

Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2012



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



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

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

2011-2012 Board of Education of Harford County



PICTURED:

Dr. Robert M. Tomback, Francis F. “Rick” Grambo, III, Joseph A. Hau, James D. Thornton, Robert L. Frisch, Cassandra R. Beverley, Esq., Dr. Leonard D. Wheeler, Nancy Reynolds, Ronald Browning*, Alysson L. Krchnavy and Anthony B. Cofrancesco.

*No longer serving

COVER

LEFT: The Bel Air High School National Art Honor Society students recently presented their exceptionally beautiful mural to a very surprised Assistant Chief Donald W. Heinbuch of the Baltimore City Fire Department, a real-life hero. Volunteer service promotes personal growth, team work, responsibility and discipline. However, these students also learned a lot more during this project, like the dangerous and rewarding career of a fireman. The project was a powerful and rewarding experience for the students involved.

RIGHT: The third annual summer camp for English Language Learners (ELL) was held June 18-22 at Harford Glen. The Helping English Language Learners Outreach (H.E.L.L.O) Camp was conceived as a way to provide authentic, real-world experiences for ELLs entering third, fourth and fifth grades, and to give these students opportunities to practice speaking, listening, reading and writing in the English language. With the move to Harford Glen last year, the Camp has allowed young ELLs the chance to interact with the natural world, and the objectives have expanded to include many of the same goals as the Glen itself; including environmental awareness and responsible stewardship of natural resources.

This year’s campers consisted of 35 youngsters originating from such far-flung places as Zambia and Uzbekistan, in addition to many European and Latin American countries. They spoke more than half a dozen different languages and dialects, but English was reinforced as the common language of all. Among the many activities, including hiking, fishing, and stream exploration, the young campers were treated to a presentation by a beekeeper: Jarrettsville Elementary’s own Mr. Dennis Hertzog, who gave the students an up-close look at a beehive. The good folks from the Susquehannock Wildlife Society, led by Scott McDaniel, explained the importance of reptiles, and let the campers hold a live snake! As always, the crew from Harford County Parks and Recreation did an outstanding job teaching co-operation and teamwork on the ropes course.

The camp experience was improved exponentially by our nine camp counselors, all of them HCPS high school students or recent graduates. The staff of Harford Glen, especially Mr. Chris Burley, provided valuable assistance. All in all, it was a great week and a great experience for the multi-lingual campers.

Cover design by Denée Crumrine, Graphic Design & Technical Specialist, HCPS Communications Office.



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For the Fiscal Year ended June 30, 2012

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Prepared by the Division of Business Services
Finance Department

102 South Hickory Avenue
Bel Air, Maryland 21014

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, marital status, genetic identification, political affiliation, or disability in matters affecting employment or in providing access to programs to employees. Inquiries related to the policies of the Board of Education of Harford County should be directed to the Manager of Communications, 410-588-5203.

Harford County Public Schools

Student Contributors for Pictures:

<u>Student</u>	<u>Grade</u>	<u>School</u>	<u>Page</u>
Sabrina Creel	10	Aberdeen High school	1
Katerina Lomis	4	Homestead Wakefield Elementary School	4
Kirsten McDonough	6	Bel Air Middle School	5
Christian Moriarty	7	Fallston Middle School	14
Zymeir Williams	K	William Paca Old Post Road Elementary School	29
Keynilie Pagan-Davila	8	Havre de Grace Middle School	59
Kristen Bascom	9	Harford Technical High School	60
Kaleb Whiteford	8	Edgewood Middle School	62
Kameron Lewis	2	Magnolia Elementary School	62
Noah Howerton	6	North Harford Middle School	69
Megan Huth	12	Havre de Grace High School	70
Aubrey Coughlin	10	C. Milton Wright High School	85
Khazmere Gibbons	5	Joppatowne Elementary School	85
Maurice Brown	2	Prospect Mill Elementary School	87
Austin Tracey	11	Bel Air High School	87



**Sabrina Creel, Grade 10, Aberdeen High School
Teacher: Rick Morris**

Harford County Public Schools

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Harford County Public Schools

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Introductory Section



**Katerina Lomis, Grade 4, Homestead Wakefield Elementary School
Teacher: Jennifer Byrne**

Harford County Public Schools

Vision

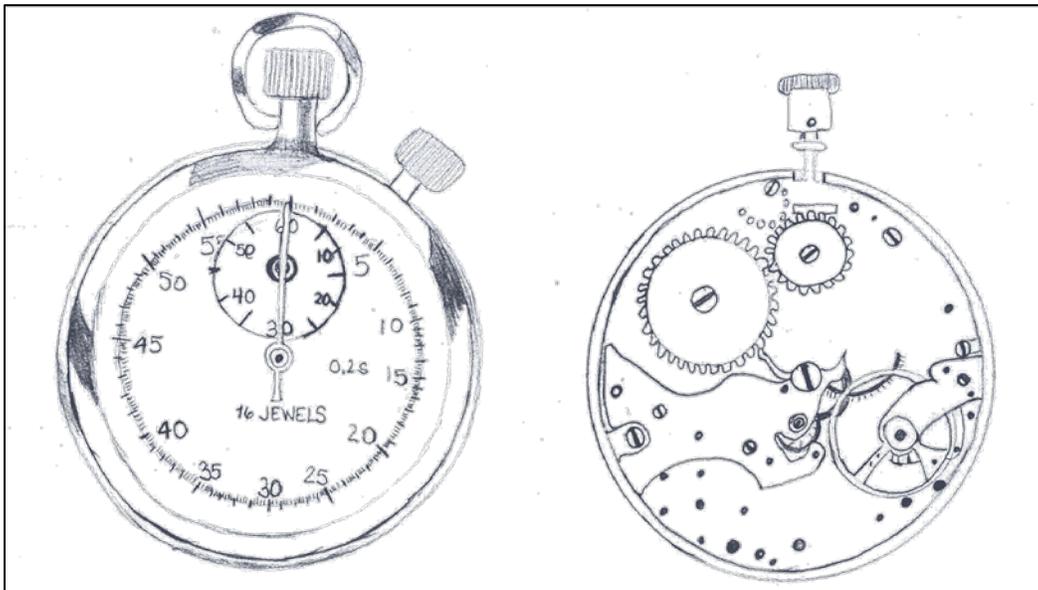
Harford County Public Schools will be a community of learners in which our public schools, families, public officials, businesses, community organizations, and other citizens work collaboratively to prepare all of our students to succeed academically and socially in a diverse, democratic, change-oriented,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

Mission

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

Goals

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



**Kirsten McDonough, Grade 6, Bel Air Middle School
Teacher: Claire Parker**

Board of Education of Harford County

The members of the Board as of June 30, 2012, their represented areas, and expiration of their terms are as follows:

<u>Title</u>	<u>Name</u>	<u>Representation</u>	<u>Term Ends</u>
President	Leonard D. Wheeler, Ed. D.	Appointed Member-at-Large	2013
Vice-President	Francis F. "Rick" Grambo, III	Councilmanic District D	2015
Other members	Robert L. Frisch	Councilmanic District A	2015
	James D. Thornton	Appointed Member-at-Large	2015
	Cassandra R. Beverley, Esq.	Councilmanic District B	2015
	Nancy Reynolds	Appointed Member-at-Large	2015
	Alysson L. Krchnavy	Appointed Member-at-Large	2013
	Joseph A. Hau	Appointed Member-at-Large	2015
	Student member	Anthony B. Cofrancesco	

Effective July 1, 2009, legislation changed the Board of Education of Harford County from a fully appointed Board to an elected-appointed Board consisting of six elected members and three members appointed by the Governor of the State of Maryland for four-year terms to be phased in over a period of time. For details on Senate Bill 629, visit mlis.state.md.us. In addition, there is a student representative to the Board who serves a one-year term while a high school senior. The student is elected by the Harford County Regional Association of Student Councils.

