

Harford County Public Schools



A Component Unit of Harford County, Maryland

102 S. Hickory Avenue
Bel Air, MD 21014



Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2006

Prepared by the
Division of Business Services Finance Department

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, 2006

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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

Student Contributions

<u>Student</u>	<u>Grade</u>	<u>School</u>	<u>Page</u>
<i>Brad Myers</i>	<i>Grade 9</i>	<i>Joppatowne High School</i>	<i>1</i>
<i>Joseph Re</i>	<i>Grade 4</i>	<i>Forest Hill Elementary School</i>	<i>2</i>
<i>James Beck</i>	<i>Grade 11</i>	<i>Havre de Grace High School</i>	<i>11</i>
<i>Natalie Miller</i>	<i>Grade 5</i>	<i>Forest Lakes Elementary School</i>	<i>12</i>
<i>Rachel Lewis</i>	<i>Grade 8</i>	<i>Fallston Middle School</i>	<i>26</i>
<i>Joseph Freeman</i>	<i>Grade 12</i>	<i>Harford Technical High School</i>	<i>56</i>
<i>Ashley Thorn</i>	<i>Grade 4</i>	<i>Joppatowne Elementary School</i>	<i>66</i>
<i>Daniel Tamaya</i>	<i>Grade 6</i>	<i>Bel Air Middle School</i>	<i>66</i>

Cover Photograph

ENVIROTHON – Harford County Public high school students take part in the Envirothon program each year. Teams of up to seven students from each HCPS high school participate in the hands-on environmental study. Photo by Don Morrison.

Harford County Public Schools

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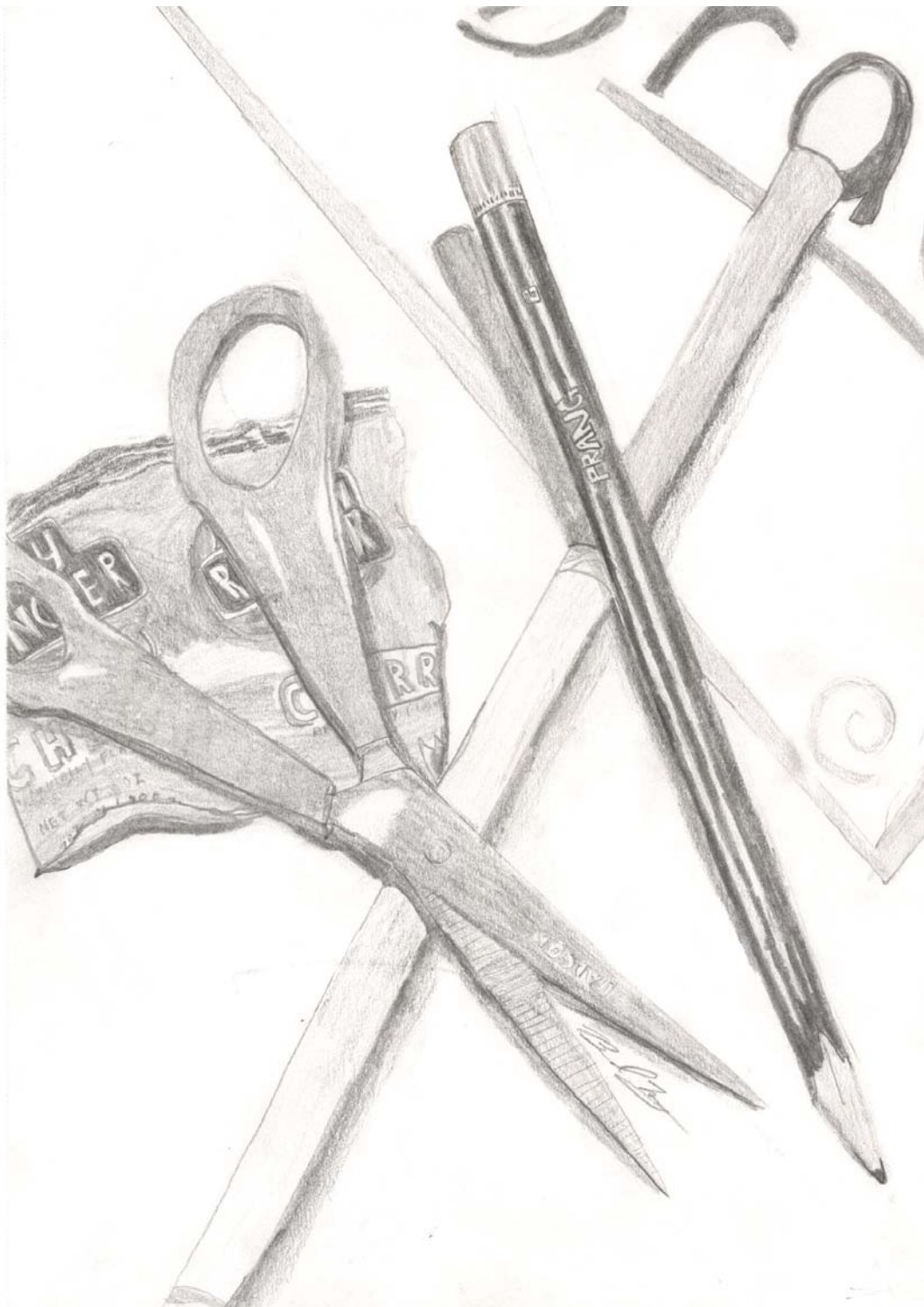
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Harford County Public Schools

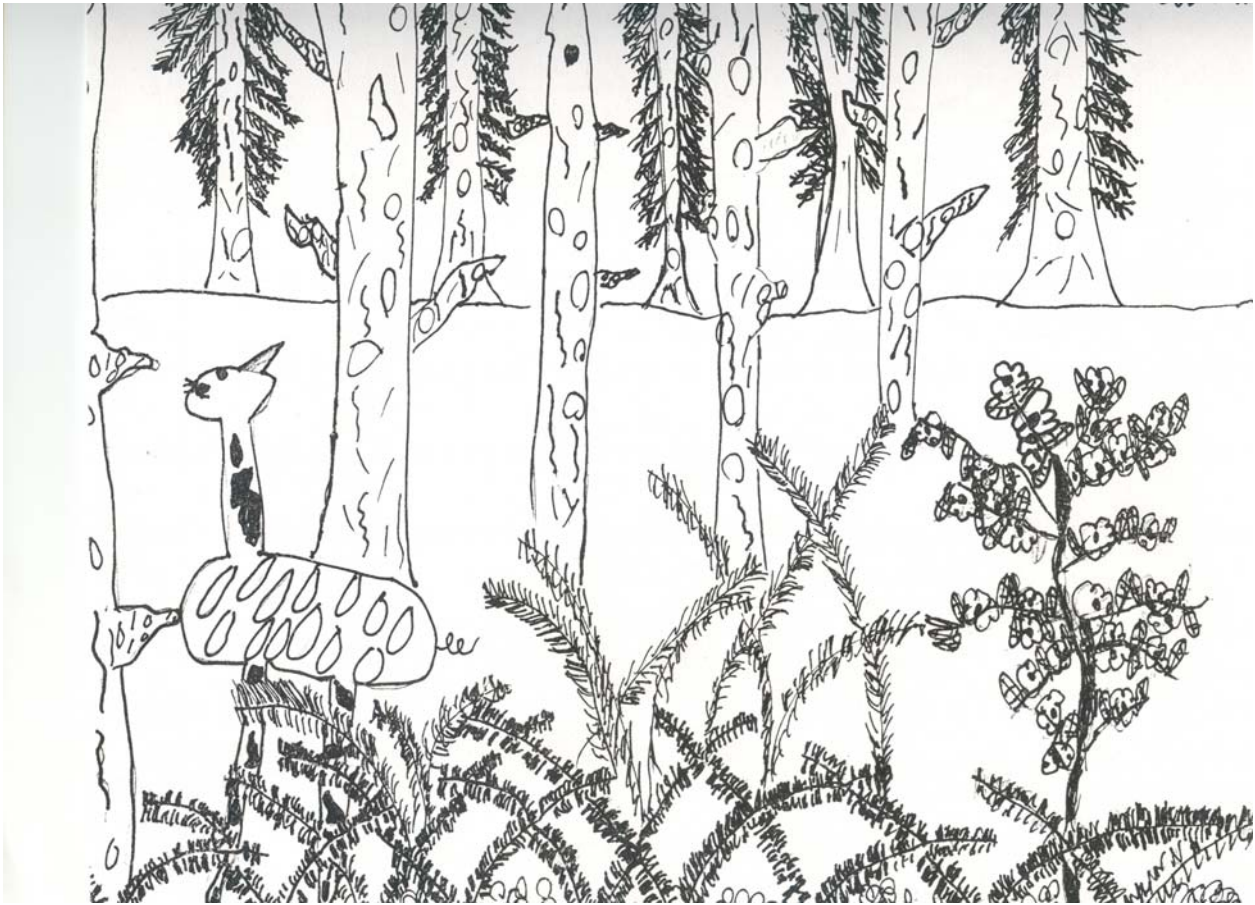
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Introductory Section



Brad Myers, Joppatowne High School, Grade 9



Joseph Re, Forest Hill Elementary School, Grade 4

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

Ensure a safe, positive learning environment for students and staff in our schools.

Accelerate student learning and eliminate the achievement gaps.

Ensure the effective use of all resources focusing on the areas of technology, fiscal and budgetary management, and community partnerships.

Understanding that all employees contribute to the learning environment, we will maintain a highly qualified workforce.

Board of Education of Harford County

The members of the Board as of June 30, 2006, their represented areas, and the year of expiration of their terms are as follows.

