Board of Education

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Superintendent

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Assistant Superintendent for Operations

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Susan K. Austin
Director of Special Education

Patrick P. Spicer, Esquire
General Counsel

Susan P. Brown
Executive Director of Curriculum & Assessments

Jean A. Mantegna
Assistant Superintendent for Human Resources

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Director of Budget

Bernard P. Hennigan
Director of Student Services

H. Andrew Moore, II
Director of Information and Technology

M. Angela Morton
Executive Director of Elementary School Performance

John G. Staab
Director of Finance

Office of Civil Rights Statement for Harford County Public Schools

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Harford County Public Schools

Maryland

For the Fiscal Year Beginning

July 1, 2015

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **Harford County Public Schools, Maryland** for its annual budget for the fiscal year beginning **July 1, 2015**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

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

Harford County Public Schools

Transmittal Letter and Budget in Brief for Fiscal Year 2018

January 23, 2017

Dear School Community:

Harford County Public Schools (HCPS) has the unique and deeply rewarding responsibility of positively impacting the future of tens of thousands of students each year. We are committed to inspiring our students to become life-long learners and to ensuring that we are achieving our ultimate goal of preparing all of our students for success in college or career.

The difficult economic times of the past several years continue to have a significant impact on state and local funding for school systems. HCPS has worked tirelessly to develop a fiscally-responsible budget that continues to ensure each child is given optimal educational opportunities.

The fiscal year 2018 budget development process continues to emphasize the importance of listening to and partnering with our stakeholders – both internal and external – as we face systemic financial challenges. The process began with an employee survey and an employee open forum budget session. Following the employee session, public input sessions and roundtable discussions were held to educate the community at-large about the budget development process and timeline and to allow participants time to provide input regarding budget priorities.

In addition, questions, suggestions and comments were accepted throughout the entire process via a dedicated email account, budget@hcps.org. Several meetings were conducted with the Leadership Team to thoroughly review all input received. The result of the months of engagement and partnership with the community is the Fiscal Year 2018 Board of Education's Proposed Budget for HCPS presented in the pages to follow.

You will notice a proposed increase in salary/wages included in this fiscal 2018 budget. This increase reflects our goal of restoring a competitive salary structure within the market, especially with our neighboring counties. Fiscal year 2018 represents the second year of a three-year negotiated wage package with four of the five associations. The remaining bargaining unit, the Harford County Educational Services Council (HCESC), will be negotiating salary this year. The Board of Education agreed to a two percent COLA and two steps (for eligible employees). All agreements are contingent on fiscal support.

The fiscal year 2018 operating budget includes increases of $14.9 million for wages, $3.8 million for employee benefits and $0.7 million in the cost of doing business. The cost of doing business increase of $687,361 is offset by a reduction of $1,693,949 in base budget adjustments. Combined with a flat projected increase in State revenue and a slight projected decrease in other revenue, our funding request for fiscal year 2018 from Harford County Government is an increase of $18.1 million over the prior fiscal year.

The fiscal 2018 proposed Unrestricted Operating, Restricted, Food Service and Capital budgets are $456.1 million, $30.4 million, $17.1 million and $86.1 million, respectively.

Additionally, the Critical Needs List includes items that the school system recognizes as future funding needs that will allow HCPS to expand and enhance the educational opportunities for all students. However, those items are not being requested at this time recognizing that the economic climate cannot support expanded initiatives. The Cost of Doing Business requested increase includes items that are of complete necessity in order to recover, sustain and/or maintain the current educational experience our children deserve. It is important to note that while the items on the Critical Needs List are not being requested at this time, these items, should they be funded in the future, are critical to the success of making HCPS the premier educational system in Maryland. HCPS has been doing more with less for many years; however, as we face continued economic and fiscal challenges, it becomes more difficult to sustain our current programs and services as well as further enhance our student's learning.

The success of the school system significantly impacts the quality of life of the entire community. Our system is committed to setting and achieving significantly high standards to meet the needs of our students. Recognizing education as a top priority will reap benefits for future generations and their children.