Administration as of June 30, 2012

Robert M. Tomback, Ph.D.
Superintendent

Patrick P. Spicer, Esquire
General Counsel

Joseph P. Licata
Chief of Administration

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

Cornell S. Brown, Jr.
Assistant Superintendent for Operations

Jean A. Mantegna
Assistant Superintendent for Human Resources

James M. Jewell
Assistant Superintendent for Business Services

Edward B. Fields, III
Director of Budget

Patti Jo Beard
Executive Director of Facilities Management

Stephen C. Lentowski
Director of Student Services

Linda J. Chamberlin
Executive Director of Elementary School Performance

H. Andrew Moore, II
Director of Information and Technology

Barbara P. Canavan
Executive Director of Middle School Performance

Charles L. Taibi
Director of Transportation

Joseph A. Schmitz
Executive Director of High School Performance

John G. Staab
Director of Finance

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

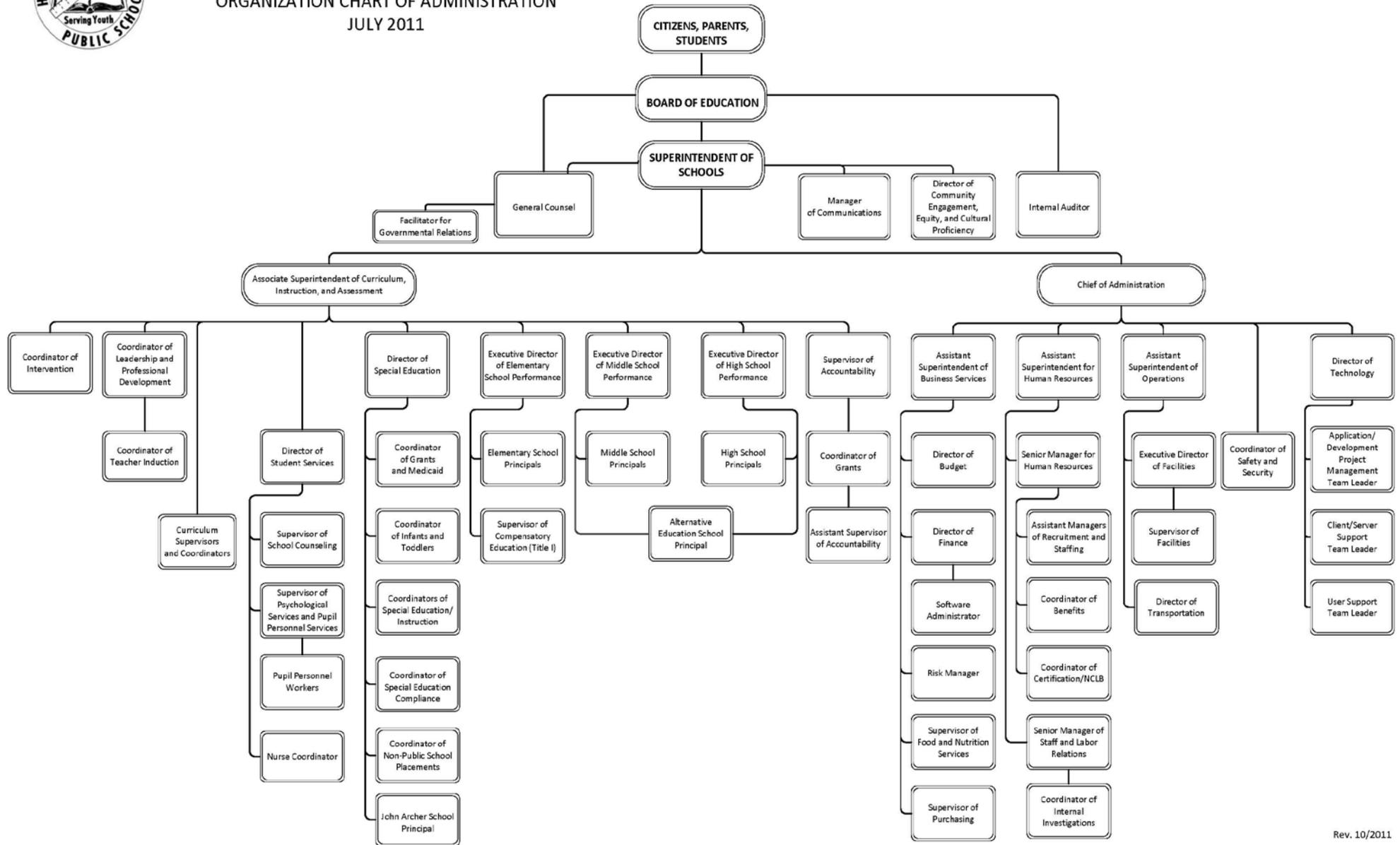
Ann-Marie Spakowski
Director of Special Education



HARFORD COUNTY PUBLIC SCHOOLS

ORGANIZATION CHART OF ADMINISTRATION

JULY 2011



September 30, 2012

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, 2012.

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

SB & Company, LLC, a firm of licensed certified public accountants, have issued an unqualified (“clean”) opinion on Harford County Public Schools (HCPS) financial statements for the fiscal year ended June 30, 2012. The independent public accountants’ report is located at the front of the financial section of this report.

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

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

Profile of the Government

HCPS is a component unit of Harford County Government and financial statements and footnotes will be included in the Harford County Government Comprehensive Annual Financial Report. Harford County Public Schools (HCPS) is a fiscally dependent school system with an

actual enrollment of 38,222 students in fiscal 2012. HCPS is the 140th largest school system of the 17,735 regular school districts in the country when ranked by enrollment.¹ This places HCPS in the top one percent of school districts by size. There are 24 school districts in the State of Maryland and HCPS is ranked 8th in size. The student body will be served by a projected 5,370.0 FTE faculty and staff positions for fiscal 2013.

With the opening of new Red Pump Elementary School in August 2011, Harford County now has 54 public schools and 47 non-public schools² located within the County. Citizens in the County have a choice of public or private schools. 38,222 students attend public schools. The number of students attending private schools is unknown. The 2011 estimated population of Harford County was 246,489³. According to the U.S. Census Bureau, the school-age population in 2011 was 44,614, of which 38,222 or 85.6% attended public schools. School enrollment was 35,963 in 1994 and reached a peak of 40,294 in 2006.