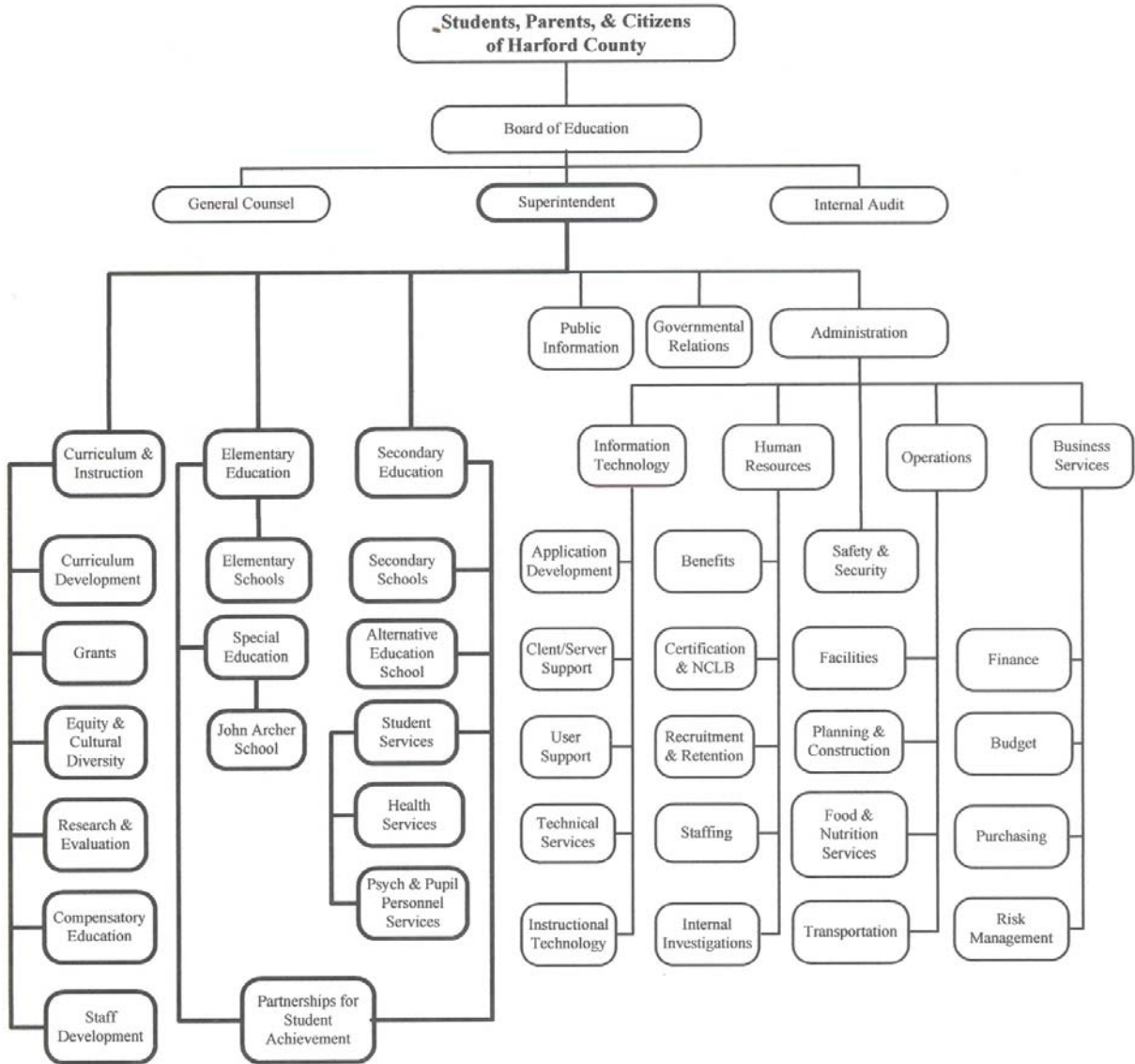
<u>Title</u>	<u>Name</u>	<u>Area</u>	<u>Term Ends</u>
President	Ruth R. Rich	North Harford	2007
Vice-president	Mark M. Wolkow	Abingdon/Edgewood	2007
Other members	Patrick L. Hess	Fallston	2006
	Thomas L. Fidler, Jr.	Bel Air	2008
	Salina M. Williams	Aberdeen	2008
	Lee Merrell	Havre de Grace	2009
	John L. Smilko	Joppa	2010
Student member	William R. Garrett		2006

Harford County Public Schools

Dr. Jacqueline C. Haas	Superintendent
Mr. Joseph P. Licata	Assistant Superintendent of Operations
Mr. John M. Markowski	Chief Financial Officer
Mr. Jay F. May	Chief Administrative Officer
Mr. H. Andrew Moore	Director of Information and Technology Services
Mr. Donald R. Morrison	Director of Public Information
Mr. Jonathan D. O'Neal	Assistant Superintendent of Human Resources
Dr. Gerald E. Scarborough	Assistant Superintendent for Curriculum & Instruction
Mrs. Patricia L. Skebek	Executive Director of Elementary Education
Mr. Patrick P. Spicer	General Counsel
Mr. David A. Volrath	Executive Director of Secondary Education

Harford County Public Schools

Organization at June 30, 2006



Key:
 Instruction
 Supporting Services



Harford County Public Schools

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

Jacqueline C. Haas, Ed.D., Superintendent of Schools

September 30, 2006

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, 2006.

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.

Clifton Gunderson LLP, a firm of licensed certified public accountants, have issued an unqualified (“clean”) opinion on HCPS financial statements for the fiscal year ended June 30, 2006. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion ad analysis (MD&A) immediately follows the independent auditor’s 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 Board 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. There, HCPS is included in the comprehensive annual financial report of Harford County.

Profile of the Government

Harford County Public Schools is a fiscally dependent school system comprised of 51 schools with an actual full time equivalent (FTE) enrollment of 40,212 in fiscal year 2006 (FY06) and a projected FTE enrollment of 40,060 in fiscal year 2007 (FY07). HCPS is the 124th largest school system of the 17,402 regular school districts in the country when ranked by enrollment. This places the system in the top one percent (1%) of school districts by size. The student body was served by 5,031 faculty and staff positions for FY06.

Harford County Public Schools

Of the 51 schools in the system, 32 are elementary schools, eight are middle schools, eight are 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, FY04, HCPS' per pupil expenditures were \$7,816, ranking it 24th of the 24 school districts in the state. Despite this by most measures of student achievement, HCPS consistently ranks among the top performing school districts in Maryland.

Local economy

Harford County is located in northeastern Maryland, which ranks as one of the top growth areas in the country. The economic condition and outlook of the County have substantially improved during the past decade. Since 1995 the population has increased 11.6 percent to 237,170 as of June 30, 2005, which triggered significant construction activity and growth in the tax base. During the period, enrollment in the school system has grown by 11.7 percent. Since 1992 six elementary schools and one middle school have been added to the total plant. Numerous renovations have occurred as well.

The Harford County Department of Planning and Zoning anticipates steady, but moderate, population growth over the next twenty years. New building construction grew from \$185.1 million in FY96 to \$409.6 million in FY05. Commercial construction activity accounted for 10.9 percent of all construction during the fiscal year the balance attributed to residential construction.

Property values continued to rise in Maryland and Harford County. This rise resulted in substantial increases in property tax collections by the County. In addition, income tax revenue rose as the population grows and the economy improves. As a result, the Board of Education's budget increase request from the County for FY06 of \$21.4 million was fully funded. This is an unprecedented and an historic event.

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 not only funding equity between Maryland's 24 school districts, but adequacy of funding as well. The law promised an increase in state funding to public education of \$1.3 billion over six years. Funding streams to fulfill the state's promise beyond fiscal year 2007 remain to be identified with full funding to be achieved by fiscal year 2008. This act also moved some funding from restricted grants to unrestricted, however most programs remain in place.

Alyssa D. Kauffman, a 17-year-old senior, and Amanda L. Beck, a 17-year old junior – helped save the life of their school bus driver, Karen A. Miller, who suffered a heart attack as she drove her afternoon Fallston High School run on October 28th. The two Fallston High students helped keep Mrs. Miller calm while calling for emergency help on a cell phone, staying with their driver until professional help arrived.

Harford County Public Schools

Another factor which will affect both the local economy and HCPS, in a manner yet to be determined is the results of the federal Base Realignment and Closure Commission (BRAC). Harford County is the home of Aberdeen Proving Grounds (APG) of the US Army. BRAC recommendations, which were approved by Congress, move some military positions to Virginia but move many more civilian technical jobs from New Jersey. Estimates range from 5,000 to 20,000 new jobs may result over the next five years as a result of this move. State and County work groups have been formed to determine how to best accommodate the pending housing and infrastructure needs and to predict the economic and tax impact that will arise as a result of BRAC.

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.

Marianne Traske Kozlowski, a Deerfield Elementary first grade teacher (currently on leave) earned National Board Certification from the National Board of Professional Teaching Standards in the release of those successful in the rigorous teacher staff development exercise during the 2004-05 school year.

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 may, and often do, 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

A major renovation of North Harford High School is currently underway and expected to be completed for the opening of the 2007 school year. During this time the school remains open and classes conducted as the construction is phased. A new middle/high school is being constructed, Patterson Mill Middle/High School, and is expected to open for the 2007 school year as well. Two more replacement high school projects are in the design stage, Bel Air High School and Edgewood High School. Construction is expected to begin in 2007 for both. Additionally the County is currently involved in site acquisition for a new elementary school in the Bel Air area.

Harford County Public Schools

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, 2005. 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.

Fifteen-year-old Fallston High School sophomore **Courtney Kalisz** won the 200 meter butterfly event in the United States Spring National Championships swim meet held in Seattle, Washington on April 1. Ms. Kalisz currently has the second fastest time in her specialty and is aiming for a berth on the 2008 U.S. Olympic team.

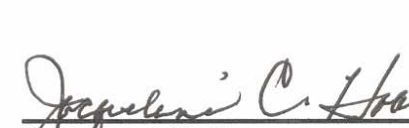
In addition, HCPS also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the Year Beginning July 1, 2005. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

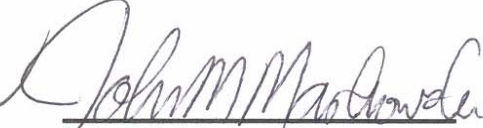
Kimberly C. "Kimmie" Meissner, who won the World Figure Skating Championship in Calgary, Canada in March, was honored by the Maryland State Board of Education on April 25th as the Board named her a Maryland *Pride* recipient as an outstanding example of a public school student. The 16-year-old Fallston High School junior is an "A/B" student despite her grueling practice/performance schedule that has her on the road or practicing for up to seven hours each day.

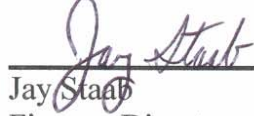
The preparation of this report would not have been possible without the services of the entire staff of the Finance Department, Office of Internal Audit, and Clifton Gunderson LLP. Many other offices in the system contributed to provide data for this report, including the students whose art work is published 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,


Jacqueline C. Haas
Superintendent


John M. Markowski
Chief Financial Officer


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, 2005

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.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

Financial Section



James Beck, Havre de Grace High School, Grade 11



Natalie Miller, Forest Lakes Elementary School, Grade 5

Independent Auditor's Report

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, 2006, 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 the Harford County Public Schools as of June 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2006, on our consideration of the Harford County Public Schools' 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 on pages 15 - 25 is not a required part of the basic financial statements but is 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 opinions on the financial statements that collectively comprise the 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, and school funds statement of increases, decreases and fund balances are presented for purposes of additional analysis and are not a required part of the basic financial statements. These 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 section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Clifton Gundersen LLP

Baltimore, Maryland
August 31, 2006

Harford County Public Schools

Management's Discussion and Analysis (MD&A) *June 30, 2006*

Our discussion and analysis of Harford County Public Schools' financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2006. 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 District's financial managers to present an objective and easily readable analysis of the District's financial activities based on currently known facts, decisions, or conditions.

Financial Highlights

Net assets of the District grew by \$48.5 million during the fiscal year driven by additions in fixed assets and the results of operations for the fiscal year.

The unrestricted General Fund budget was increased by \$387,000, or one-hundredths of a percent (0.01%), during the year from the originally adopted budget.

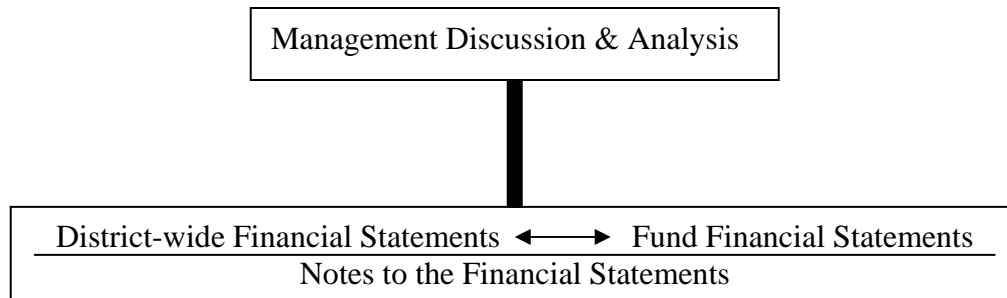
The General Fund unrestricted, undesignated fund balance on a budgetary basis increased from \$2,065,077 to \$4,727,463, a total of \$2,662,386.