Nancy Reynolds
President – Board of Education

Barbara P. Canavan
Superintendent of Schools

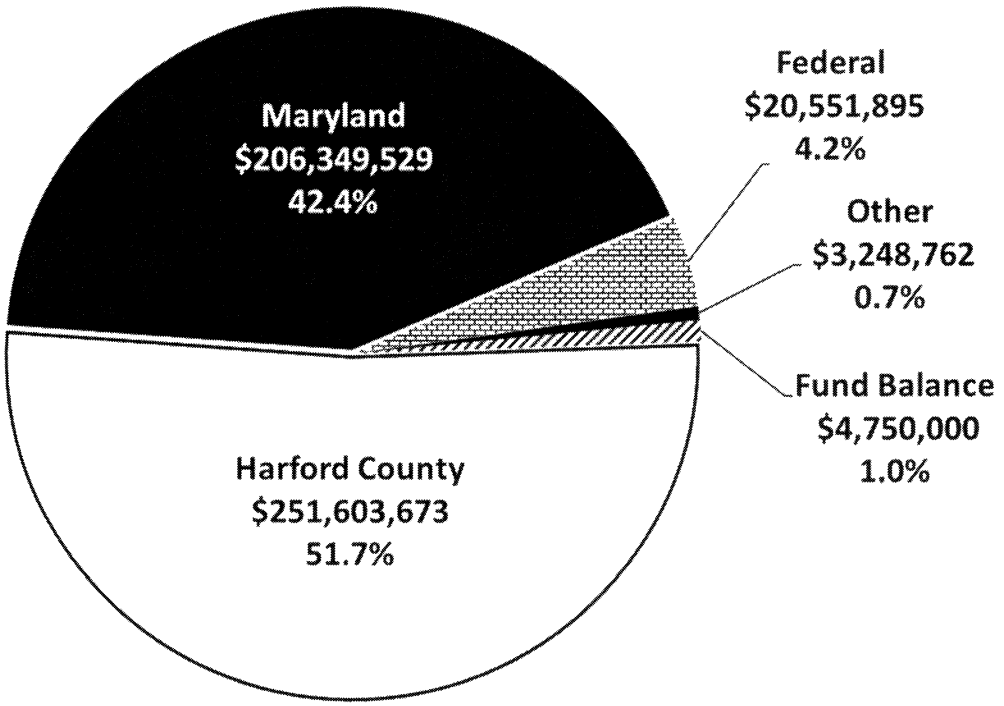
Harford County Public Schools

Transmittal Letter and Budget in Brief for Fiscal Year 2018

Revenue - Current Expense Fund							
	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Budget	FY 2018 Budget	Change FY17 - FY18	% Change
Unrestricted Fund	$ 425,966,826	$ 429,213,784	$ 432,527,403	$ 438,932,075	$ 456,069,450	$ 17,137,375	3.9%
Restricted Fund	$ 29,727,813	$ 31,402,459	$ 29,539,443	$ 29,965,484	$ 30,434,409	$ 468,925	1.6%
Current Expense Fund	$ 455,694,639	$ 460,616,243	$ 462,066,845	$ 468,897,559	$ 486,503,859	$ 17,606,300	3.8%

Where the money comes from…

FY 2018 Current Expense Fund
By Source - $486.5 Million



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

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

Federal Aid – Includes Impact Aid, IDEA, Title I and categorical grants.

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

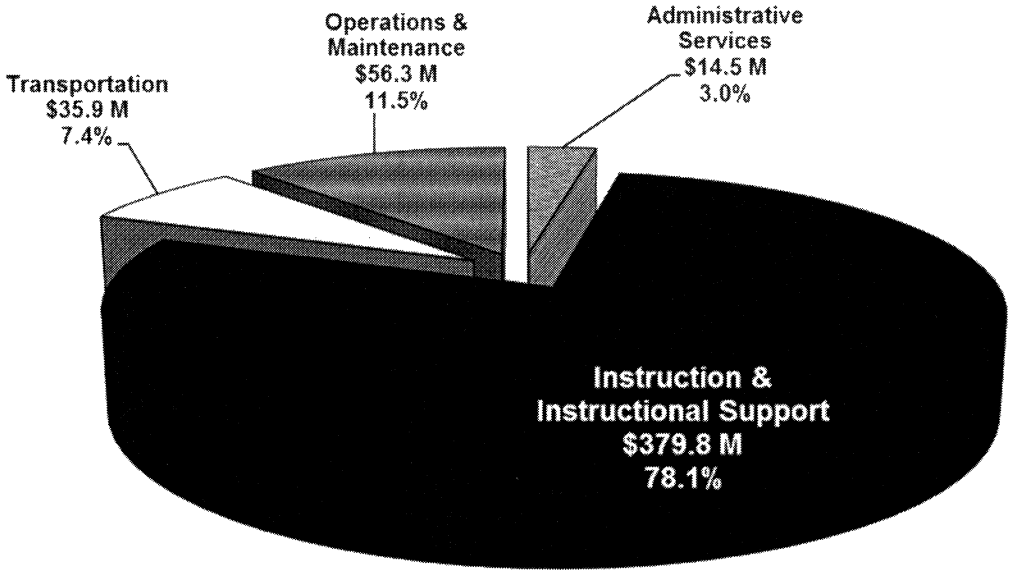
Fund Balance – Includes funds set aside from prior fiscal years to support ongoing operations and one-time expenditures.

Expenditures - Current Expense Fund								
	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Budget	FY 2017 Budget	FY 2018 Budget	Change FY15 - FY16	% Chg.
Unrestricted Fund	422,319,069	420,745,698	424,895,247	433,503,315	438,932,075	456,069,450	17,137,375	3.9%
Restricted Fund	29,727,813	31,402,459	29,539,443	30,444,432	29,965,484	30,434,409	468,925	1.6%
Current Expense Fund	$ 452,046,882	$ 452,148,157	$ 454,434,690	$ 463,947,747	$ 468,897,559	$ 486,503,859	$ 17,606,300	3.8%

Where the money goes...