County Government perspective on local economy⁴

There continues to be a tremendous amount of uncertainty regarding the national economy in the immediate and long-term. The federal government has been a positive influence on Maryland and Harford County during the most recent recession. The Base Realignment and Closure (BRAC) process ended in September 2011. Harford County experienced a 2.8 percent increase in employment from June 2010 to June 2011 and wages jumped 8.8 percent from the second quarter of 2010 to the second quarter of 2011. The percent increase in average weekly wages was 5.8 percent greater than the US average for the same period. Harford County's economic outlook into fiscal year 2013 appears stable due to sound fiscal management policies and a history of financial conservatism.

The revenue outlook for fiscal year 2012 remained challenging while preparing the fiscal year 2013 budget. Cuts in State funding to the County, and increased mandates from the State and Federal governments to local jurisdictions played a major influence in the budget revenue estimates. The revenue outlook for fiscal year 2013 is guarded. The County has major concerns about the global economy, the housing market and an unclear picture of both Federal and State finances and their impact on local subdivisions. For a fourth consecutive year, the fiscal year 2013 budget had no pay raises or COLAs for County employees. The County property tax rate did not increase over the fiscal year 2012 rates and for the second time in the County's history fell below the Constant Yield.

The County's largest revenue source remains real property taxes in spite of recent declines in the real estate market. The fiscal year 2012 taxable assessable base resulted in a decrease over the fiscal year 2011 assessable base of 4.6 percent. The assessable base growth rate is expected to decline to a negative 1.3 percent in fiscal year 2013. The reduction in property tax revenue as a

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

² Maryland State Department of Education Fact Book for the Fiscal Year 2010-2011.

³ U.S. Census Bureau.

⁴ Printed with the approval of the Harford County Government Treasury Department. Excerpt from the Harford County Government CAFR for the year ended June 30, 2012.

result of the declining assessable base will be offset in large part by the reduction in the Homestead Tax Credit. General Fund property tax revenues net of credits are estimated to decrease by 0.5 percent from fiscal year 2012 to fiscal year 2013.

Income tax revenue, the second largest revenue source in the County, which is directly affected by population growth, employment levels and personal income, showed steady growth through fiscal year 2008. Starting in fiscal year 2009 income tax revenues declined. That trend reversed itself in fiscal year 2011 and 2012 with an 8.0 percent increase and 7.6 percent increase of income tax revenue over the prior year using the modified accrual basis of accounting. Modified accrual basis of accounting requires recorded revenue to be received within sixty days of year end. Income tax is budgeted at \$175 million for fiscal year 2013, a 3 percent increase from 2012 actual income tax revenue.

The County must also contend with reductions in revenues tied to the State and affected by Maryland's budget shortfalls. The most significant revenue reductions have been Highway User tax revenue. There has been a 94 percent reduction in Highway User revenue from fiscal year 2009 through fiscal year 2012 with no sign of a recovery to 2009 revenue levels going forward. A Special Session of the Maryland General Assembly in May, 2012 passed legislation shifting 50% of the teacher's pension costs to the local subdivisions for Fiscal Year 2013. The transfer of pension costs will be phased in over a four year period, with Harford County assuming 100 percent of the liability in fiscal year 2016. Harford County's share of teacher's pension liability for fiscal year 2013 is \$5,529,741.

Long-term financial planning

In 2002, the State legislature enacted the Bridge to Excellence in Public Schools Act. This law initiated major changes in the State financing of local schools in an effort to achieve both funding equity and adequacy between Maryland's 24 school districts. The law achieved its promise of an increase in State funding to public education of \$1.3 billion over six years. However, the governor of Maryland convened a special session of the Maryland General Assembly in October 2007 to reduce the projected \$1.5 billion state structural deficit. During the special session, increases in taxes were approved and planned funding increases for public education were curtailed through FY 2012. As a result, increases in State Aid to the Unrestricted Budget will be at a maximum growth of 1% over next year.

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

In the General Assembly Session of 2012, the State changed the Maintenance of Effort Law clearly defining the minimum local government funding. This change could affect future County contribution to education.

Relevant financial policies

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

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

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

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, 2011. This was the eighth consecutive year that the school system has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a school system must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, HCPS also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the Year Beginning July 1, 2011. 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.

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

Sincerely,



Robert M. Tomback, Ph.D.
Superintendent



James M. Jewell, CPA, CPFA
Assistant Superintendent



John G. Staab, CPA
Finance Director

JMJ/MJP

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, 2011

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.



Linda C. Sandison

President

Jeffrey R. Enev

Executive Director

Financial Section



**Christian Moriarty, Grade 7, Fallston Middle School
Teacher: Susan Hopkins**



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

Report of Independent Public Accountants

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools, a component unit of Harford County, Maryland as of June 30, 2012, and for the year then ended, 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 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 as of June 30, 2012, and the changes in its financial position and the statement of revenues and 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 issued our report dated September 17, 2012 on our consideration of 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 the 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary comparison be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harford County Public Schools' basic financial statements. The accompanying school construction fund schedule of expenditures by project, agency fund schedule of increases, decreases and fund balances and combining statement of fiduciary net assets-Agency Funds, and combining statement of changes in assets and liabilities- Agency Funds (collectively, the Statements) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harford County Public Schools' basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Hunt Valley, MD
September 17, 2012

SB & Company, LLC

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2012

As Management of the Harford County Public Schools (HCPS), we offer readers of the HCPS financial statements this narrative overview and analysis of the financial activities of HCPS for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 8-12 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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

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

Financial Highlights

- The assets for Harford County Public Schools exceeded its liabilities at the close of the most recent fiscal year by \$452.6 million. Net assets at June 30, 2011 were \$460.0 million and decreased slightly by \$7.4 million for the year ended June 30, 2012.
- The final unrestricted General Fund budget increased by \$8.1 million or 1.89% during the year from the originally adopted budget.
- The General Fund unrestricted, unassigned fund balance on a budgetary basis increased from \$6,096,029 to \$6,138,961, an increase of \$42,932 which was the product of spending containment strategies. Accumulating fund balance was also a strategic decision to prepare for additional funding reductions or cost shifting by the state government.
- The unrestricted General Fund actual revenues were less than the final budget by \$38,302 or (0.0088%), and expenditures were \$8,231,234, or (1.89%), under the final budget.
- The HCPS total liabilities increased by \$9.4 million during the current fiscal year. The key factors in this change were the decrease in current liabilities of \$7.75 million and the increase of \$17.1 million in the noncurrent liabilities OPEB Obligation.