The unrestricted General Fund actual revenues exceeded the amended budget by \$1,161,247 or thirty-four hundredths of a percent (0.34%), and expenditures were \$3,916,583, or one and fifteen hundredths of a percent (1.15%), under the amended budget.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)
June 30, 2006

Basic Financial Statements



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 the District with the difference between the two reported as *net assets*. The *statement of activities* presents information showing how the District's 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. The District's 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.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2006

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

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

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

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

Fiduciary responsibility – Scholarship and School Activity Funds (Exhibit 8). The District is the trustee, or fiduciary, for its scholarship and student activity funds. These funds are reported as a separate Agency Fund. We exclude these activities from Harford County Public Schools' other financial statements because the assets cannot be used to finance the District's activities. We are responsible for ensuring that the assets reported in the Scholarship and School Activity Funds are used for their intended purpose.

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.

Harford County Public Schools

Management's Discussion and Analysis (MD&A) June 30, 2006

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 \$264 million at the close of the fiscal year.

By far the largest portion of the district's 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 the district's 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 the district. As previously explained, we are fiscally dependent and nearly all capital debt is carried by the County and State governments.

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>\$ Change</u>	<u>% Changes</u>
Assets				
Current and other assets	\$ 39,808,659	\$ 28,027,929	\$ 11,780,730	42.03%
Capital assets	<u>276,447,691</u>	<u>226,930,915</u>	<u>49,516,776</u>	<u>21.82%</u>
Total assets	<u>316,256,350</u>	<u>254,958,844</u>	<u>61,297,506</u>	<u>24.04%</u>
Liabilities				
Current and other liabilities	16,671,466	13,873,496	2,797,970	20.17%
Long-term liabilities	<u>35,582,929</u>	<u>25,557,012</u>	<u>10,025,917</u>	<u>39.23%</u>
Total liabilities	<u>52,254,395</u>	<u>39,430,508</u>	<u>12,823,887</u>	<u>32.52%</u>
Net assets				
Capital assets	265,089,048	224,455,835	40,633,213	18.10%
Restricted assets	2,976,197	3,005,682	(29,485)	(0.98)%
Unrestricted	<u>(4,063,290)</u>	<u>(11,933,181)</u>	<u>7,869,891</u>	<u>(65.95)%</u>
Total net assets	<u>\$ 264,001,955</u>	<u>\$ 215,528,336</u>	<u>\$ 48,473,619</u>	<u>22.49%</u>

The District's net assets increased by over \$48 million during the fiscal year ending June 30, 2006, 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.

The unrestricted deficit at June 30, 2006 of \$4.1 million is the result of combining the fund balance from the General Fund (Exhibit 3) with the compensated absences long-term liabilities. 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, 2006. Slightly over \$21.2 million is attributed to sick leave and \$3.3 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.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2006

The remaining \$11.1 million long-term liability balance represents our obligations under the capital lease for the construction of a new administration building.

Results of operations for the District as a whole are presented in Exhibit 2, the Statement of Activities. Approximately \$404 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. \$258.8 million in expenses were paid using other general revenue sources not specifically attributed to a function or program.

The Food Service program is designed to be self-funded. Notice on the Statement of Activities that it is only one of two programs that ended the year with a surplus not requiring other general revenues.

	Total Cost of Services	Net Cost of Services	% Net Cost to Total
Instruction	\$283,120,457	\$167,844,399	64.86%
Pupil personnel	1,776,542	1,693,433	0.66%
Health services	3,486,624	3,451,354	1.33%
Pupil transportation	23,233,927	13,295,654	5.14%
Operation and maintenance of plant	39,583,633	35,922,726	13.88%
Food services	12,228,731	(431,571)	(0.17)%
All others	<u>40,837,968</u>	<u>36,990,906</u>	<u>14.30%</u>
Total	<u>\$404,267,882</u>	<u>\$258,766,901</u>	<u>100.00%</u>

Above is a table summarizing the district-wide cost of services for each program or function. About 86% of the net costs of services are directly related to students' instruction and welfare. Of the remaining 14%, all but about 4% 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.

District revenues increased by 17.1% from the prior year, as shown on the table below. This increase is attributable to local, state aid, and grant increases. The District 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 nearly 14%. The bulk of the growth occurred in the instruction category reflecting continued wage and benefit cost increases and the addition of new teaching positions in the district.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2006

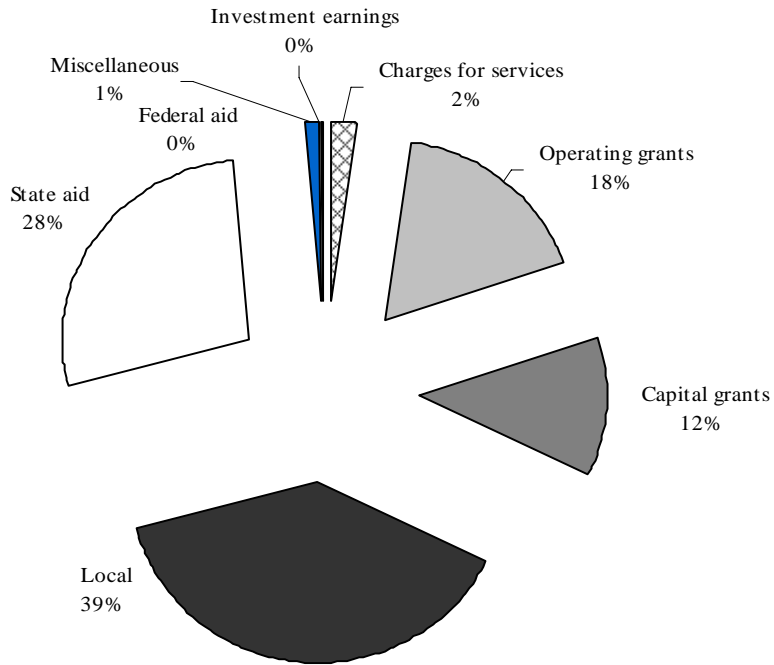
Changes in Net Assets

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues				
Charges for services	\$ 9,634,073	\$ 8,697,054	\$ 937,019	10.77%
Operating grants	79,546,914	69,930,281	9,616,633	13.75%
Capital grants	56,319,994	38,597,991	17,722,003	45.91%
Local	175,414,800	154,047,408	21,367,392	13.87%
State aid	125,158,191	112,468,023	12,690,168	11.28%
Federal aid	410,759	371,033	39,726	10.71%
Miscellaneous	5,464,053	2,060,438	3,403,615	165.19%
Investment earnings	<u>792,717</u>	<u>322,476</u>	<u>470,241</u>	<u>145.82%</u>
Total revenues	<u>452,741,501</u>	<u>386,494,704</u>	<u>66,246,797</u>	<u>17.14%</u>
Expenses				
Instruction	283,120,457	247,413,115	35,707,342	14.43%
Administration	11,907,818	9,100,536	2,807,282	30.85%
Mid level administration	28,392,740	25,130,268	3,262,472	12.98%
Pupil personnel	1,776,542	1,503,569	272,973	18.16%
Health services	3,486,624	3,433,547	53,077	1.55%
Pupil transportation	23,233,927	20,883,791	2,350,136	11.25%
Operation of plant	27,912,436	24,925,386	2,987,050	11.98%
Maintenance of plant	11,671,197	10,489,388	1,181,809	11.27%
Community services	434,240	420,447	13,793	3.28%
Food services	12,228,731	11,328,873	899,858	7.94%
Depreciation-unallocated	<u>103,170</u>	<u>103,394</u>	<u>(224)</u>	<u>(0.22)%</u>
Total expenses	<u>404,267,882</u>	<u>354,732,314</u>	<u>49,535,568</u>	<u>13.96%</u>
Increase in net assets	<u>\$ 48,473,619</u>	<u>\$ 31,762,390</u>	<u>\$16,711,229</u>	<u>52.61%</u>

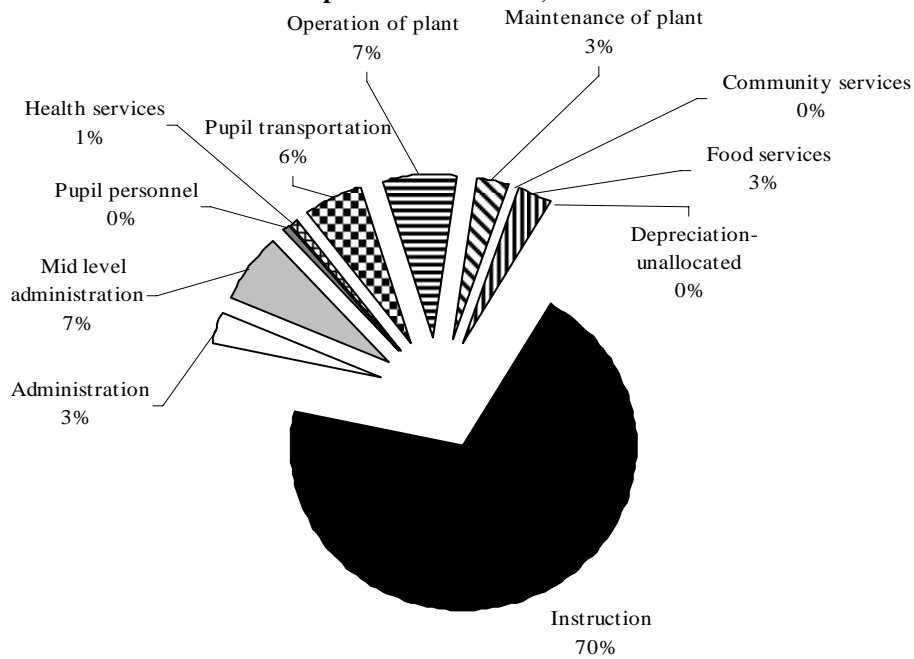
Harford County Public Schools

Management's Discussion and Analysis (MD&A) June 30, 2006

Source of Revenues FYE June 30, 2006



Expenses FYE June 30, 2006



Harford County Public Schools

Management's Discussion and Analysis (MD&A)
June 30, 2006

Fund Performance

Funds are self-balancing sets of accounts used by the District 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 District's governmental funds and Exhibit 5 presents those same funds' results of operations. It should be noted that the Undesignated Fund Balance deficit for the Capital Projects Fund of \$34,370,606 is offset by encumbrance reserves.

General Fund - Unrestricted (Exhibit 7)

Below is an explanatory list of additions made to the original budget during the fiscal year.

VoIP Telephone System	\$ 180,000
500 KW Generator	207,000
Inclusion Helpers	400,000
Non-public placements	250,000
Interim assistant principals	75,000
Textbooks and instructional materials	605,000
Automated External Defibrillators	20,000
Gasoline and diesel fuel	<u>400,000</u>
Total budget increase	<u>\$ 2,137,000</u>

A schedule of changes between the original and final budgets for the year ending June 30, 2006 support the list presented above. These additions were largely funded by adjustments to wage and benefits accounts throughout the budget.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Change</u>
REVENUE					
Local	\$ 175,414,800	\$ 175,414,800	\$ -	\$ -	\$ -
State	159,453,333	159,453,333	-	-	-
Federal	386,057	386,057	-	-	-
Earnings on investments	-	140,000	140,000	-	140,000
Other sources	1,827,195	1,687,195	-	140,000	(140,000)
Prior year's fund balance	<u>1,733,942</u>	<u>2,120,942</u>	<u>387,000</u>	<u>-</u>	<u>387,000</u>
TOTAL REVENUES	<u>\$ 338,815,327</u>	<u>\$ 339,202,327</u>	<u>\$ 527,000</u>	<u>\$ 140,000</u>	<u>\$ 387,000</u>
EXPENDITURES					
Administration	\$ 8,624,748	\$ 8,524,748	\$ -	\$ 100,000	\$ (100,000)
Mid-level administration	21,274,481	21,349,481	75,000	-	75,000
Instructional salaries	145,245,591	144,845,591	-	400,000	(400,000)
Textbooks	8,682,662	8,857,662	175,000	-	175,000
Other instructional costs	2,201,915	2,631,915	430,000	-	430,000
Special education	27,115,636	27,765,636	650,000	-	650,000
Student personnel services	1,399,807	1,399,807	-	-	-
Student health services	2,575,217	2,595,217	20,000	-	20,000
Student transportation	20,732,083	21,132,083	400,000	-	400,000
Operation of plant	24,846,787	24,246,787	-	600,000	(600,000)
Maintenance of plant	9,536,393	9,536,393	-	-	-
Fixed charges	65,280,740	64,630,740	-	650,000	(650,000)
Community services	462,825	462,825	-	-	-
Capital outlay	<u>836,442</u>	<u>1,223,442</u>	<u>387,000</u>	<u>-</u>	<u>387,000</u>
TOTAL EXPENDITURES	<u>\$ 338,815,327</u>	<u>\$ 339,202,327</u>	<u>\$ 2,137,000</u>	<u>\$ 1,750,000</u>	<u>\$ 387,000</u>

It is critical for the reader to understand that local and state revenues account for 98% of the total General Fund unrestricted revenue. Both are stable and highly predictable.