FY 2018 Current Expense Fund - $486.5 Million

By Program



The categories listed above include a share of fringe benefit costs based on FTE count including health, dental, & life insurance, taxes, workers' compensation and unemployment compensation charges.

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

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

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

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

Highlights of the Fiscal Year 2018 Unrestricted Budget

Wage/Fringe Benefits - $18,143,963

- The proposed salary/wage increase of $14.9 million reflects our goal of maintaining a competitive salary structure within the market, especially with our neighboring counties. It is our intent with this budget proposal to avoid falling further behind. For the 2014 – 2015 school year, the beginning salary for Harford County teachers ranked 20th of Maryland's 24 Local Education Authorities (LEAs)[1] .
- The costs associated with health care and dental benefits for fiscal year 2018 are projected to increase by $3.8 million due to a 5.5% rate increase and projected utilization/enrollment changes.
- A decrease of $552,153 in pension costs related to lower projected employee and teacher costs.

Cost of Doing Business – $687,361

- Operations - $261,767
- Administration - $425,594

Cost Savings and Reversals of One Time Budget Items – ($1,693,949)

- Curriculum and Instruction – ($30,000)
- Operations – ($1,481,741)
- Administration – ($182,208)

Other Funds Expenditures

Food Services Fund – $17,148,763; a self-supporting fund.

Debt Service Fund - $29,379,143; the amount paid for the financing of capital projects by Harford County Government for the Board of Education.

Capital Project Fund - $86,084,716; represents the requested capital budget for construction and major repairs and assets for the school system. Projects are funded by state and county sources of revenues.

Pension Fund – $26,518,634; the amount to be paid by the State of Maryland on behalf of HCPS employees who are members of the Teachers Retirement and Pension Systems.

[1] MSDE 2014-2015 Fact Book, page 13.

Understanding the Budget

Welcome to Harford County Public Schools' Program-based Budget

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

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

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

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

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

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

Deborah L. Judd, *Deborah.Judd@hcps.org*
Assistant Superintendent of Business Services

Eric G. Clark
Budget Director

Mary L. Edmunds
Budget Analyst

Michele D. Sledge
Budget Analyst

Understanding the Budget

Budget Submission Framework

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

- **Base Budget Adjustments** – The Budget Department in conjunction with Budget Managers, the Superintendent, and the Leadership Team, realign current funding based on four years of actual historical data and changing program requirements to better meet the goals and objectives of the entire Harford County Public School system. Base Budget Adjustments are simply a realignment of current funds with no additional financial impact.

- **Salary Adjustments** –By law, the Board is required to negotiate with each of the five bargaining units in Harford County to establish salary, wages and other working conditions. Employees and community members are directed to visit the Board's Collective Bargaining webpage on the school system's website (www.hcps.org) for updates and information.

  The Board of Education's Proposed Budget for fiscal year 2018, released in February of 2017, includes a salary/wage package of $14.9 million for Harford County Public School employees. Due to the absence of step increases and Cost of Living Adjustments (COLA) in five of the past eight fiscal years, it was the intent of the Board of Education to avoid falling further behind in regard to employee wages.

- **Benefit Adjustments** – For fiscal year 2018, health and dental care insurance rates are projected to increase by five and one half percent. In total, $3.8 million was added to the FY 2018 budget to fund the rate increase and the projected cost associated with new enrollees and retirees.

  Prior to fiscal year 2013, the State of Maryland funded all teacher pension contributions for the twenty-four school districts. The State of Maryland addressed their ongoing structural deficit by sharing teacher pension costs with the counties. The cost sharing was structured over a four-year implementation period beginning in fiscal 2013. For fiscal year 2018 and beyond, the Unrestricted Operating Budget for pension expenditures should remain relatively stable. In fiscal 2018 the teachers' portion decreased by $27,000.

- **Cost of Doing Business** – Cost of doing business increases, unrelated to salary and benefits, in the Unrestricted Operating Budget total $687,361. These expenditures include inflationary and non-discretionary costs, expenditures for state/federal mandates, classroom instruction, special education, insurance, transportation and operations. The cost of doing business increase has been offset by a reduction of $1,693,949 in base budget adjustments.