Overview of the Financial Statements

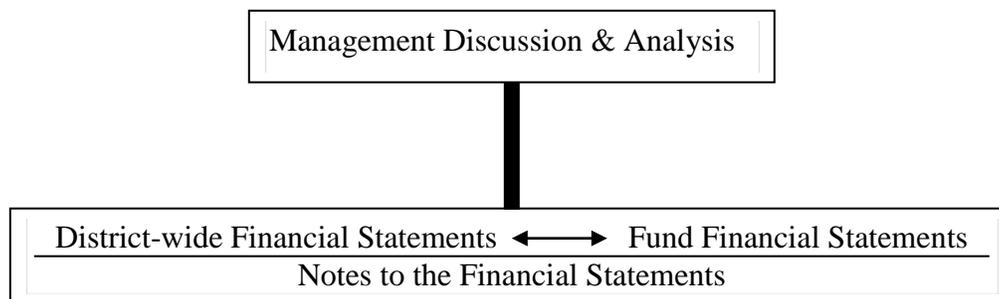
This discussion and analysis are intended to serve as an introduction to the Harford County Public Schools basic financial statements.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2012

Basic Financial Statements



The illustration above represents the minimum requirements for the basic external financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The *statement of net assets* presents information on all of the assets and liabilities of HCPS with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of HCPS is improving or deteriorating. The *statement of activities* presents information showing how HCPS' net 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 grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Harford County Public Schools uses fund accounting to ensure and demonstrate compliance with finance-related requirements. HCPS' funds are in two categories, governmental funds and fiduciary funds. Harford County Public Schools does not operate any enterprise activities that are reported as proprietary funds.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2012

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

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

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

Budgetary presentation of individual fund financial information utilizing the current financial resources measurement focus and the budgetary basis of accounting are presented as part of the fund financial statements as well. In these statements, available cash flows of HCPS itself are measured as well as the commitment to acquire goods or services with that cash. Open encumbrances at year-end are included in the expenditures.

This is the legal basis upon which the budget is adopted so budget comparisons are provided. GASB Statement 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 – Retiree Health Plan Trust, Scholarship, and School Activity Funds (Exhibit 8). HCPS is the trustee, or fiduciary, for its retiree health plan trust, scholarship, and school activity funds. These funds are reported as separate agency and trust funds. We exclude these activities from Harford County Public Schools' other financial statements because the assets cannot be used to finance HCPS' activities. We are responsible for ensuring that the assets reported in these Funds are used for their intended purposes.

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, 2012

District-wide Financial Analysis

Net assets over time may serve as a useful indicator of a district's financial position. In the case of HCPS, assets exceeded liabilities by \$452.6 million at the close of the fiscal year, which represents a decrease from the prior year of \$7.4 million. Although capital assets increased by \$8.0 million, the results of operations for the year were diminished by increasing liabilities associated with other post-employment benefits (OPEB).

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

HCPS' net assets as of June 30, 2012, are illustrated in the below table and Exhibit 2.

Harford County Public Schools Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 47,663,667	\$ 53,748,445	\$ (6,084,778)	-11.32%
Capital assets	578,887,101	570,807,038	8,080,063	1.42%
Total assets	<u>626,550,768</u>	<u>624,555,483</u>	<u>1,995,285</u>	<u>0.32%</u>
Current and other liabilities	8,409,531	16,158,505	(7,748,974)	-47.96%
Long-term liabilities	165,523,299	148,378,114	17,145,185	11.56%
Total liabilities	<u>173,932,830</u>	<u>164,536,619</u>	<u>9,396,211</u>	<u>5.71%</u>
Net assets				
Capital assets	568,870,454	560,834,110	8,036,344	1.43%
Restricted assets	11,834,170	9,862,937	1,971,233	19.99%
Unrestricted	(128,086,686)	(110,678,183)	(17,408,503)	15.73%
Total net assets	<u>\$ 452,617,938</u>	<u>\$ 460,018,864</u>	<u>\$ (7,400,926)</u>	<u>-1.61%</u>

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

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The unrestricted deficit at June 30, 2012 of \$128.0 million is the result of reducing the fund balance from the General Fund (Exhibit 3) of \$25.8 million by the compensated absences long-term liabilities of \$26.47 million and other post-employment benefits of \$127.4 million. 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, 2012. A total of \$28.0 million exists at June 30, 2012 with \$4.8 million due within one year. The amount attributable to vacation leave is \$4.2 million and \$23.9 million for sick leave. Historically, this liability was funded on a "pay-as-you-go" basis from available current financial resources. This method is expected to continue. The remaining \$10.0 million long-term liability balance represents our obligations under the capital lease for the construction of the administration building.

Results of operations for HCPS as a whole are presented in Exhibit 2, the Statement of Activities. Approximately \$543.9 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. \$377.5 million in expenses were paid using other general revenue sources not specifically attributed to a function or program.

The Food Services program is designed to be self-funded. Allocation of program revenues to expenses produced a net gain for this program.

Harford County Public Schools Statement of Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>% Net Cost to Total</u>
Instruction	\$371,555,181	\$246,405,711	66.32%
Pupil personnel	2,322,350	2,163,913	93.18%
Health services	5,254,923	5,254,923	100.00%
Pupil transportation	37,331,566	25,449,424	68.17%
Operation and maintenance of plant	57,256,239	49,297,768	86.10%
Food services	15,829,476	151,063	0.95%
All others	54,305,442	48,801,826	89.87%
Total	<u><u>\$543,855,177</u></u>	<u><u>\$377,524,628</u></u>	<u><u>69.42%</u></u>
<u>All others</u>			
Administration	\$16,113,511	\$14,540,200	90.24%
Mid-level administration	37,070,005	33,496,099	90.36%
Community services	420,776	64,377	15.30%
Depreciation - unallocated	85,824	85,824	100.00%
Interest on debt	615,326	615,326	100.00%
Total	<u><u>\$54,305,442</u></u>	<u><u>\$48,801,826</u></u>	<u><u>89.87%</u></u>

The above table summarizes the district-wide cost of services for each program or function. About 87.10% of the total costs of services are directly related to students' instruction and

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2012

welfare. Of the remaining 12.90%, all but about 3.64% is used for the direct administration of schools and instructional support. It is important to note that in this report format, costs for employee benefits and depreciation on fixed assets are allocated to the appropriate program or function.

Total revenues decreased by 2.46% from the prior year, as shown in the table below. This decrease is attributable to decreases in operating grants as well as decreases in contributions and capital grants and contributions. HCPS is fiscally dependent on local and state aid to fund its daily operations. State aid is largely formula driven based on student population and wealth. Local revenue, provided by the Harford County Government, is dependent upon the economic condition of the County. However, the education statute requires a minimum level of funding equal to the prior year's per pupil contribution times the current year projected enrollment. Most of the operating grant funding is from the State and County governments as well.

Expenses decreased by 0.85%. The bulk of the decrease, in terms of dollars, occurred in the instruction categories reflecting decreased costs from lower operating costs for school-based positions.