Of significance because it reversed the trend for the past few years, earnings on investments exceeded budget by nearly three and three-quarter times.

Harford County Public Schools

Management's Discussion and Analysis (MD&A) *June 30, 2006*

Capital Asset and Debt Administration (See Note 1)

At June 30, 2006 the District had over \$372 million invested in a broad range of capital assets including land, buildings and improvements, furniture, vehicles and other equipment. Capital assets increased by nearly \$56 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 construction of Patterson Mill Middle/High School and North Harford High School. Both projects are expected to be completed for the 2007-08 school year opening.

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>\$ Change</u>	<u>% Changes</u>
Construction in progress	\$ 70,341,885	\$ 33,011,312	\$ 37,330,573	113.08%
School properties	283,407,608	267,875,827	15,531,781	5.80%
Furniture, fixtures and equipment	<u>18,017,979</u>	<u>14,942,625</u>	<u>3,075,354</u>	<u>20.58%</u>
Total capital assets	<u>\$371,767,472</u>	<u>\$315,829,764</u>	<u>\$ 55,937,708</u>	<u>17.71%</u>

School Districts in Maryland are in the uncommon position, as they are fully fiscally dependent on the state and county governments, of owning assets but not the debt associated with those facilities. Accordingly, the District 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.

In FY07 Harford County's first Charter School will open. Housed in the Center for Educational Opportunity and sharing that space with our Alternative Education School and Professional Development Center, the Charter School will begin with 30 students and is expected to expand to 75 students for the 2007-08 school year. Per pupil funding for Charter Schools in Maryland is being litigated in matters relating to in-kind services provided by the local school district such as special education, student health, and transportation services.

Harford County Public Schools continue to cope with overcrowding in many of the secondary schools. In addition, many of the buildings are in need of renovation. Funding for capital projects is jointly shared by the State and County. Traditionally, projects receive preliminary

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2006

approval from the State. Given the critical situation the County agreed to forward fund a new middle/high school at Patterson Mill, scheduled to open for the 2007-08 school year. Additionally a need for a new elementary school has been identified and a location is being sought.

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*.

The statement generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of Statement 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods.

We are required to implement Statement 45 the earlier of FY08 or when implemented by the primary government. We have contracted with an actuary to provide information necessary to establish a beginning liability as of July 1, 2006. Information provided by the actuary will be shared with the Board to determine if policy changes related to retiree benefits are in order and should the County decide to early implement.

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 District's 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 John M. Markowski, Chief Financial Officer, (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.



Rachel Lewis, Fallston Middle School, Grade 8

Harford County Public Schools

STATEMENT OF NET ASSETS
JUNE 30, 2006
Governmental Activities
ASSETS

Cash and cash equivalents	\$ 587
Investments	11,680,922
Due from other units of government	17,527,226
Accounts receivable	9,769,875
Inventory	830,049
Capital assets:	
Construction in progress	70,341,885
School properties	283,407,608
Furniture, fixtures and equipment	18,017,979
Less: accumulated depreciation	(95,319,781)
Total capital assets, net of depreciation	<u>276,447,691</u>
Total assets	<u>316,256,350</u>

LIABILITIES

Accounts payable	10,927,978
Cash overdraft	2,357,390
Accrued salaries and wages	1,654,757
Payroll taxes payable	357,260
Unearned revenue	299,424
Noncurrent liabilities:	
Due within one year	1,074,657
Due in more than one year	35,582,929
Total liabilities	<u>52,254,395</u>

NET ASSETS

Invested in capital assets net of related debt under capital lease	265,089,048
Restricted for:	
Food services	2,976,197
Unrestricted	(4,063,290)
Total net assets	<u>\$ 264,001,955</u>

The accompanying notes are an integral part of these financial statements.

Harford County Public Schools

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

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:					
Instruction:					
Regular education	\$ 229,007,583	\$ 1,528,558	\$ 34,737,483	\$ 51,577,691	\$ (141,163,851)
Special education	54,112,874	-	27,432,326	-	(26,680,548)
Total Instruction	283,120,457	1,528,558	62,169,809	51,577,691	(167,844,399)
Support services					
Administration	11,907,818	-	737,828	518,620	(10,651,370)
Mid level administration	28,392,740	-	2,147,209	-	(26,245,531)
Pupil personnel services	1,776,542	-	83,109	-	(1,693,433)
Health services	3,486,624	-	35,270	-	(3,451,354)
Pupil transportation	23,233,927	-	8,917,660	1,020,613	(13,295,654)
Operation of plant	27,912,436	-	122,216	1,033,505	(26,756,715)
Maintenance of plant and equipment	11,671,197	-	335,621	2,169,565	(9,166,011)
Community services	434,240	439,143	4,262	-	9,165
Food services	12,228,731	7,666,372	4,993,930	-	431,571
Depreciation - unallocated	103,170	-	-	-	(103,170)
Total Support Services	121,147,425	8,105,515	17,377,105	4,742,303	(90,922,502)
Total governmental activities	\$ 404,267,882	\$ 9,634,073	\$ 79,546,914	\$ 56,319,994	(258,766,901)
General revenues:					
Local appropriations					175,414,800
State Aid - unrestricted					125,158,191
Federal Aid - unrestricted					410,759
Miscellaneous					5,464,053
Unrestricted investment earnings					792,717
Total general revenues					307,240,520
Change in net assets					48,473,619
Net assets - beginning of year					215,528,336
Net assets - end of year					\$ 264,001,955

The accompanying notes are an integral part of these financial statements.

Harford County Public Schools
**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Current Expense (General)	Food Services (Special Revenue)	School Construction (Capital Projects)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 587	\$ -	\$ 587
Investments	6,859,992	4,820,930	-	11,680,922
Due from other units of government	3,358,239	182,893	13,986,094	17,527,226
Other receivables	9,736,245	-	33,630	9,769,875
Due from other funds	6,699,664	-	-	6,699,664
Inventory	355,227	474,822	-	830,049
Total assets	\$ 27,009,367	\$ 5,479,232	\$ 14,019,724	\$ 46,508,323
LIABILITIES				
Accounts payable	1,125,310	124,322	9,678,346	10,927,978
Cash overdraft	2,357,390	-	-	2,357,390
Accrued salaries and wages	1,654,757	-	-	1,654,757
Payroll taxes payable	357,260	-	-	357,260
Due to other funds	-	2,378,713	4,320,951	6,699,664
Unearned revenue	278,997	-	20,427	299,424
Compensated absences payable	818,008	-	-	818,008
Total liabilities	6,591,722	2,503,035	14,019,724	23,114,481
FUND BALANCES				
Reserved for encumbrances	4,229,576	194,178	34,370,606	38,794,360
Reserved for inventory - U.S.D.A.	-	238,733	-	238,733
Unreserved:				-
Designated	3,073,444	340,000	-	3,413,444
Undesignated	13,114,625	2,203,286	(34,370,606)	(19,052,695)
Total fund balances	20,417,645	2,976,197	-	23,393,842
Total liabilities and fund balances	\$ 27,009,367	\$ 5,479,232	\$ 14,019,724	\$ 46,508,323

The accompanying notes are an integral part of these financial statements.

Harford County Public Schools

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2006**

Total fund balances - governmental funds (Exhibit 3)	\$ 23,393,842
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>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 \$371,767,472 and the accumulated depreciation is \$95,319,781.</p>	276,447,691
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of compensated absences payable and an obligation under capital lease.</p>	<u>(35,839,578)</u>
Total net assets - governmental activities (Exhibit 1)	<u>\$ 264,001,955</u>

The accompanying notes are an integral part of these financial statements.

Harford County Public Schools
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	Food Services Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
<u>Intergovernmental Revenues</u>				
Local sources	\$ 175,414,800	\$ -	\$ 49,268,486	\$ 224,683,286
State sources	176,153,429	257,235	6,890,203	183,300,867
Special state and federal programs	23,557,746	-	-	23,557,746
Federal sources	410,759	4,624,804	-	5,035,563
Earnings on investments	792,717	111,891	161,305	1,065,913
Charges for services	-	7,666,372	-	7,666,372
Miscellaneous revenues	7,431,753	-	-	7,431,753
Total revenues	<u>383,761,204</u>	<u>12,660,302</u>	<u>56,319,994</u>	<u>452,741,500</u>
Expenditures				
<u>Current</u>				
Administrative services	8,381,314	-	-	8,381,314
Mid level administrative services	21,410,719	-	-	21,410,719
Instructional salaries	143,325,087	-	-	143,325,087
Instructional textbooks and supplies	8,584,635	-	-	8,584,635
Other instructional costs	2,409,063	-	-	2,409,063
Special education	27,763,915	-	-	27,763,915
Student personnel services	1,373,638	-	-	1,373,638
Health services	2,512,633	-	-	2,512,633
Pupil transportation services	20,631,637	-	-	20,631,637
Operation of plant	23,602,533	-	-	23,602,533
Maintenance of plant and equipment	9,239,398	-	-	9,239,398
Fixed charges	80,121,631	-	-	80,121,631
Community services	397,583	-	-	397,583
Special state and federal programs	23,557,746	-	-	23,557,746
Costs of operation - food services	-	12,651,592	-	12,651,592
Capital outlay	1,190,508	-	65,213,286	66,403,794
Total expenditures	<u>374,502,040</u>	<u>12,651,592</u>	<u>65,213,286</u>	<u>452,366,918</u>
Excess (deficit) of revenues over expenditures	9,259,164	8,710	(8,893,292)	374,582
Other Financing Sources (Uses)				
Capital lease	-	-	8,893,292	8,893,292
Net change in fund balances	9,259,164	8,710	-	9,267,874
Fund balances - beginning of year	11,158,481	3,005,682	-	14,164,163
Decrease in reserve for inventory - U.S.D.A.	-	(38,195)	-	(38,195)
Fund balances - end of year	<u>\$ 20,417,645</u>	<u>\$ 2,976,197</u>	<u>\$ -</u>	<u>\$ 23,393,842</u>

The accompanying notes are an integral part of these financial statements.