Budget Planning and Adoption Process

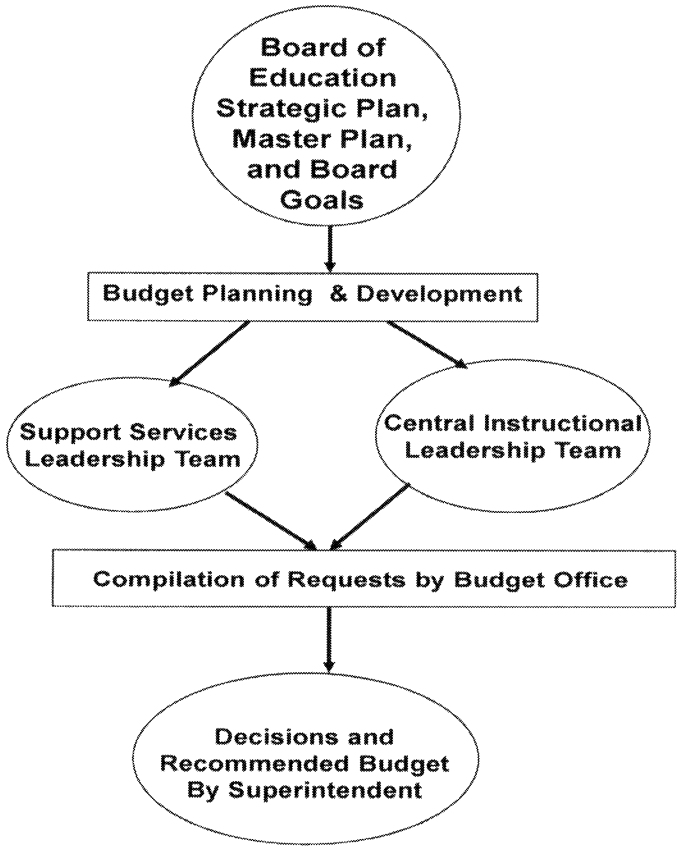
Maryland school systems are revenue dependent upon the state and local governments. The Board of Education has no taxing authority[1]. State funding is primarily established during the annual legislative session of the Maryland General Assembly during January through April each year. State funds are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

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

[1] "Title 5 - Financing", *Education Article of the Annotated Code of Maryland* as amended.

Understanding the Budget

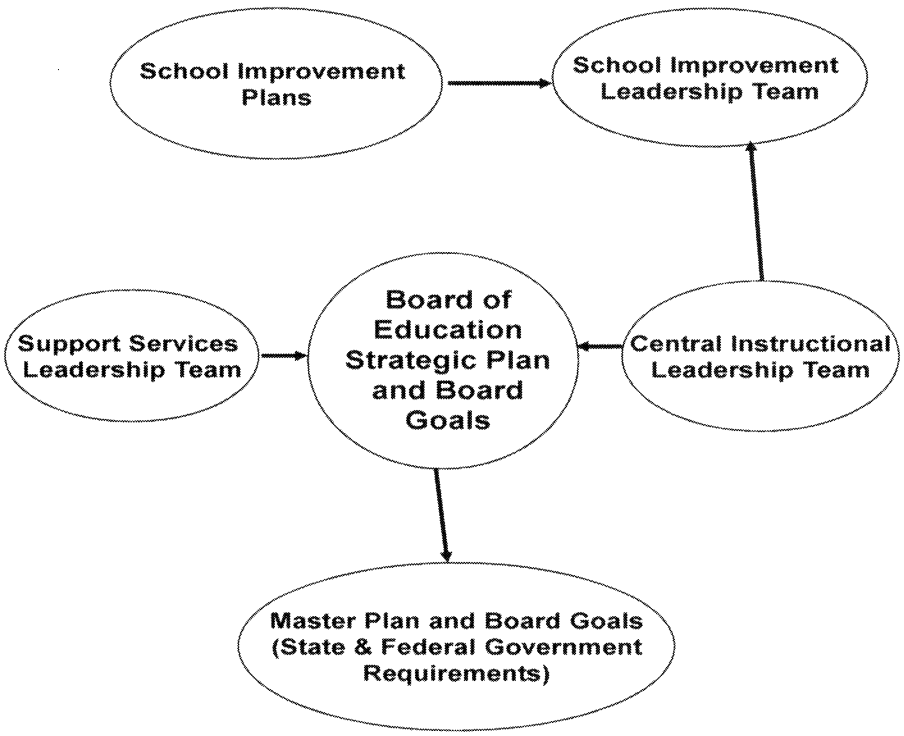
The following chart reflects the interconnectivity of the budget planning and development process.



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

Understanding the Budget

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



The Superintendent submits the Recommended Budget to the Board of Education during a school board meeting in December (see calendar on subsequent pages). The Board holds public hearings for stakeholders and work sessions during January to consider modifying the budget prior to submittal of the Board's Proposed Budget to the County Executive and County Council by the end of February. The County Executive has until April 15th to establish funding levels for the next fiscal year. The County Council receives the County budget by April 15st and holds public hearings and work sessions during April and May. The Council may add to the County Executive's funding level only by reducing the funds for other functions of the County government, or having the County Treasurer revise projected revenues upward indicating that additional funds will be available for the next fiscal year.

The County Council has until June 15th to determine final funding levels for the County allocation. The County Council adopts the County Budget by June 15th. At that point the County government funding is fixed for the School System. Once this allocation is approved, the Board of Education will revise the budgeted expenditures to equal the total approved revenues. The Board approves the final budget by the end of June, prior to the start of the next fiscal year, July 1. The Board approved budget then goes back to the County for final approval certification, required by State law, which often occurs in July. This completes the budget development and approval process.