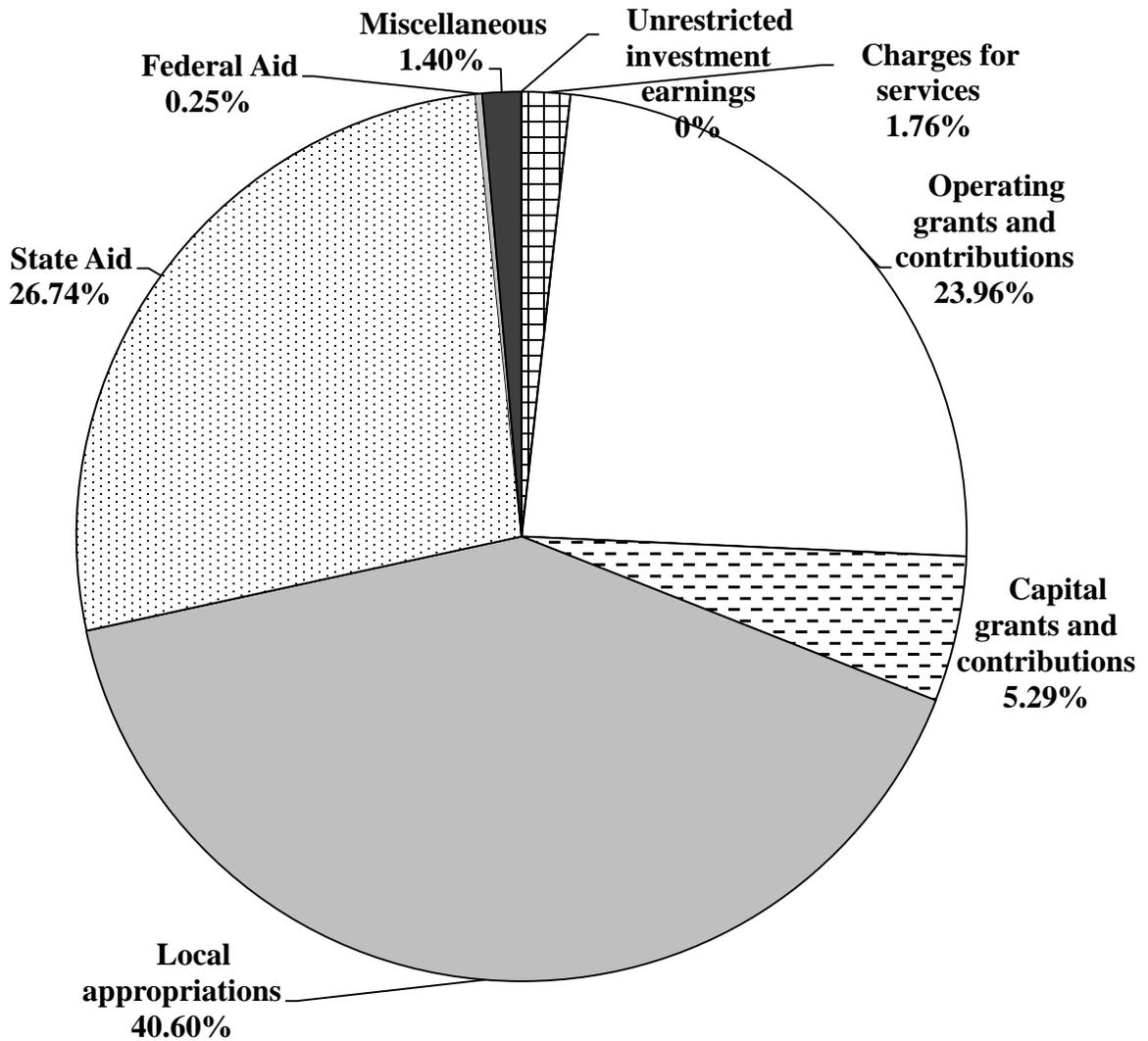
Harford County Public Schools Change in Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Revenues		
Charges for services	\$ 9,694,002	\$ 9,420,543
Operating grants and contributions	136,195,979	128,526,812
Capital grants and contributions	47,666,945	28,383,194
Local appropriations	211,067,388	217,782,344
State aid	140,638,081	143,455,592
Federal aid	695,554	1,345,207
Miscellaneous	3,960,060	7,507,665
Unrestricted investment earnings	43,075	32,894
Total revenues	<u>549,961,084</u>	<u>536,454,251</u>
Expenses		
Instruction	383,639,311	371,555,181
Administration	15,340,652	16,113,511
Mid-level administration	36,620,721	37,070,005
Pupil personnel services	2,222,690	2,322,350
Health services	4,849,562	5,254,923
Pupil transportation	35,423,950	37,331,566
Operation of plant	38,716,053	40,267,000
Maintenance of plant and equipment	15,789,251	16,989,239
Community services	451,022	420,776
Food services	14,848,019	15,829,476
Interest on long-term debt	512,108	615,326
Depreciation - unallocated	87,419	85,824
Total expenses	<u>548,500,758</u>	<u>543,855,177</u>
Change in Net Assets	<u>1,460,326</u>	<u>(7,400,926)</u>
Net assets - beginning of year	<u>458,558,538</u>	<u>460,018,864</u>
Net assets - end of year	<u>\$ 460,018,864</u>	<u>\$ 452,617,938</u>

Harford County Public Schools

Management's Discussion and Analysis (MD&A)
June 30, 2012

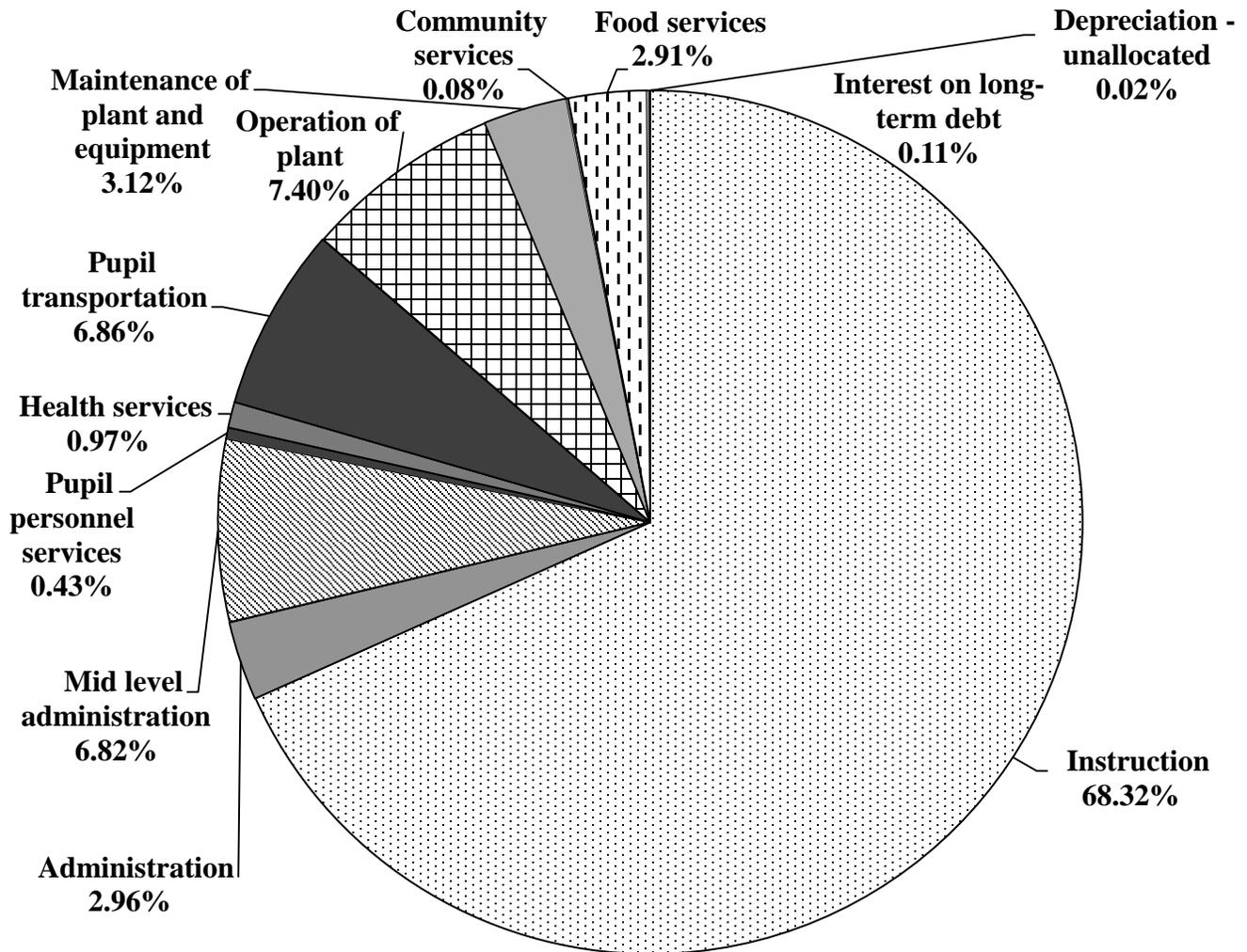
Sources of Revenues for Fiscal Year Ended June 30, 2012