Harford County Public Schools

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2006**

Total excess of revenues over expenditures - governmental funds (Exhibit 5)	\$ 374,582
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 (\$56,893,088) exceeds depreciation expense (\$ 7,376,313).	49,516,775
Payments (including principal and interest) on obligations under capital lease are reported in governmental funds as expenditures. However, in the statement of activities, the principal portion of the payments are treated as a reduction of the balance of the obligation under capital lease. The principal portion of payments made during the year was \$9,729.	9,729
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year) This year, vacation and sick leave earned exceeded the amounts used by \$1,389,272.	(1,389,272)
In the statement of activities, all inventories are charged to expense as goods are used in operations (the consumption method). However, in the government funds, the value of U.S.D.A. commodities is recorded as an expenditure at the time the inventory is acquired (the purchase method) and reflected as a reservation of fund balance. The decrease in the amount of fund balance reserved for inventory during the year was \$38,195.	(38,195)
Change in net assets of governmental activities (Exhibit 2)	<u><u>\$ 48,473,619</u></u>

The accompanying notes are an integral part of these financial statements.

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, 2006**

	Unrestricted				Restricted			
	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues								
<u>Intergovernmental Revenues</u>								
Local	\$ 175,414,800	\$ 175,414,800	\$ 175,414,800	\$ -	\$ -	\$ -	\$ -	\$ -
State	159,453,333	159,453,333	159,765,218	311,885	-	-	-	-
Federal	386,057	386,057	410,759	24,702	-	-	-	-
Special state and federal	-	-	-	-	22,445,068	26,785,261	23,534,721	(3,250,540)
Earnings on investments	-	140,000	519,808	379,808	-	-	-	-
Other Sources	1,827,195	1,687,195	2,132,047	444,852	-	-	-	-
Fund balance at July 1, 2005 - designated for fiscal year ended June 30, 2006	1,733,942	1,733,942	1,733,942	-	-	-	-	-
Supplemental appropriation of fund balance	-	387,000	387,000	-	-	-	-	-
Total revenues	<u>\$ 338,815,327</u>	<u>\$ 339,202,327</u>	340,363,574	<u>\$ 1,161,247</u>	<u>\$ 22,445,068</u>	<u>\$ 26,785,261</u>	<u>\$ 23,534,721</u>	<u>\$ (3,250,540)</u>
Expenditures								
<u>Current</u>								
Administrative services	\$ 8,624,748	\$ 8,524,748	8,511,201	\$ 13,547	\$ 260,078	\$ 334,220	\$ 276,444	\$ 57,776
Mid-level administration	21,274,481	21,349,481	21,329,264	20,217	227,412	884,983	601,355	283,628
Instructional salaries	145,245,591	144,845,591	143,325,087	1,520,504	3,988,171	4,240,486	3,792,531	447,955
Instructional textbooks and supplies	8,682,662	8,857,662	8,734,921	122,741	428,496	716,837	486,058	230,779
Other instructional costs	2,201,915	2,631,915	2,613,385	18,530	1,925,293	2,969,394	1,760,429	1,208,965
Special education	27,115,636	27,765,636	27,764,598	1,038	11,726,226	13,099,505	12,554,288	545,217
Student personnel services	1,399,807	1,399,807	1,380,318	19,489	-	-	-	-
Student health services	2,575,217	2,595,217	2,568,789	26,428	14,000	116,080	34,078	82,002
Student transportation	20,732,083	21,132,083	20,636,609	495,474	1,125	66,887	14,000	52,887
Operation of plant	24,846,787	24,246,787	23,779,649	467,138	-	83,050	-	83,050
Maintenance of plant	9,536,393	9,536,393	9,325,422	210,971	-	-	-	-
Fixed charges	65,280,740	64,630,740	63,733,420	897,320	3,514,267	3,883,819	3,694,138	189,681
Food and nutrition	-	-	-	-	-	-	-	-
Community services	462,825	462,825	397,583	65,242	-	-	-	-
Capital outlay	836,442	1,223,442	1,185,498	37,944	360,000	390,000	321,400	68,600
Total expenditures	<u>\$ 338,815,327</u>	<u>\$ 339,202,327</u>	335,285,744	<u>\$ 3,916,583</u>	<u>\$ 22,445,068</u>	<u>\$ 26,785,261</u>	<u>\$ 23,534,721</u>	<u>\$ 3,250,540</u>
Excess of revenues over expenditures			5,077,830					
Total fund balance at July 1, 2005			4,844,019					
Designated fund balance at July 1, 2005 (recognized as revenue above)			(1,733,942)					
Supplemental appropriation of fund balance (recognized as revenue above)			<u>(387,000)</u>					
Total fund balance			7,800,907					
Fund balance at June 30, 2006 - designated for fiscal year 2007			(1,848,278)					
Fund balance at June 30, 2006 - designated for future health insurance call			<u>(1,225,166)</u>					
Fund balance at June 30, 2006 - undesignated			<u>\$ 4,727,463</u>					

The accompanying notes are an integral part of these financial statements.

Harford County Public Schools

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,500,754
Total assets	<u>\$ 2,500,754</u>
LIABILITIES	
Scholarship funds payable	\$ 85,863
School activity funds payable	<u>2,414,891</u>
Total liabilities	<u>\$ 2,500,754</u>

The accompanying notes are an integral part of these financial statements.

HARFORD COUNTY PUBLIC SCHOOLS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006

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. For the most part, the effect of interfund activity has been removed from these 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. The Board has no internal service funds and internal activity is negligible and has not been eliminated in the Statement of Activities.

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
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006

**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 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
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING
AND FINANCIAL STATEMENT PRESENTATION (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.

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:

HARFORD COUNTY PUBLIC SCHOOLS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006

BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

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

The budgetary basis differs from GAAP, which is used for the fund financial statements, in that encumbrances, which represent commitments to purchase goods and services, are treated as expenditures of the current period rather than as reservations of the fund balance. The other principal differences are that under the budgetary basis, certain designations of the prior year's fund balance are treated as revenue of the current period and compensated absences currently payable are not recognized as expenditures until the subsequent fiscal year. 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.

HARFORD COUNTY PUBLIC SCHOOLS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006

BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

- 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.

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 \$720,024 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.

HARFORD COUNTY PUBLIC SCHOOLS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006

CASH AND INVESTMENTS

A. Cash on Hand

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

B. Deposits

At year end, the carrying amount of the Board of Education's deposits was \$2,501,241, consisting of a cash balance of \$4,858,631 net of bank overdraft of \$2,357,390 and the corresponding bank balances were \$2,708,612. Of the bank balance, \$890,354 was covered by Federal Depository Insurance and \$1,046,406 was covered by collateral held in pledging bank's trust department in the Board of Education's name. As a result, these school funds were exposed to custodial credit risk. The Board of Education has a contractual arrangement with the bank for funds to be transferred daily from investment in a repurchase agreement to cover checks as presented.

C. Investments

At June 30, 2006, the Board of Education's investment balances by type and maturity were as follows:

The Board of Education invests 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 AAA 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, 2006 the Board of Education's investment balances were as follows:

	Fair Value
Repurchase agreements	\$ 10,628,601
Investment in Maryland State Treasurer's Investment Pool	1,052,321
Total	\$ 11,680,922

HARFORD COUNTY PUBLIC SCHOOLS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006

CASH AND INVESTMENTS (CONTINUED)

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

Cash on hand	\$ 100
Carrying amount of deposits	143,851
Carrying amount of cash overdraft	2,357,390
Carrying amount of investments	<u>11,680,922</u>
Total cash and investments	14,182,263
Less: amounts in fiduciary funds	<u>2,500,754</u>
Total cash and investments per statement of net assets	<u>\$ 11,681,509</u>
Cash and cash equivalents	\$ 587
Investments	<u>11,680,922</u>
Total cash and investments per statement of net assets	<u>\$ 11,681,509</u>

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, 2006, complied with the Board of Education's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2006:

Net interest and dividends	\$ 1,065,913
Less: Restricted net investment income	<u>273,196</u>
Total net investment income per statement of activities	<u>\$ 792,717</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the Board of Education 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, \$10,628,601 in repurchase agreements and \$1,052,321 in the MLGIP, the underlying securities were held by a custodian in the Board of Education's name. At June 30, 2006, 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.

HARFORD COUNTY PUBLIC SCHOOLS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006

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, 2006. 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, 2006, annual and sick leave earned, applicable to governmental fund types, but not taken by Board of Education employees, was \$25,298,943. This amount is based on vested accumulated leave as of June 30, 2006, 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 \$818,008 was made in the general fund for the year ended June 30, 2006. 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, 2006. 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 \$24,480,935 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.

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.

HARFORD COUNTY PUBLIC SCHOOLS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles 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.

This information is an integral part of the
accompanying financial statements.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2006 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifi- cations</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,681,000	\$ -	\$ -	\$ 9,681,000
Construction in progress	<u>33,011,313</u>	<u>50,726,065</u>	<u>(13,395,493)</u>	<u>70,341,885</u>
Total capital assets not being				
Depreciated	<u>42,692,313</u>	<u>50,726,065</u>	<u>(13,395,493)</u>	<u>80,022,885</u>
Capital assets being depreciated:				
Land improvements	5,531,068	338,331	-	5,869,399
Buildings	252,663,759	1,797,957	13,395,493	267,857,209
Furniture and equipment	<u>14,942,625</u>	<u>4,030,735</u>	<u>(955,381)</u>	<u>18,017,979</u>
Total capital assets being				
depreciated	<u>273,137,452</u>	<u>6,167,023</u>	<u>12,440,112</u>	<u>291,744,587</u>
Less accumulated depreciation for:				
Land improvements	1,180,540	500,721	-	1,681,261
Buildings	80,014,995	5,284,118	-	85,299,113
Furniture and equipment	<u>7,703,314</u>	<u>1,591,474</u>	<u>(955,381)</u>	<u>8,339,407</u>
Total accumulated depreciation	<u>88,898,849</u>	<u>7,376,313</u>	<u>(955,381)</u>	<u>95,319,781</u>
Total capital assets being				
depreciated, net	<u>184,238,603</u>	<u>(1,209,290)</u>	<u>13,395,493</u>	<u>196,424,806</u>
Governmental activities capital assets, net	<u>\$ 226,930,916</u>	<u>\$ 49,516,775</u>	<u>\$ -</u>	<u>\$ 276,447,691</u>

Depreciation expense for the year ended June 30, 2006 was charged to governmental functions as follows:

Depreciation not allocated to specific functions	\$ 103,170
Administration	492,325
Mid-level administration	4,502
Instruction	4,778,138
Special education	6,357
Pupil service	6,616
Transportation	545,239
Operations	496,322
Maintenance	781,891
Food service	<u>161,753</u>
Total	<u>\$ 7,376,313</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - CAPITAL ASSETS (CONTINUED)

The Board has active school construction projects as of June 30, 2006 as follows:

	Spent-to- Date	Remaining Commitment
Project:		
Bel Air High modernization	\$ 390,633	\$ 27,476,523
North Harford High modernization	31,743,415	13,151,865
Patterson Mill – New Middle/High School	30,454,699	21,743,172
Edgewood Middle HVAC – Phase II	4,737,625	48,600
North Harford Sewer	405,000	65,000
C. Milton Wright High School Roof	16,000	910,817
Dublin Elementary High School Roof	6,500	275,249
Bel Air Middle Air Conditioning	24,615	182,045
Fallston Middle School Improvements	2,369,028	271,260
Joppatowne High Chillers	194,370	136,078
Total	\$70,341,885	\$ 64,260,609

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 2 - RECONCILIATION OF BUDGETARY DATA

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - General Fund is prepared on a legally prescribed budgetary basis of accounting which differs from GAAP. The purpose of the budgetary basis of accounting is to demonstrate compliance with the legal requirements of Harford County, the State of Maryland and special federal and state programs.