Understanding the Budget

Budget Calendar

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

Fiscal Year 2018 Budget Calendar

September 30, 2016	Budget Office distributes budget packages to budget managers
October 4, 2016	HCPS Staff Only Town Hall Meeting
October 10, 2016	Community Groups Town Hall Meeting
October 13, 2016	Community/Public Town Hall Meeting
October 17, 2016	Regional Principal's Budget Meeting Aberdeen High School
October 18, 2016	Regional Principal's Budget Meeting C Milton Wright High School
October 24, 2016	Leadership Budget Work Session
October 24, 2016	Leadership & Supervisor's Budget Meeting
October 25, 2016	Regional Principal's Budget Meeting Bel Air High School
October 26, 2016	Regional Principal's Budget Meeting Patterson Mill High School
October 28, 2016	Budget managers submit completed budget packages.
November 2016	Superintendent reviews budget submissions, goals and issues
December 7, 2016	Budget Book sent to Print Shop
December 19, 2016	Superintendent presents FY 2018 Recommended Budget to Board of Education
January 4, 2017	Board of Education Budget Work Session and Public Input Session at Roberty Building
January 9, 2017	Board of Education Budget Work Session and Public Input Session at Roberty Building
January 11, 2017	Board of Education community outreach session at Roberty Building
January 11, 2017	Board of Education community outreach session site TBD
January 19, 2017	Board of Education Budget Work Session and Public Input Session at Roberty Building
January 23, 2017	Board of Education adopts FY 2018 BOE Recommended Budget
Jan-Feb. 2017	Leadership budget meetings
February 2017	Board presents budget to Harford County Executive.
April 2017	County Executive releases proposed funding levels for FY 2018
April 2017	Budget meetings
April 2017	Board presents budget to Harford County Council
May 2017	Harford County Council approves final funding for FY 2018
June 2017	Board of Education conducts final budget work session and approves HCPS Budget for FY 2018
Summer 2017	HCPS receives final certification of the FY 2018 Budget from the County Executive and County Council.

School System Planning

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

Understanding the Budget

In the budget planning for upcoming years, various expenditure categories are reviewed and calculated as to need and affordability in accordance with the Strategic Plan and Master Plan adopted by the Board of Education. Growth of new positions are reviewed and approved for consideration in the Proposed Budget by the Superintendent with final approval by the Board of Education. Expenditure increases that are considered cost of doing business increases (inflationary or service costs to continue the same level of services to students and staff) are reviewed and projected. Where possible, Purchasing will enter into utility and fuel contracts to ensure a known price factor for projecting future utility and fuel price increases based on consumption.

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

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

Summary of Accounting Policies

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

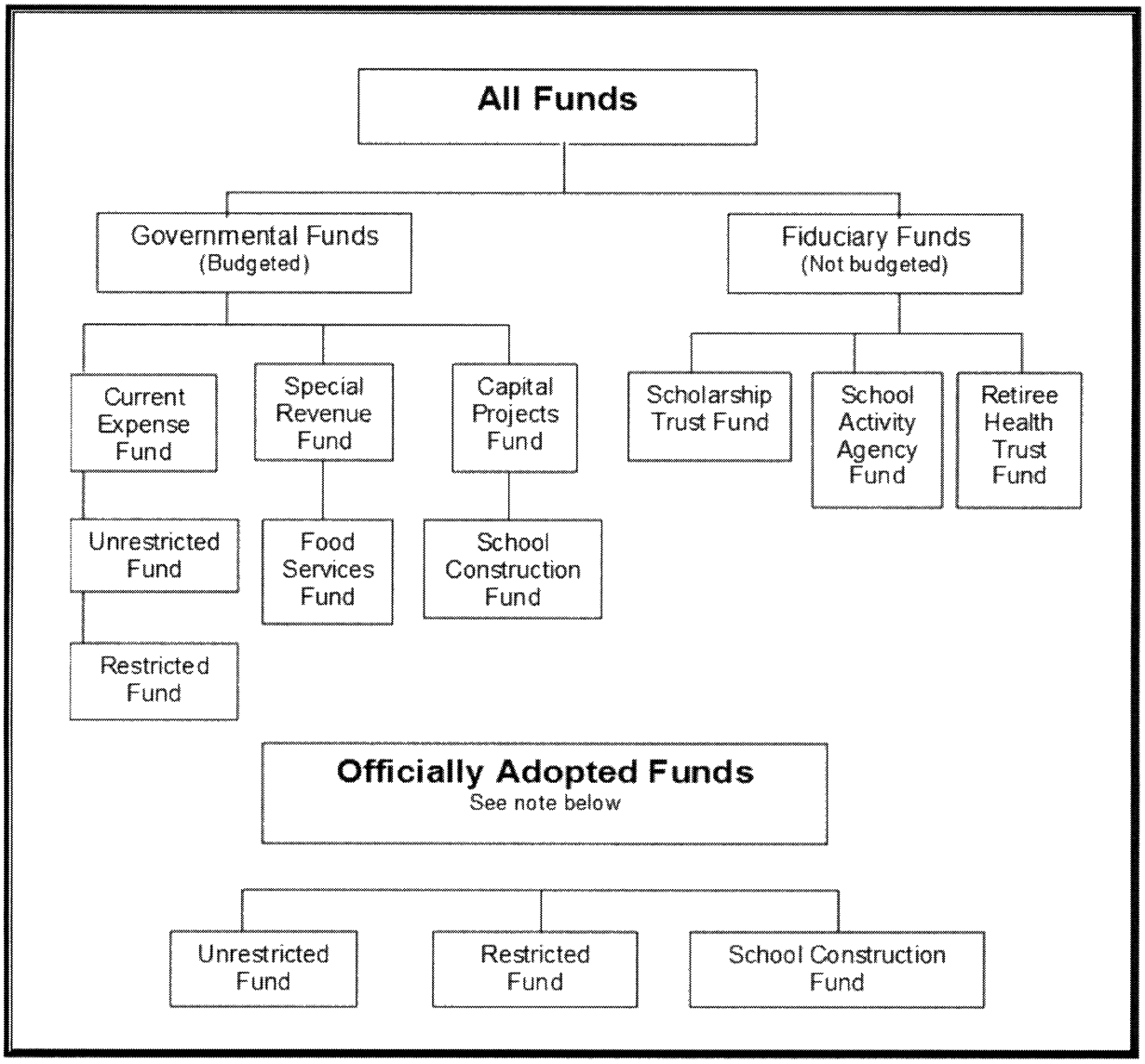
Government Wide and Fund Financial Statements

The statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the Board of Education of Harford County as a whole. For the most part, the effect of interfund activity has been removed from those statements. The activities of the General Fund (Current Expense Fund), Special Revenue Fund (Food Service Fund) and Capital Projects Fund (School Construction Fund) have been presented as governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Local appropriations, state and federal aid and other items which are not classified as program revenues are presented as general revenues of the Board.

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

Understanding the Budget



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

Understanding the Budget

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

The School System reports the following funds in the fund financial statements:

Governmental Funds

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

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

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

Fiduciary Funds

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

Use of Estimates

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

Understanding the Budget

Basis of Budgeting

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

Budgets are normally prepared on a basis consistent with GAAP except for the inclusion of portions of the prior year's fund balance as revenues, the inclusion of encumbrances as expenditures and the exclusion of retirement payments made on the Board's behalf by the State of Maryland as revenues and expenditures.

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

Budgets are adopted for the Unrestricted Fund, the Restricted Fund, and the School Construction Fund. The Current Expense Fund consists of the Unrestricted Fund and the Restricted Fund. The Unrestricted Fund is the main operating fund (General Fund) of the school system where expenditures will be supported by ongoing revenues. The Restricted Fund expenditures account for grant agreements under special state and federal programs and may exceed budgeted amounts as the grant programs may span multiple fiscal years. The grants included in this category are not part of budget categories subject to the spending limitations of the operating budget. Expenditures under these programs are limited to the revenue amounts of the respective grants to be received or actual receipts. The Restricted Fund is comprised of federal, state, and private grants and the funded expenditures for specific purposes as identified with each funding source.

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

Individual Capital Projects are approved as part of the School Construction Fund (Capital Projects Fund) Budget. These projects are also approved by the County Government and the State. School construction is budgeted on a project basis with funds primarily provided by Harford County and the State of Maryland. State funds are approved by the State's Interagency Committee. Budgetary compliance is measured using the budgetary basis of accounting, the purpose of which is to demonstrate compliance with the legal requirements of Harford County, the State of Maryland, and special federal and state programs.

The budget may be amended during the fiscal year through supplemental appropriations provided by the county, state, or other source of funds. Additionally, a supplemental increase in revenues or expenditures would require the Board of Education, the County Executive, and the County Council to approve a change in appropriations.

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

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

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Unrestricted Fund, Restricted Fund, Food Service Fund, and Capital Projects Fund.

Understanding the Budget

Financial Policies

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

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

Balanced Budget

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

Revenue Policies

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

Expenditure Policies

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

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

Understanding the Budget

Transfers may be made within the Maryland State Department of Education defined categories with the approval of the Superintendent of Schools as budgetary control is at the category level. Requests for transfers between Maryland State Department of Education defined categories must be recommended by the Superintendent of Schools and submitted to the Board of Education for approval. After approval, the transfers must be submitted to the County Executive and County Council for approval or denial. No action within thirty (30) days of submission constitutes approval.

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

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

Investment Policy

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

The Board is a participant in the Maryland Local Government Investment Pool (MLGIP) which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAAm by Standard and Poors, their highest rating for money market funds. Unit value is computed using the amortization cost method. In addition, the net asset value of the pool, marked-to-market, is calculated and maintained on a weekly basis to ensure a $1.00 per unit constant value.