Harford County Public Schools

Management's Discussion and Analysis (MD&A)
June 30, 2012

Expenses for the Fiscal Year Ended June 30, 2012



Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2012

Fund Performance

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

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

General Fund - Unrestricted (Exhibit 7)

Changes made to the original budget during the fiscal year were supplemental appropriations for funding Other Post-Employment Benefits (OPEB) Trust Fund and one-time bonus payments to employees. Inter-categorical transfers were made from fixed charges to cover additional expenses of materials of instruction, instructional equipment, and pupil personnel expenses.

	Original Budget	Additions	Reductions	Total Change	Final Budget
REVENUE					
Local	\$ 214,291,627	\$ 3,476,660	\$ -	\$ 3,476,660	\$ 217,768,287
State	201,731,181	-	-	-	201,731,181
Federal	650,000	891,977	-	891,977	1,541,977
Earnings on investments	40,000	-	-	-	40,000
Other sources	2,524,958	2,484,014	-	2,484,014	5,008,972
Prior year's fund balance	8,294,472	1,258,979	-	1,258,979	9,553,451
Total revenues	\$ 427,532,238	\$ 8,111,630	\$ -	\$ 8,111,630	\$ 435,643,868
EXPENDITURES					
Administration	\$ 11,339,841	\$ 75,625	\$ -	\$ 75,625	\$ 11,415,466
Mid-level administration	25,560,814	226,677	-	226,677	25,787,491
Instructional salaries	164,129,127	1,768,001	-	1,768,001	165,897,128
Textbooks	7,959,288	300,000	-	300,000	8,259,288
Other instructional costs	3,089,001	200,000	-	200,000	3,289,001
Special education	40,674,641	663,020	-	663,020	41,337,661
Student personnel services	1,625,336	65,000	-	65,000	1,690,336
Student health services	3,348,164	44,688	-	44,688	3,392,852
Student transportation	30,929,541	132,588	-	132,588	31,062,129
Operation of plant	29,454,477	214,688	-	214,688	29,669,165
Maintenance of plant	12,595,972	80,000	-	80,000	12,675,972
Fixed charges	95,928,328	4,890,718	(550,000)	4,340,718	100,269,046
Community services	520,473	625	-	625	521,098
Capital outlay	377,235	-	-	-	377,235
Total expenditures	\$ 427,532,238	\$ 8,661,630	\$ (550,000)	\$ 8,111,630	\$ 435,643,868

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2012

It is critical for the reader to understand that local and state revenues account for 96.23% of the total General Fund unrestricted revenue. Until recently, both have been stable and highly predictable. In the past few years, as state and local revenues declined with the general condition of the economy, mid-year legislative and executive initiatives resulted in the reduction of revenues.

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

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

Health/Dental Insurance rebates & settlements	\$1,370,919
Medicare Part D*	1,000,008
Other Miscellaneous	1,528,158

*Part of the Contribution to the OPEB Investment Trust Fund appropriated for FY12

Always frugal, over the past two years hiring, conference, and other expenditure restrictions implemented early in the fiscal year helped achieve spending 1.89% below budget in FY12.

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

At June 30, 2012, HCPS had over \$728.0 million invested in a broad range of capital assets including land (over 1,891 acres), buildings (over 6.175 million square feet) and improvements, furniture, vehicles and other equipment. Capital assets increased by just over \$20.5 million from the same time last year, excluding the effect of depreciation as shown in the table below.

	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>\$ Change</u>	<u>% Change</u>
Construction in progress	\$ 139,089,104	\$ 119,955,865	\$ (19,133,239)	-13.76%
School properties	536,382,485	573,025,303	36,642,818	6.83%
Furniture, fixtures and equipment	32,046,680	35,080,258	3,033,578	9.47%
Total capital assets	<u>\$ 707,518,269</u>	<u>\$ 728,061,426</u>	<u>\$ 20,543,157</u>	<u>2.90%</u>

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2012

School districts in Maryland are in the uncommon position of owning assets but not the debt associated with those facilities as they are fully fiscally dependent on the state and county governments. Accordingly, HCPS carries no bond rating, but has an approved debt policy for lease transactions. HCPS refinanced the capital lease for the Administration Building from an interest rate of 4.974% to lower rate of 3.27%, resulting in a savings of \$1,146,908 in the remaining term of the debt and did not extend the term of the debt.

Current 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, the act 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.

Future Issues

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 non-pension benefits. Collectively, these benefits are commonly referred to as *other postemployment benefits*, or *OPEB*.

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

Federal grant programs, notably Education Jobs program, are further clouding the fiscal picture. While the additional funds were welcome, restrictions on their use and the intended purpose of preserving classroom teaching positions are less applicable at HCPS than in other parts of the nation. We have reduced the workforce in FY 2012 and FY 2013.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2012

The continuing escalation and unpredictability of energy costs remains a vexing problem for this and all other districts. By action of the Board a \$915,000 assignment of fund balance was set aside for future energy costs to offset whatever future unanticipated costs will arise.

HCPS has not escaped the souring economy. As the State continues to experience reductions in revenue, a source of relief for the State is passing costs off to local government and Boards of Education. Of greatest concern are State actions to modify the maintenance of effort calculation statutorily required by County governments to fund their local school systems, and the transfer of some part of teacher pension costs previously paid directly by the State. Starting July 2012, the State transferred part of the teacher pension cost to the local Boards of Education and mandated county governments to fund that cost.