The differences between the two methods are set forth below:

Revenues (non-GAAP budgetary basis) (unrestricted and restricted)	\$363,898,295
Fund balance at June 30, 2005 designated for current year's expenditures	(2,120,942)
Revenues adjusted by encumbrances of expenditure driven grants	23,024
Pension contributions made directly by State	16,388,211
Interest earned on rate stabilization deposit	272,909
Changes in value of rate stabilization fund	5,299,707
Revenues (GAAP basis)	\$383,761,204
Expenditures (non-GAAP budgetary basis) (unrestricted and restricted)	\$358,820,465
Encumbrance adjustments (net)	(706,636)
Pension contributions made directly by State	16,388,211
Expenditures (GAAP basis)	\$374,502,040

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2 - RECONCILIATION OF BUDGETARY DATA (CONTINUED)

The undesignated fund balances in the current expense fund (General Fund) are reconciled as follows:

Undesignated fund balance (non-GAAP budgetary basis)	\$ 4,727,463
Cumulative effect of:	
Revenues adjusted by encumbrances of expenditure driven grants	(436,631)
Rate stabilization and MAMSI receivable	<u>8,823,793</u>
Undesignated fund balance (GAAP basis)	<u>\$13,114,625</u>

NOTE 3 - FUND BALANCES

Fund balance at June 30, 2006 designated for fiscal year 2007 consists of the following:

	General Fund	Food Services Fund
Designated Fund Balance		
Revenue for fiscal year 2007	\$ 1,848,278	\$ 340,000
Future health insurance call	<u>1,225,166</u>	<u>-</u>
Total	<u>\$ 3,073,444</u>	<u>\$ 340,000</u>

Capital Projects Fund

The School Construction Fund (Capital Projects Fund) had an undesignated fund balance deficit of \$34,370,606 at June 30, 2006. 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. This situation reverses in subsequent accounting periods.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 - 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.

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, 2006, 2005, and 2004 were \$16,388,211, \$16,172,006 and \$15,616,081, respectively, which were equal to the required contributions for each year. The Board's contribution for the years ended June 30, 2006, 2005 and 2004 were \$2,187,791, \$1,298,426 and \$870,419, respectively, which were equal to the required contributions for each year.

NOTE 5 - 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 90% of a specified health plan's premium. 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, 2006 was \$8,989,634. As of June 30, 2006, 1,607 of approximately 1,701 eligible participants were receiving benefits.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(CONTINUED)

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, 2006 was \$558,707. As of June 30, 2006, 1,502 of approximately 1,701 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, 2006 was \$45,933. As of June 30, 2006, 1,481 of approximately 1,701 eligible participants were receiving benefits.

The Board has not assessed the impact on its financial position or results of operations of implementing GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement will require prospective recognition of the cost of these benefits as they are earned rather than as they are paid in the Government-wide and proprietary and fiduciary fund financial statements. Recognition in governmental fund financial statements will be on the modified accrual basis. The required implementation date for this statement is fiscal year 2008; however, as a component unit of Harford County, the Board would have to early implement the statement if Harford County chooses to do so. The Board has contracted an actuary to compute its unfunded actuarial liability as of July 1, 2006.

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Balance at July 1, 2005	Increase	Reductions	Balance at June 30, 2006	Due Within One Year
Capital lease	\$ 2,475,080	\$ 8,893,292	\$ 9,729	\$ 11,358,643	\$ 256,649
Compensating absence	<u>24,118,562</u>	<u>2,186,012</u>	<u>1,005,631</u>	<u>25,298,943</u>	<u>818,008</u>
Total Governmental Activities	<u>\$ 26,593,642</u>	<u>\$11,079,304</u>	<u>\$ 1,015,360</u>	<u>\$ 36,657,586</u>	<u>\$ 1,074,657</u>

Compensating 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 2006. The lease agreement is for a period of twenty-five years. The asset acquired and capitalized under the capital lease is as follows:

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Building cost	\$10,852,395
Accumulated depreciation	<u>108,524</u>
Net book value	<u>\$10,743,871</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006 were as follows:

<u>Years Ending June 30,</u>	
2007	\$ 823,822
2008	823,822
2009	823,822
2010	823,822
2011	823,822
2012 – 2016	4,119,110
2017 – 2021	4,119,110
2022 – 2026	4,119,110
2027 - 2030	<u>3,295,288</u>
Total minimum lease payments	19,771,728
Less:	
Amount representing interest	8,381,234
Unexpended amount	<u>31,851</u>
Present value of minimum lease payments	<u>\$ 11,358,643</u>

NOTE 7 - 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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 8 - 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 \$231,930 for the year ended June 30, 2006.

Harford County Public Schools

**FOOD SERVICE FUND
(SPECIAL REVENUE FUND)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE COMPARED TO BUDGET (NON-GAAP BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Cafeteria sales	\$ 7,097,410	\$ 7,666,372	\$ 568,962
<u>Federal Aid</u>			
School Lunch Program	2,650,000	3,049,471	399,471
School Breakfast Program	600,000	756,964	156,964
Summer Months Program	100,000	98,345	(1,655)
U.S.D.A. Commodities	500,000	720,024	220,024
Total federal aid	3,850,000	4,624,804	774,804
<u>State Aid</u>			
Child Feeding Program	238,000	257,235	19,235
Interest earned	20,000	111,891	91,891
Fund balance at July 1, 2005 - designated for fiscal year ended June 30, 2006	340,000	340,000	-
Total revenues	<u>\$ 11,545,410</u>	13,000,302	1,454,892
Expenditures			
Salaries and wages	4,160,749	4,257,001	(96,252)
Contracted services	187,000	212,833	(25,833)
Supplies and materials	4,641,780	5,065,717	(423,937)
Other charges	1,551,881	1,418,414	133,467
Furniture and equipment	504,000	536,428	(32,428)
U.S.D.A. commodities	500,000	758,219	(258,219)
Total expenditures	<u>\$ 11,545,410</u>	12,248,612	(703,202)
Excess of revenues over expenditures		751,690	2,158,094
Total fund balance at July 1, 2005		2,408,524	
Increase (decrease) in reserve for inventory of U.S.D.A commodities		(38,195)	
Designated fund balance at July 1, 2005 (recognized as revenue above)		(340,000)	
Total fund Balance		2,782,019	
Reserved for inventory of U.S.D.A. commodities - end of year		(238,733)	
		2,543,286	
Fund balance at June 30, 2006 - designated for fiscal year 2007		(340,000)	
Fund balance at June 30, 2006 - undesignated		<u>\$ 2,203,286</u>	

Harford County Public Schools

SCHOOL CONSTRUCTION FUND
(CAPITAL PROJECTS FUND)
STATEMENT OF EXPENDITURES BY PROJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Construction in Progress - By Project

Administration Building	\$ 9,055,003
Forest Hill Elementary	157
Patterson Mill Middle/High School	27,947,471
Full Day Kindergarten	1,952,163
Aberdeen High Modernization	167,807
Bel Air High Modernization	357,097
North Harford High Modernization	15,849,708
Prospect Mill Elem. Remedial Capacity Renovations	75,272
Bel Air High Remedial Capacity Renovations	8,000
Fallston Middle Remedial Capacity Renovations	2,392,516
Bel Air Middle School AC	24,955
Edgewood Middle Roof	657,840
Edgewood Middle HVAC	721,570
C. Milton Wright Roof	851
Roofing Projects	24,210
John Archer Roof	735,950
Relocatables	152,627
Technology Wiring	(5,809)
Milestone Project	229,772
Milestone Project II	25,929
Technology Refresh	2,162,474
Bel Air High Environmental Compliance	4,490
North Harford Sewer	211,377
North Harford Middle Water Treatment	965
Environmental Compliance	117,630
Alarms	227,382
Maintenance Replacement Vehicles	274,907
Backflow Prevention	38,635
Storm Water Management, Erosion and Sediment Control	59,556
ADA Improvements	7,855
Athletic Fields	23,592
Furniture	100,908
Buses	1,020,613
Security Cameras	95,198
Math Refresh	407,694
Vocational Equipment Refresh	86,921
	<u>\$ 65,213,286</u>

Harford County Public Schools

AGENCY FUNDS STATEMENT OF INCREASES, DECREASES AND FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2006

School Activity Funds

	Balance <u>June 30, 2005</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2006</u>
<u>Elementary Schools</u>				
Abingdon	\$ 27,454	\$ 33,188	\$ 38,852	\$ 21,791
Bakerfield	19,446	36,790	40,049	16,187
Bel Air	12,969	50,079	50,878	12,170
Church Creek	13,107	24,574	21,267	16,414
Churchville	14,288	18,982	18,006	15,264
Darlington	5,366	14,370	14,892	4,844
Deerfield	15,233	123,077	90,138	48,173
Dublin	3,815	15,715	13,270	6,259
Edgewood	4,769	28,264	23,558	9,475
Emmorton	13,064	36,589	24,675	24,979
Forest Hill	6,356	36,553	37,393	5,516
Forest Lakes	15,592	34,152	33,889	15,855
Fountain Green	27,374	44,046	46,206	25,215
George D. Lisby at Hillsdale	6,655	49,784	44,344	12,095
Hall's Cross Roads	19,946	27,388	32,317	15,017
Havre de Grace	13,291	15,679	23,319	5,652
Hickory	40,979	73,658	82,809	31,828
Homestead-Wakefield	12,834	93,097	85,858	20,074
Jarrettsville	36,548	60,167	69,936	26,780
John Archer	38,357	73,452	66,442	45,367
Joppatowne	13,674	29,471	33,805	9,340
Magnolia	5,159	28,570	29,559	4,170
Meadowvale	8,346	29,263	28,292	9,317
Norrisville	7,509	21,067	11,653	16,923
North Bend	18,909	40,636	40,017	19,528
North Harford	8,618	60,139	59,842	8,915
Prospect Mill	14,810	52,416	49,439	17,787
Ring Factory	14,035	62,631	64,427	12,238
Riverside	7,875	66,234	63,359	10,751
Roye-Williams	18,248	30,583	33,646	15,185
William S. James	71,042	82,259	95,120	58,181
William Paca - Old Post	10,826	59,816	41,370	29,272
Youth's Benefit	13,011	105,371	57,854	60,528
Total elementary schools	<u>559,507</u>	<u>1,558,062</u>	<u>1,466,483</u>	<u>651,086</u>

Harford County Public Schools

AGENCY FUNDS STATEMENT OF INCREASES, DECREASES AND FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2006

School Activity Funds

	Balance <u>June 30, 2005</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2006</u>
<u>Middle Schools</u>				
Aberdeen	24,798	162,498	170,202	17,094
Bel Air	59,764	146,101	146,360	59,506
Edgewood	49,182	114,292	138,974	24,501
Fallston	88,823	153,925	144,283	98,465
Havre de Grace	22,277	73,294	80,527	15,043
Magnolia	36,265	100,247	92,749	43,763
North Harford	147,634	187,528	263,604	71,558
Southampton	72,626	288,221	297,229	63,619
Total middle schools	<u>501,369</u>	<u>1,226,107</u>	<u>1,333,927</u>	<u>393,549</u>
<u>High Schools</u>				
Aberdeen	129,727	405,276	420,334	114,669
Alternative Education	119,281	201,152	199,857	120,576
Bel Air	285,234	462,867	449,181	298,920
C. Milton Wright	149,350	637,778	627,597	159,531
Edgewood	83,475	278,066	274,770	86,772
Fallston	64,498	423,480	402,365	85,613
Harford Technical	121,913	610,143	600,500	131,556
Havre de Grace	81,349	288,069	270,782	98,637
Joppatowne	75,411	211,748	200,527	86,632
North Harford	162,867	373,640	349,157	187,350
Total high schools	<u>1,273,107</u>	<u>3,892,218</u>	<u>3,795,068</u>	<u>1,370,256</u>
Total - all School Activity Funds	<u>2,333,982</u>	<u>6,676,386</u>	<u>6,595,477</u>	<u>2,414,891</u>
Scholarship Funds	<u>82,882</u>	<u>4,011</u>	<u>1,030</u>	<u>85,863</u>
Total - Agency Funds	<u>\$ 2,416,864</u>	<u>\$ 6,680,397</u>	<u>\$ 6,596,507</u>	<u>\$ 2,500,754</u>

Statistical Section

This part of HCPS' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the district's overall financial health.