Debt Policy

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

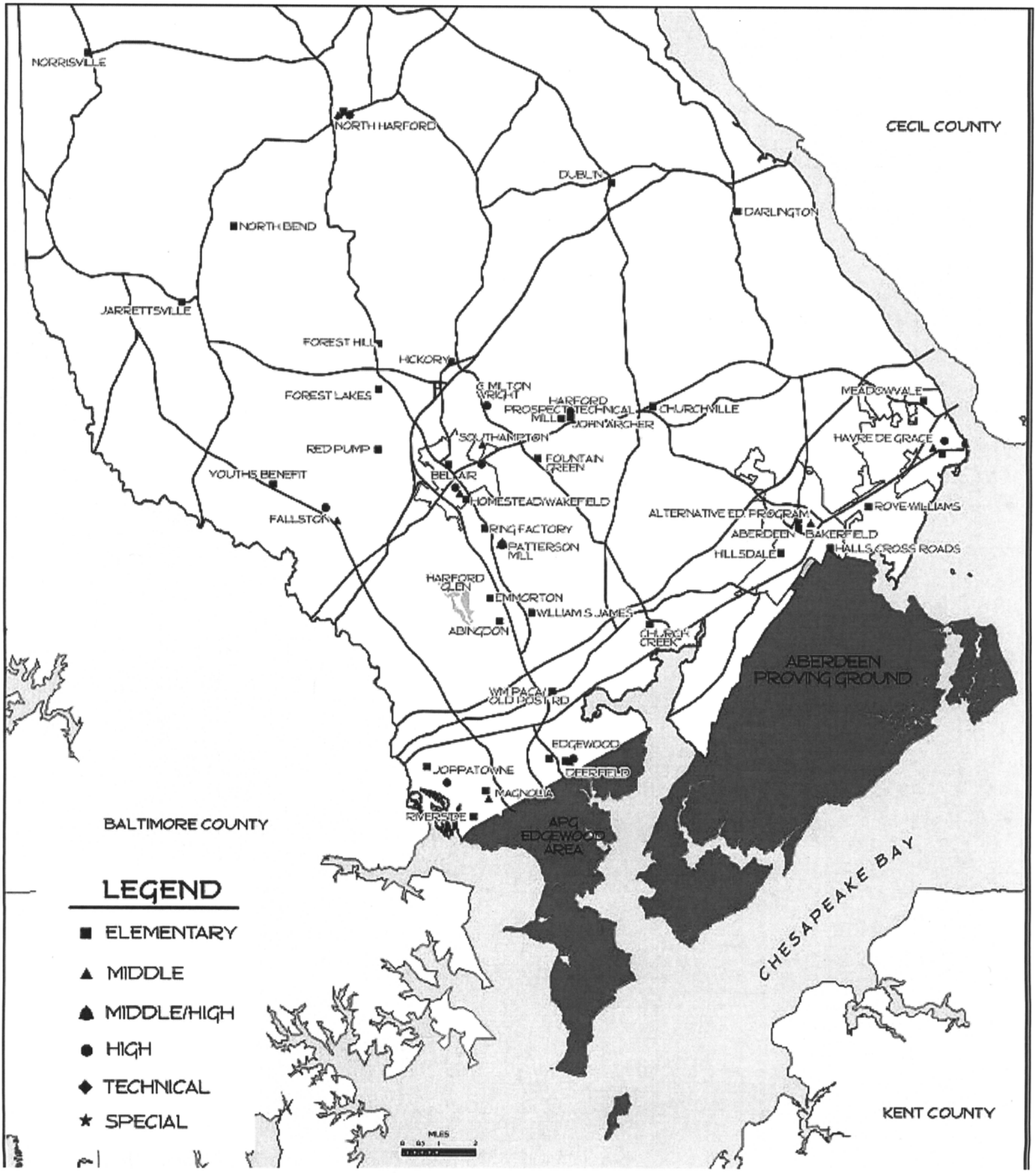
Fund Balance

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

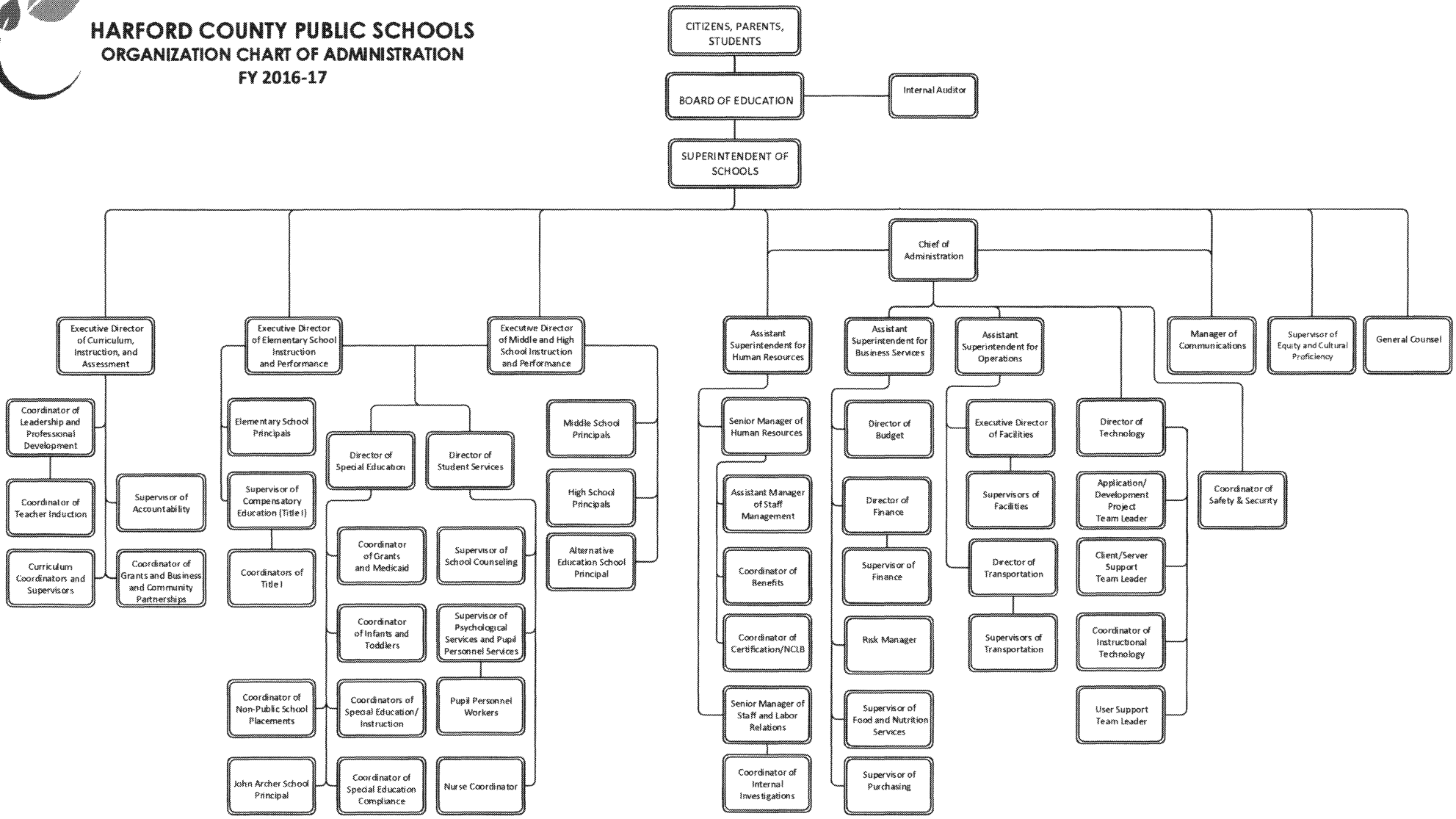
The Board of Education has established a policy designed to maintain a designated fund balance between 0.1% and 0.25% but not less than $500,000 to deal with unbudgeted events that may arise in managing a $450 million dollar public service. Since the budget is a spending plan based on a series of assumptions and estimates developed upwards of two years prior to actual use, during the course of the fiscal year, adjustments are necessary. It is important to note that even though the fund balance may exist, controls exist on the transfer of funds to ensure that expenditures do not exceed available resources. A transfer of any portion of the fund balance to an operating budget category would require the approval of the Board of Education, the County Executive, and the County Council. The Board will also consider the use of a designated fund balance as a resource to replenish the health insurance Rate Stabilization Fund should the fund be used to cover health costs incurred that exceed premium payments. Utilization of the Rate Stabilization Fund requires the fund be replenished in a timely manner. With the Board of Education covering 85 to 90 percent of health insurance costs, the Board would cover 90 percent of the Rate Stabilization Fund requirements. The remaining portion would be covered through participant contributions. In