Contacting Harford County Public Schools' Financial Management

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

If you have questions about this report or wish to request additional financial information, contact James M. Jewell, Assistant Superintendent of Business Services at (410) 588-5321 or John G. Staab, Director of Finance at (410) 588-5237, or at Harford County Public Schools, Business Services, 102 South Hickory Avenue, Bel Air, Maryland 21014.



**Zymeir Williams, Kindergarten, William Paca Old Post Road Elementary School
Teacher: Melinda Glackin.**

Harford County Public Schools

STATEMENT OF NET ASSETS JUNE 30, 2012

Governmental Activities

ASSETS

Cash and cash equivalents	\$ 11,008,758
Investments	20,126,776
Due from other units of government	8,105,399
Other receivables	7,578,224
Inventory	844,510
Capital assets:	
Construction in progress	119,955,865
School properties	573,025,303
Furniture, fixtures and equipment	35,080,258
Less: accumulated depreciation	<u>(149,174,325)</u>
Total capital assets, net of depreciation	<u>578,887,101</u>
Total assets	<u>626,550,768</u>

LIABILITIES

Accounts payable	5,885,292
Accrued salaries and wages	1,588,625
Payroll taxes payable	420,045
Unearned revenue	515,569
Noncurrent liabilities:	
Due within one year	4,846,031
Due in more than one year	<u>160,677,268</u>
Total liabilities	<u>173,932,830</u>

NET ASSETS

Invested in capital assets, net of related debt under capital lease	568,870,454
Restricted for:	
Food services	2,754,900
Capital projects	9,079,270
Unrestricted	<u>(128,086,686)</u>
Total net assets	<u><u>\$ 452,617,938</u></u>

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

Harford County Public Schools

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Instruction:					
Regular education	\$ 285,181,986	\$ 1,213,515	\$ 63,546,823	\$ 20,689,116	\$ (199,732,532)
Special education	86,373,195	-	39,700,016	-	(46,673,179)
Total instruction	371,555,181	1,213,515	103,246,839	20,689,116	(246,405,711)
Support services					
Administration	16,113,511	-	1,557,891	15,420	(14,540,200)
Mid-level administration	37,070,005	-	3,573,906	-	(33,496,099)
Pupil personnel services	2,322,350	-	158,437	-	(2,163,913)
Health services	5,254,923	-	-	-	(5,254,923)
Pupil transportation	37,331,566	-	11,882,142	-	(25,449,424)
Operation of plant	40,267,000	-	-	16,650	(40,250,350)
Maintenance of plant and equipment	16,989,239	-	279,813	7,662,008	(9,047,418)
Community services	420,776	348,477	7,922	-	(64,377)
Food services	15,829,476	7,858,551	7,819,862	-	(151,063)
Interest on long-term debt	615,326	-	-	-	(615,326)
Depreciation - unallocated	85,824	-	-	-	(85,824)
Total support services	172,299,996	8,207,028	25,279,973	7,694,078	(131,118,917)
Total governmental activities	\$ 543,855,177	\$ 9,420,543	\$ 128,526,812	\$ 28,383,194	(377,524,628)
General revenues:					
Local appropriations					217,782,344
State aid - unrestricted					143,455,592
Federal aid - unrestricted					1,345,207
Miscellaneous					7,507,665
Unrestricted investment earnings					32,894
Total general revenues					370,123,702
Change in net assets					(7,400,926)
Net assets - beginning of year					460,018,864
Net assets - end of year					\$ 452,617,938

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

Harford County Public Schools

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	Current Expense (General)	Food Services (Special Revenue)	School Construction (Capital Projects)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,799,610	\$ 4,209,148	\$ -	\$ 11,008,758
Investments	20,126,776	-	-	20,126,776
Due from other units of government	2,585,565	271,696	5,248,138	8,105,399
Other receivables	7,533,812	-	44,412	7,578,224
Due from other funds	2,085,752	-	7,207,539	9,293,291
Inventory	403,773	440,737	-	844,510
Total assets	\$ 39,535,288	\$ 4,921,581	\$ 12,500,089	\$ 56,956,958
LIABILITIES				
Accounts payable	\$ 2,824,695	\$ 80,929	\$ 2,979,668	\$ 5,885,292
Accrued salaries and wages	1,588,625	-	-	1,588,625
Payroll taxes payable	420,045	-	-	420,045
Due to other funds	7,207,539	2,085,752	-	9,293,291
Unearned revenue	74,418	-	441,151	515,569
Compensated absences payable	1,623,479	-	-	1,623,479
Total liabilities	\$ 13,738,801	\$ 2,166,681	\$ 3,420,819	\$ 19,326,301
FUND BALANCES				
Nonspendable	-	236,627	-	236,627
Assigned	12,627,699	2,518,273	13,770,718	28,916,690
Unassigned	13,168,788	-	(4,691,448)	8,477,340
Total fund balances	\$ 25,796,487	\$ 2,754,900	\$ 9,079,270	\$ 37,630,657
Total liabilities and fund balances	\$ 39,535,288	\$ 4,921,581	\$ 12,500,089	\$ 56,956,958

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

Harford County Public Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances - governmental funds (Exhibit 3)	\$ 37,630,657
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$728,061,426 and the accumulated depreciation is \$149,174,325.	578,887,101
Long-term liabilities are not due and payable from current resources and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of compensated absences payable (\$26,472,244), an obligation under capital lease (\$10,016,647) and net OPEB obligation (\$127,410,929).	<u>(163,899,820)</u>
Total net assets - governmental activities (Exhibit 1)	<u><u>\$ 452,617,938</u></u>

Harford County Public Schools

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Food Services Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
<u>Intergovernmental revenues</u>				
Local sources	\$ 217,782,344	\$ 189,811	\$ 12,068,710	\$ 230,040,865
State sources	235,345,597	331,667	15,605,906	251,283,170
Special state and federal programs	28,816,945	-	-	28,816,945
Federal sources	1,345,207	7,139,500	-	8,484,707
Earnings on investments	32,894	-	-	32,894
Charges for services	-	7,858,551	-	7,858,551
Miscellaneous revenues	9,069,657	158,884	708,578	9,937,119
Total revenues	492,392,644	15,678,413	28,383,194	536,454,251
Expenditures				
<u>Current</u>				
Administrative services	10,775,663	-	-	10,775,663
Mid-level administrative services	24,958,804	-	-	24,958,804
Instructional salaries	165,117,796	-	-	165,117,796
Instructional textbooks and supplies	8,067,047	-	-	8,067,047
Other instructional costs	2,839,519	-	-	2,839,519
Special education	40,321,768	-	-	40,321,768
Student personnel services	1,614,538	-	-	1,614,538
Health services	3,292,312	-	-	3,292,312
Pupil transportation services	30,917,343	-	-	30,917,343
Operation of plant	28,973,599	-	-	28,973,599
Maintenance of plant and equipment	12,606,571	-	-	12,606,571
Fixed charges	133,890,608	-	-	133,890,608
Community services	373,088	-	-	373,088
Special state and federal programs	28,816,945	-	-	28,816,945
Costs of operation - food services	-	15,274,723	-	15,274,723
Capital outlay	327,415	-	26,758,294	27,085,709
Total expenditures	492,893,016	15,274,723	26,758,294	534,926,033
Excess (deficit) of revenues over expenditures	(500,372)	403,690	1,624,900	1,528,218
Other financing sources (uses):				
Payments to refunded capital lease	(9,838,608)			(9,838,608)
Refunded capital lease issued	10,016,647	-	-	10,016,647
Net change in fund balances	(322,333)	403,690	1,624,900	1,706,257
Fund balances - beginning of year	26,118,820	2,408,567	7,454,370	35,981,757
Decrease in nonspendable fund balance	-	(57,357)	-	(57,357)
Fund balances - end of year	<u>\$ 25,796,487</u>	<u>\$ 2,754,900</u>	<u>\$ 9,079,270</u>	<u>\$ 37,630,657</u>