Contents	Page
Financial Trends	57 - 60
<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	61 - 63
<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	64 - 65
<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.



Jason Freeman, Harford Technical High School, Grade 12

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
Governmental activities					
Invested in capital assets, net of related debt	160,480	181,349	196,877	224,456	265,089
Restricted for food services	2,075	2,446	2,848	3,005	2,976
Unrestricted	(20,762)	(22,021)	(20,828)	(11,933)	(4,063)
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>

* 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
Functions/Programs					
Expenses					
Governmental activities:					
Instruction:					
Regular education	174,675	187,371	191,404	200,144	229,007
Special education	36,762	39,276	40,855	47,269	54,113
Total Instruction	<u>211,437</u>	<u>226,647</u>	<u>232,259</u>	<u>247,413</u>	<u>283,120</u>
Support services					
Administration	7,112	7,212	8,443	9,101	11,908
Mid level administration	22,761	22,884	23,341	25,130	28,393
Pupil personnel services	1,450	1,411	1,485	1,504	1,777
Health services	2,418	2,662	2,605	3,434	3,487
Pupil transportation	16,970	18,048	19,310	20,884	23,234
Operation of plant	21,154	21,504	23,562	24,925	27,912
Maintenance of plant and equipment	8,807	8,898	9,945	10,489	11,671
Community services	318	362	319	420	434
Food services	8,557	9,558	10,332	11,329	12,229
Depreciation - unallocated	103	107	107	103	103
Total Support Services	<u>89,650</u>	<u>92,646</u>	<u>99,449</u>	<u>107,319</u>	<u>121,148</u>
Total governmental activities	<u>301,087</u>	<u>319,293</u>	<u>331,708</u>	<u>354,732</u>	<u>404,268</u>
Program revenues					
Charges for services:					
Regular education	841	859	928	1,133	1,529
Community services	288	250	324	378	439
Food services	6,084	6,328	6,658	7,186	7,666
Operating grants and contributions	56,590	59,861	64,773	69,930	79,547
Capital grants and contributions	23,249	29,005	20,599	38,598	56,320
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>
Total governmental net expense	<u>(214,035)</u>	<u>(222,990)</u>	<u>(238,426)</u>	<u>(237,507)</u>	<u>(258,767)</u>
General Revenues and Other Changes in Net Assets					
General revenues:					
Local appropriations	138,335	146,051	148,150	154,047	175,415
State Aid	89,590	96,272	105,600	112,468	125,158
Federal Aid	401	421	386	371	411
Miscellaneous	1,510	93	1,293	2,060	5,464
Unrestricted investment earnings	318	134	120	323	793
Total general revenues	<u>230,154</u>	<u>242,971</u>	<u>255,549</u>	<u>269,269</u>	<u>307,241</u>
Change in Net Assets	<u>16,119</u>	<u>19,981</u>	<u>17,123</u>	<u>31,762</u>	<u>48,474</u>
Net assets - beginning of year	125,674	141,793	161,774	178,897	215,528
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>
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>

* 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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General fund										
Reserved	3,042	3,226	3,738	2,918	2,584	1,945	2,911	3,409	3,523	4,230
Unreserved	1,405	2,296	4,285	4,315	2,034	2,045	910	2,778	7,635	16,188
Total general fund	<u>4,447</u>	<u>5,522</u>	<u>8,023</u>	<u>7,233</u>	<u>4,618</u>	<u>3,990</u>	<u>3,821</u>	<u>6,187</u>	<u>11,158</u>	<u>20,418</u>
All other governmental funds										
Reserved	3,434	2,643	4,823	6,205	12,184	28,229	15,196	12,191	37,660	34,804
Unreserved, reported in:										
Special revenue fund	702	242	529	766	1,151	1,743	1,762	2,052	2,132	2,543
Capital projects fund	<u>(3,368)</u>	<u>(1,712)</u>	<u>(3,847)</u>	<u>(5,318)</u>	<u>(11,628)</u>	<u>(27,897)</u>	<u>(14,512)</u>	<u>(11,395)</u>	<u>(36,786)</u>	<u>(34,371)</u>
Total all other governmental funds	<u>768</u>	<u>1,173</u>	<u>1,505</u>	<u>1,653</u>	<u>1,707</u>	<u>2,075</u>	<u>2,446</u>	<u>2,848</u>	<u>3,006</u>	<u>2,976</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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Intergovernmental revenues										
Local	118,490	120,959	127,708	131,034	140,346	154,360	164,163	167,880	177,486	224,683
State	109,286	110,871	114,100	121,076	123,533	124,525	136,685	144,371	168,141	183,301
Special state and federal programs	6,031	7,999	10,498	2,954	3,212	25,508	26,744	22,839	21,833	23,558
Federal	6,660	5,252	5,831	16,320	19,552	3,608	3,870	4,401	4,711	5,036
Earnings on investments	1,011	1,309	964	1,017	860	350	159	137	501	1,066
Charges for services	4,071	4,223	4,769	4,977	5,559	6,084	6,328	6,658	7,186	7,666
Donation of land from county	-	-	-	-	-	-	-	-	3,063	-
Miscellaneous revenues	1,476	2,241	1,498	938	3,351	2,771	1,325	2,545	3,574	7,432
Total revenues	247,025	252,854	265,368	278,316	296,413	317,206	339,274	348,831	386,495	452,742
Expenditures										
Current										
Administrative services	5,957	3,990	4,584	5,129	5,367	5,687	5,615	6,205	6,781	8,381
Mid level administrative services	-	12,923	13,475	14,531	15,889	17,154	17,707	17,428	18,638	21,411
Instructional salaries	97,964	92,886	96,658	101,918	107,187	114,172	118,502	122,904	126,644	143,325
Instructional textbooks and supplies	9,047	5,031	5,105	4,478	4,445	5,471	5,596	5,512	6,070	8,584
Other instructional costs	-	2,940	2,711	2,043	1,222	1,554	1,640	1,912	2,208	2,409
Special education	17,139	18,253	18,605	17,423	18,223	19,627	20,329	22,459	23,921	27,764
Student personnel services	740	803	901	948	1,030	1,083	1,123	1,131	1,180	1,373
Health services	1,426	1,459	1,621	1,613	1,793	1,903	1,934	2,124	2,272	2,512
Pupil transportation services	13,283	13,696	13,483	14,277	14,763	15,442	16,293	17,103	18,642	20,632
Operation of plant	14,018	14,438	14,676	15,643	17,581	17,239	18,307	19,238	21,128	23,603
Maintenance of plant and equipment	5,274	5,703	5,933	6,038	7,214	7,047	7,483	8,089	8,511	9,239
Fixed charges	46,633	47,777	46,623	50,077	53,197	52,589	58,769	67,459	72,732	80,122
Community services	9	-	39	275	277	283	328	293	377	398
Special state and federal programs	6,895	8,025	10,498	16,321	19,552	25,508	26,744	22,839	21,833	23,558
Costs of operations - food services	7,011	7,407	7,575	7,678	8,197	8,870	9,601	10,709	11,600	12,652
Capital outlay	21,965	16,114	20,133	22,854	23,108	23,744	29,092	20,846	41,242	66,404
Total expenditures	247,361	251,445	262,620	281,246	299,045	317,373	339,063	346,251	383,779	452,367
Excess (deficit) of revenues over expenditures	(336)	1,409	2,748	(2,930)	(2,632)	(167)	211	2,580	2,716	375
Other financing sources (uses)										
Proceeds from capital lease	-	-	-	-	-	-	-	-	2,475	8,893
Increase (decrease) in reserve for inventory	(44)	70	86	(13)	70	(92)	(10)	188	(62)	(38)
Net change in fund balances	(380)	1,479	2,834	(2,943)	(2,562)	(259)	201	2,768	5,129	9,230

Harford County Public Schools

*Enrollment by School
Last Ten Years*

	At September 30,										2005 Capacity	Percent of Capacity
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		
Abingdon Elementary	656	761	799	855	859	833	853	836	841	822	821	100.12%
Bakersfield Elementary	510	505	497	501	530	551	506	510	507	463	455	101.76%
Bel Air Elementary	612	612	647	638	537	567	577	525	533	524	500	104.80%
Church Creek Elementary	715	797	796	811	800	743	730	733	754	778	790	98.48%
Churchville Elementary	392	332	393	374	367	408	384	398	383	383	389	98.46%
Darlington Elementary	177	180	173	164	165	145	123	141	137	139	170	81.76%
Deerfield Elementary	565	612	601	592	594	589	639	687	670	584	536	108.96%
Dublin Elementary	332	315	317	295	280	266	258	260	268	239	295	81.02%
Edgewood Elementary	532	498	470	466	421	447	442	458	506	473	533	88.74%
Emmorton Elementary	523	552	537	561	544	544	576	580	617	617	526	117.30%
Forest Hill Elementary	-	-	-	-	609	710	536	580	603	579	582	99.48%
Forest Lakes Elementary	551	612	666	708	523	525	684	675	679	714	546	130.77%
Fountain Green Elementary	632	653	622	601	611	605	616	647	616	664	549	120.95%
George D. Lisby Elementary at Hillsda	441	468	464	449	446	440	391	383	378	347	432	80.32%
Halls Cross Roads Elementary	516	475	425	427	431	401	401	359	364	383	518	73.94%
Havre de Grace Elementary	579	537	517	490	470	505	481	487	461	413	576	71.70%
Hickory Elementary	665	747	788	819	613	674	693	693	667	696	638	109.09%
Homestead-Wakefield Elementary	1,121	1,105	1,120	1,128	1,035	992	982	992	970	958	887	108.00%
Jarrettsville Elementary	607	560	548	531	517	480	480	470	455	455	524	86.83%
Joppatowne Elementary	543	524	538	552	528	568	593	564	567	581	485	119.79%
Magnolia Elementary	644	705	657	602	610	596	589	566	574	515	474	108.65%
Meadowvale Elementary	610	633	643	652	647	577	588	602	574	603	568	106.16%
Norrisville Elementary	235	229	225	239	206	192	191	194	184	207	252	82.14%
North Bend Elementary	572	558	546	551	522	503	500	481	470	449	514	87.35%
North Harford Elementary	496	497	510	497	499	498	532	539	534	551	482	114.32%
Prospect Mill Elementary	866	874	861	900	879	839	911	879	907	976	706	138.24%
Ring Factory Elementary	592	618	652	653	675	619	596	567	555	541	549	98.54%
Riverside Elementary	605	612	608	584	562	559	544	564	559	554	546	101.47%
Roye-Williams Elementary	728	679	640	651	654	630	620	563	641	577	629	91.73%
William Paca/Old Post Road Elementa	1,119	1,102	1,070	1,086	1,071	1,066	1,055	1,033	1,026	1,052	940	111.91%
William S. James Elementary	636	650	607	605	600	589	560	526	520	498	524	95.04%
Youths Benefit Elementary	1,175	1,117	1,099	1,079	1,068	1,014	1,003	985	1,008	1,029	870	118.28%
Total Elementary Schools	18,947	19,119	19,036	19,061	18,873	18,675	18,634	18,477	18,528	18,364	17,806	103.13%
Aberdeen Middle	1,227	1,241	1,233	1,236	1,228	1,265	1,299	1,293	1,301	1,247	1,656	75.30%
Bel Air Middle	1,194	1,198	1,189	1,225	1,218	1,265	1,429	1,461	1,402	1,434	1,316	108.97%
Edgewood Middle	1,105	1,114	1,114	1,179	1,228	1,331	1,349	1,346	1,275	1,216	1,338	90.88%
Fallston Middle	1,049	1,121	1,154	1,152	1,145	1,118	1,274	1,228	1,224	1,212	988	122.67%
Havre de Grace Middle	561	582	593	607	599	624	657	650	605	589	785	75.03%
Magnolia Middle	877	907	881	871	882	912	935	903	913	916	1,030	88.93%
North Harford Middle	990	1,057	1,059	1,078	1,063	1,129	1,226	1,200	1,118	1,123	1,241	90.49%
Southampton Middle	1,673	1,710	1,771	1,823	1,951	2,008	1,613	1,541	1,528	1,535	1,530	100.33%
Total Middle Schools	8,676	8,930	8,994	9,171	9,314	9,652	9,782	9,622	9,366	9,272	9,884	93.81%
Aberdeen High	1,218	1,271	1,208	1,173	1,204	1,220	1,250	1,250	1,357	1,543	1,360	113.46%
Bel Air High	1,389	1,440	1,525	1,556	1,587	1,573	1,573	1,649	1,636	1,639	1,423	115.18%
C. Milton Wright High	1,445	1,541	1,646	1,763	1,788	1,840	1,793	1,789	1,911	1,834	1,666	110.08%
Edgewood High	1,008	1,067	1,122	1,143	1,093	1,183	1,226	1,327	1,357	1,316	1,379	95.43%
Fallston High	1,465	1,517	1,504	1,554	1,618	1,651	1,656	1,672	1,635	1,643	1,529	107.46%
Harford Technical High	764	833	877	901	935	1,014	1,054	1,070	1,069	1,052	965	109.02%
Havre de Grace High	633	664	654	661	639	663	690	687	705	721	849	84.92%
Joppatowne High	922	919	1,028	1,019	1,069	1,074	1,052	1,051	1,108	1,118	1,115	100.27%
North Harford High	1,115	1,117	1,187	1,187	1,233	1,270	1,370	1,425	1,447	1,445	1,454	99.38%
Total High Schools	9,959	10,369	10,751	10,957	11,166	11,488	11,664	11,920	12,225	12,311	11,740	104.86%
Total Secondary Schools	18,635	19,299	19,745	20,128	20,480	21,140	21,446	21,542	21,591	21,583	21,624	99.81%
Alternative Education	12	29	44	18	54	15	20	30	17	113	-	-
John Archer	136	137	143	141	155	165	164	154	158	152	264	57.58%
Total Special Schools	148	166	187	159	209	180	184	184	175	265	264	100.38%
Total All Schools	37,730	38,584	38,968	39,348	39,562	39,995	40,264	40,203	40,294	40,212	39,694	101.30%