fiscal 2008, the Board also designated a portion of fund balance to be used as an Emergency Fuel Reserve based on the uncertainty that exists in estimating future fuel costs.

Due to the current economic conditions, we have included in the budget the use of fund balance (onetime funding) to support ongoing expenses of the Unrestricted Fund for fiscal 2018. The Board of Education approved this change in their fund policy due to the economic challenges currently facing HCPS.


NORRISVILLE
NORTH HARFORD
CECIL COUNTY
DUBLIN
DARLINGTON
NORTH BEND
JARRETTSVILLE
FOREST HILL
HICKORY
G MILTON WRIGHT
FOREST LAKES
HARFORD PROSPECT TECHNICAL MILL
JOHN ARCHER
CHURCHVILLE
MEADOWVALE
HAVRE DE GRACE
SOUTHAMPTON
RED PUMP
FOUNTAIN GREEN
YOUTHS BENEFIT
BEL AIR
HOMESTEAD/WAKEFIELD
ROYE-WILLIAMS
ALTERNATIVE ED PROGRAM
FALLSTON
RING FACTORY
PATTERSON MILL
ABERDEEN
BAKERFIELD
HILLSDALE
HALLS CROSS ROADS
HARFORD GLEN
EMMORTON
WILLIAM S JAMES
ABINGDON
CHURCH CREEK
ABERDEEN PROVING GROUND
WM PACA/OLD POST RD
EDGEWOOD
JOPPATOWNE
DEERFIELD
MAGNOLIA
RIVERSIDE
BALTIMORE COUNTY
APG EDGEWOOD AREA
CHESAPEAKE BAY
LEGEND
ELEMENTARY
MIDDLE
MIDDLE/HIGH
HIGH
TECHNICAL
SPECIAL
MILES
KENT COUNTY

HARFORD COUNTY PUBLIC SCHOOLS
ORGANIZATION CHART OF ADMINISTRATION
FY 2016-17



Rev. 7/2016 (HR Office)