E. Gordon	14,060	7.38	1882 to 1982	128
Woodbridge Center	-	19.80	n/a	n/a
Box Hill South	-	17.86	n/a	n/a
<b>Special Schools</b>				
Harford Glen	31,647	245.23	1804 to 2000	206
John Archer	63,984	15.00	1971	39
Center for Educational Opportunity	107,087	23.46	1965	45
<b>High Schools</b>				
Aberdeen High	229,000	23.46	2004	6
Bel Air High	262,454	40.00	2009	1
C. Milton Wright High	220,910	60.00	1980	30
Edgewood High	268,354	48.95	2010	-
Fallston High	233,500	96.59	1977	33
Harford Technical High	218,225	55.00	1978	32
Havre de Grace High	144,815	35.00	1955	55
Joppatowne High	184,070	65.16	1972	38
North Harford High	245,238	73.00	1950	60
Patterson Mill High & Middle	265,000	79.85	2007	3
<b>Middle Schools</b>				
Aberdeen Middle	196,800	43.83	1973	37
Bel Air Middle	164,900	25.84	1961	49
Edgewood Middle	166,530	34.21	1965	45
Fallston Middle	130,284	96.59	1993	17
Havre de Grace Middle	102,000	37.34	1967	43
Magnolia Middle	149,100	69.33	1979	31
North Harford Middle	173,728	40.00	1976	34
Southampton Middle	188,134	35.99	1970	40
<b>Elementary Schools</b>				
Abingdon Elementary	91,229	28.49	1992	18
Bakersfield Elementary	65,691	10.00	1961	49
Bel Air Elementary	49,748	6.31	1984	26
Church Creek Elementary	85,801	20.51	1994	16
Churchville Elementary	52,360	6.46	1931	79
Darlington Elementary	24,237	7.89	1938	72
Deerfield Elementary	103,200	19.00	2010	-
Dublin Elementary	44,385	24.69	1941	69
Edgewood Elementary	67,341	36.95	1969	41
Emmorton Elementary	63,000	22.04	1994	16
Forest Hill Elementary	64,722	8.44	2000	10
Forest Lakes Elementary	68,971	20.03	1997	13
Fountain Green Elementary	60,000	23.87	1993	17
George D. Lisby Elementary	56,295	20.01	1968	42
Halls Cross Roads Elementary	63,082	12.73	1943	67
Havre de Grace Elementary	65,085	10.25	1949	61
Hickory Elementary	77,958	33.11	1950	60
Homestead-Wakefield Elementary	115,458	36.53	1958	52
Jarrettsville Elementary	61,275	27.44	1962	48
Joppatowne Elementary	89,985	17.19	1965	45
Magnolia Elementary	59,900	17.00	1975	35
Meadowvale Elementary	69,000	13.26	1959	51
Norrisville Elementary	37,417	11.54	1967	43
North Bend Elementary	60,221	18.23	1991	19
North Harford Elementary	49,703	20.00	1984	26
Prospect Mill Elementary	75,538	15.00	1973	37
Ring Factory Elementary	59,132	34.26	1990	20
Riverside Elementary	55,711	13.18	1968	42
Roye Williams Elementary	78,126	28.00	1953	57
William Paca/Old Post Rd. Elementary	112,417	46.00	1964	46
William S. James Elementary	58,500	15.00	1976	34
Youths Benefit Elementary	96,616	26.18	1953	57
<b>Total</b>	<b>6,085,291</b>	<b>1,952.34</b>		

Source: Educational Facilities Master Plan 2010



*Hannah Nilles, Fallston Middle School, Grade 6*

# Compliance Section



*Kim Eddy, Joppatowne High School, Grade 10*



*Hannah Taylor, Bel Air High School, Grade 11*



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

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

We have audited the financial statements of Harford County Public Schools as of and for the year ended June 30, 2010, and have issued our report thereon dated September 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Harford County Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harford County Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Harford County Public Schools' internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.





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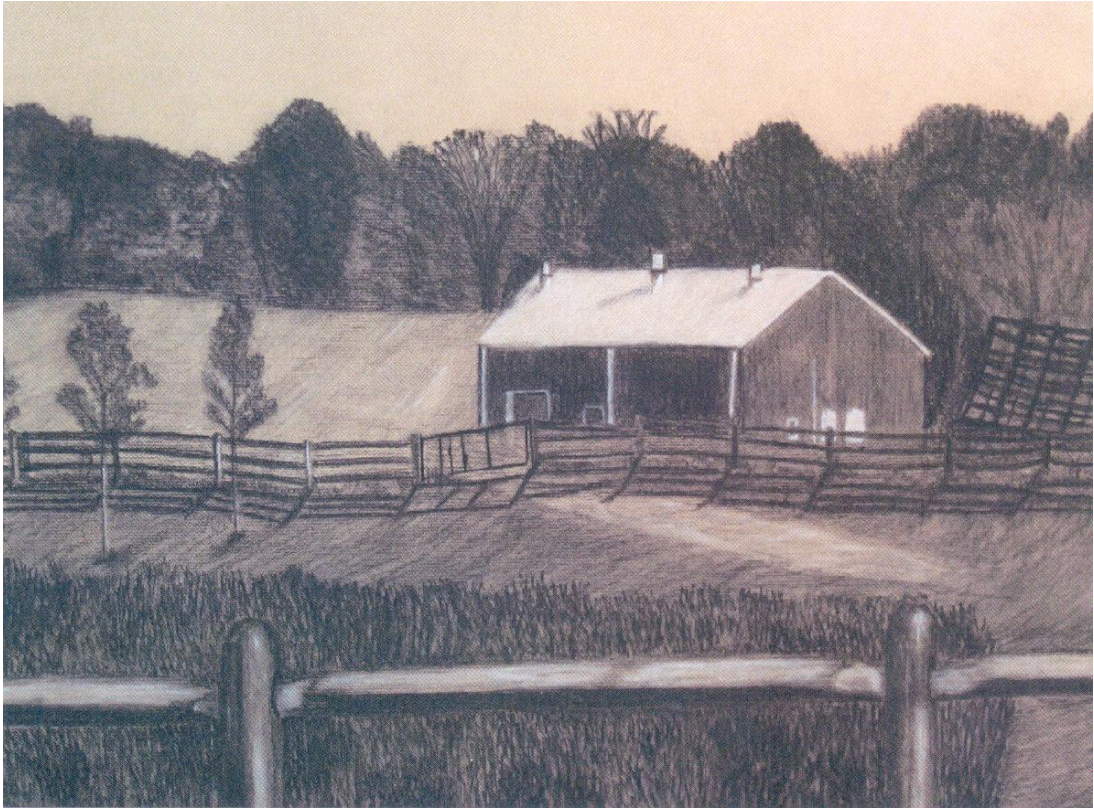
### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the Members of the Board of Harford County Public Schools, management, the Maryland State Department of Education and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hunt Valley, Maryland  
September 14, 2010

*SB's Company, LLC*



*Megan Waltimeyer, North Harford High School, Grade 11*



*Kayla Trimble, C. Milton Wright High School, Grade 11*