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

Enrollment by Grade Last Ten Years

	September 30,									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Elementary School:										
Preschool	171	146	89	76	84	66	80	86	83	66
Prekindergarten	611	708	737	799	829	827	836	811	849	825
Kindergarten	2,888	2,888	2,736	2,789	2,716	2,804	2,796	2,721	2,653	2,811
Grade 1	3,216	3,067	3,068	2,886	2,963	2,867	2,944	2,948	2,908	2,778
2	3,037	3,227	3,014	3,047	2,814	2,960	2,879	2,904	2,953	2,907
3	2,994	3,039	3,227	3,017	3,062	2,880	3,025	2,923	2,937	2,964
4	2,962	3,022	3,074	3,265	3,072	3,115	2,932	3,068	3,006	2,971
5	<u>3,014</u>	<u>2,985</u>	<u>3,038</u>	<u>3,137</u>	<u>3,292</u>	<u>3,105</u>	<u>3,106</u>	<u>2,978</u>	<u>3,139</u>	<u>3,042</u>
Total Elementary Schoc	<u>18,893</u>	<u>19,082</u>	<u>18,983</u>	<u>19,016</u>	<u>18,832</u>	<u>18,624</u>	<u>18,598</u>	<u>18,439</u>	<u>18,528</u>	<u>18,364</u>
Middle School:										
Grade 6	2,932	3,018	2,994	3,065	3,223	3,305	3,139	3,113	2,983	3,090
7	2,928	2,958	3,062	3,036	3,042	3,268	3,331	3,200	3,137	3,010
8	<u>2,817</u>	<u>2,958</u>	<u>2,940</u>	<u>3,070</u>	<u>3,051</u>	<u>3,079</u>	<u>3,315</u>	<u>3,311</u>	<u>3,249</u>	<u>3,189</u>
Total Middle School	<u>8,677</u>	<u>8,934</u>	<u>8,996</u>	<u>9,171</u>	<u>9,316</u>	<u>9,652</u>	<u>9,785</u>	<u>9,624</u>	<u>9,369</u>	<u>9,289</u>
High School:										
Grade 9	3,024	2,998	3,138	3,164	3,295	3,119	3,214	3,456	3,640	3,508
10	2,571	2,742	2,686	2,780	2,850	3,105	3,007	2,987	3,071	3,220
11	2,305	2,428	2,614	2,553	2,615	2,759	2,792	2,734	2,825	2,931
12	<u>2,070</u>	<u>2,226</u>	<u>2,355</u>	<u>2,478</u>	<u>2,443</u>	<u>2,520</u>	<u>2,629</u>	<u>2,734</u>	<u>2,703</u>	<u>2,748</u>
Total High School	<u>9,970</u>	<u>10,394</u>	<u>10,793</u>	<u>10,975</u>	<u>11,203</u>	<u>11,503</u>	<u>11,642</u>	<u>11,911</u>	<u>12,239</u>	<u>12,407</u>
Special Education	<u>190</u>	<u>174</u>	<u>196</u>	<u>186</u>	<u>211</u>	<u>216</u>	<u>239</u>	<u>229</u>	<u>158</u>	<u>152</u>
Total Enrollment	<u>37,730</u>	<u>38,584</u>	<u>38,968</u>	<u>39,348</u>	<u>39,562</u>	<u>39,995</u>	<u>40,264</u>	<u>40,203</u>	<u>40,294</u>	<u>40,212</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

Fiscal Year	Per Pupil Expenditures*		Number of School Bus Riders***	Food Services****	
	Dollars	State Rank**		Breakfasts Served	Lunches Served
1997	6,132	18	31,965	431,377	2,458,593
1998	6,225	24	32,188	459,650	2,472,767
1999	6,396	23	33,504	427,627	2,501,839
2000	6,532	23	33,140	397,346	2,385,171
2001	6,962	23	32,952	444,326	2,485,410
2002	7,312	23	33,850	501,288	2,626,581
2003	7,304	24	33,720	516,174	2,683,060
2004	7,655	24	34,140	632,276	2,947,239
2005	7,816	24	35,119	707,951	3,378,561
2006	not available		35,891	791,792	3,527,756

* Source: Maryland State Department of Education

** Ranking of the State's 24 school systems

Harford County Public Schools

Student Academic Performance 2006 Test Results

		<u>Harford</u>	<u>State</u>	<u>Nation</u>		<u>Harford</u>	<u>State</u>	<u>Nation</u>	
Scholastic Assessment Test (SAT)					High School Assessments (HSA)				
	<u>Average Score</u>					<u>Percent Passing</u>			
	Verbal	509	503	503	English I	61.3%	60.1%	not applicable	
	Math	523	509	518	Biology	68.7%	67.8%		
					Government	78.4%	74.2%		
					Algebra	72.8%	66.6%		
Maryland School Assessments (MSA)									
		<u>Percent Passing</u>				<u>Percent Passing</u>			
	Reading			not applicable	Math			not applicable	
Grade 3	Advanced	13.3%	15.1%		Advanced	24.9%	24.8%		
	Proficient	68.0%	63.2%		Proficient	60.4%	54.3%		
	Basic*	18.8%	21.7%		Basic*	14.6%	20.9%		
Grade 4	Advanced	26.5%	23.2%		Advanced	32.0%	32.2%		
	Proficient	63.1%	58.6%		Proficient	54.8%	49.9%		
	Basic*	10.4%	18.2%		Basic*	13.2%	17.9%		
Grade 5	Advanced	40.0%	33.7%		Advanced	16.4%	19.2%		
	Proficient	43.8%	42.9%		Proficient	61.4%	54.2%		
	Basic*	16.3%	23.4%		Basic*	22.2%	26.6%		
Grade 6	Advanced	36.6%	34.2%		Advanced	18.7%	18.7%		
	Proficient	41.6%	37.7%		Proficient	50.7%	46.9%		
	Basic*	21.8%	28.2%		Basic*	30.7%	34.3%		
Grade 7	Advanced	33.3%	26.1%		Advanced	14.5%	15.9%		
	Proficient	49.0%	45.0%		Proficient	49.9%	44.2%		
	Basic*	17.7%	28.9%		Basic*	35.6%	39.9%		
Grade 8	Advanced	30.9%	24.0%	Advanced	24.8%	22.5%			
	Proficient	46.5%	43.0%	Proficient	36.5%	32.5%			
	Basic*	22.6%	33.0%	Basic*	38.7%	44.9%			
English 2	Advanced	20.5%	24.0%						
	Proficient	40.8%	36.1%						
	Basic*	38.7%	39.9%						

Source: Office of Accountability, HCPS

Insurance SummaryFY2006

Type of Coverage	Name of Company	Policy Number	Policy Period	Limits
Workers Compensation	MABE Group Self-Insurance Fund	N/A	7/1/05-6/30/06	Statutory up to \$400,000
Excess Workers Compensation	Safety National	SP8202 MD	7/1/05-6/30/06	Statutory excess of \$400,000
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/1/05-6/30/06	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Liability	MABE Group Insurance Pool	N/A	7/1/05-6/30/06	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	N/A	7/1/05-6/30/06	\$100,000 combined single limit \$1 million combined single limit for Bus Contractors
Excess School Bus Liability	Lexington Insurance Company	1507669	07/1/05-7/1/06	\$1 million excess of \$1 million **Contracted buses only
Personal Injury Protection	MABE Group Insurance Pool	N/A	7/1/05-6/30/06	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/1/05-6/30/06	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	N/A	7/1/05-6/30/06	\$100,000 per loss
Criminal Proceeding and Intentional Conduct Defense Reimbursement	MABE Group Insurance Pool	N/A	7/1/05-6/30/06	\$25,000 per covered person \$50,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/1/05-6/30/06	\$500,000 per occurrence
Excess Property and Boiler and Machinery	PEPIP	PEPIP0506	7/01/05-6/30/06	\$1,000,000,000 per occurrence excess of \$500,000
Crime	St. Paul	103910757	7/1/04-9/01/06	\$2,500,000 per occurrence
School Board Legal Liability	MABE Group Insurance Pool	N/A	7/1/05-6/30/06	\$250,000 per occurrence \$5 million per occurrence should sovereign immunity be abrogated
Catastrophic Student Accident	AIG	SRG 0009100979	8/01/05-8/01/06	\$5,000,000 Medical Expense \$1,000,000 Catastrophic Cash \$1,000,000 Catastrophic Cash

Source: Office of Risk Management



Ashley Thorn, Joppatowne Elementary School, Grade 4



Daniel Tamaya, Bel Air Middle School, Grade 6