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

Harford County Public Schools

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2012

Total net change in fund balances - governmental funds (Exhibit 5)	\$ 1,706,257
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$21,480,338) exceeds depreciation expense (\$ 13,369,964) and loss on disposal of assets (\$30,311).	8,080,063
Capital lease provides current financial resources to government funds but increases long-term liabilities in the statement of net assets. Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, the net effect of capital lease borrowings and repayment was (\$43,719).	(43,719)
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 used exceeded the amounts earned by \$383,944.	383,944
OPEB costs reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(17,470,114)
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 \$57,357.	(57,357)
Change in net assets of governmental activities (Exhibit 2)	\$ (7,400,926)

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

Harford County Public Schools

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Unrestricted				Restricted			
	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues								
<u>Intergovernmental revenues</u>								
Local	\$ 214,291,627	\$ 217,768,287	\$ 217,782,344	\$ 14,057	\$ -	\$ -	\$ -	\$ -
State	201,731,181	201,731,181	201,985,029	253,848	-	-	-	-
Federal	650,000	1,541,977	1,345,207	(196,770)	-	-	-	-
Special state and federal	-	-	-	-	25,481,116	35,169,800	28,787,162	(6,382,638)
Earnings on investments	40,000	40,000	25,029	(14,971)	-	-	-	-
Other sources	2,524,958	6,008,980	5,914,514	(94,466)	-	-	-	-
Fund balance at July 1, 2011 - assigned for year ended June 30, 2012	8,294,472	8,553,443	8,553,443	-	-	-	-	-
Total revenues	<u>\$ 427,532,238</u>	<u>\$ 435,643,868</u>	435,605,566	<u>\$ (38,302)</u>	<u>\$ 25,481,116</u>	<u>\$ 35,169,800</u>	<u>\$ 28,787,162</u>	<u>\$ (6,382,638)</u>
Expenditures								
<u>Current</u>								
Administrative services	\$ 11,339,841	\$ 11,415,466	10,985,903	\$ 429,563	\$ 465,000	\$ 735,243	\$ 568,450	\$ 166,793
Mid-level administration	25,560,814	25,787,491	25,024,605	762,886	351,995	709,481	569,888	139,593
Instructional salaries	164,129,127	165,897,127	165,117,796	779,331	4,257,087	4,437,292	3,552,272	885,020
Instructional textbooks and supplies	7,959,288	8,259,288	7,728,527	530,761	666,336	1,188,166	913,210	274,956
Other instructional costs	3,089,001	3,289,001	2,779,259	509,742	1,308,418	3,166,037	2,070,078	1,095,959
Special education	40,674,641	41,337,662	40,318,717	1,018,945	13,835,868	19,213,451	15,926,205	3,287,246
Student personnel services	1,625,336	1,690,336	1,613,772	76,564	-	-	-	-
Student health services	3,348,164	3,392,852	3,295,627	97,225	-	-	-	-
Student transportation	30,929,541	31,062,129	30,917,343	144,786	-	22,855	23,371	(516)
Operation of plant	29,454,477	29,669,165	29,361,842	307,323	-	-	-	-
Maintenance of plant	12,595,972	12,675,972	12,675,618	354	-	-	-	-
Fixed charges	95,928,328	100,269,046	96,851,842	3,417,204	4,546,412	5,170,053	4,836,467	333,586
Community services	520,473	521,098	373,088	148,010	-	-	-	-
Capital outlay	377,235	377,235	368,695	8,540	50,000	527,221	327,221	200,000
Total expenditures	<u>\$ 427,532,238</u>	<u>\$ 435,643,868</u>	427,412,634	<u>\$ 8,231,234</u>	<u>\$ 25,481,116</u>	<u>\$ 35,169,799</u>	<u>\$ 28,787,162</u>	<u>\$ 6,382,637</u>
Excess of revenues over expenditures			8,192,932					
Transfer to health care rate stabilization fund			(350,000)					
Excess of revenues over expenditures and transfer			7,842,932					
Total fund balance at July 1, 2011			16,789,638					
Assigned fund balance at July 1, 2011 (recognized as revenue above)			(8,553,443)					
Total fund balance			16,079,127					
Fund balance at June 30, 2012 - assigned			(9,940,166)					
Fund balance at June 30, 2012 - unassigned			<u>\$ 6,138,961</u>					

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

Harford County Public Schools

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

	Retiree Health Plan Trust	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 22,574,299	\$ 2,770,247
Total assets	<u>22,574,299</u>	<u>2,770,247</u>
 Liabilities		
Scholarship funds payable	-	87,197
School activity funds payable	-	2,683,050
Total liabilities	<u>-</u>	<u>2,770,247</u>
 Net assets		
Held in trust for retiree health plan benefits	<u>22,574,299</u>	<u>-</u>
Total net assets	<u><u>\$ 22,574,299</u></u>	<u><u>\$ -</u></u>

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

Harford County Public Schools

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**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

	Retiree Health Plan Trust
Additions	
Contributions	\$ 7,700,316
Deductions	
Net investment portfolio results	364,100
Administrative expenses	13,521
Total deductions	<u>377,621</u>
Net increase	7,322,695
Net fiduciary assets as of July 1, 2011	<u>15,251,604</u>
Net fiduciary assets as of June 30, 2012	<u><u>\$ 22,574,299</u></u>

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Education of Harford County (the Board) is a body politic and corporate established by the Public School Laws of Maryland. For financial reporting purposes, the Board (alternatively referred to herein as Harford County Public Schools) is a component unit of Harford County, Maryland by virtue of the County’s responsibility for levying taxes, incurring debt for the benefit of the Board, as well as 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 Board itself has no component units.

The accounting policies of Harford County Public Schools conform to generally accepted in the United States of America for governmental units. The following is a summary of significant accounting policies employed by the Board.

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

HARFORD COUNTY PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

Governmental Funds

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

Food Service Fund (Special Revenue Fund) – The food service fund is used to account for the operations of the cafeterias and production facilities which provide for the preparation and sale of meals primarily to students. As a special revenue fund, the proceeds of specific revenue sources (other than major capital projects) are legally restricted to expenditures for specified purposes.

School Construction Fund (Capital Projects Fund) – The school construction fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

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

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

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.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported as governmental activities in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$5,000 and a useful life of at least two years. Capital assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated 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 furniture and 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

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

The budgetary basis differs from GAAP, which is used for the fund financial statements, in that encumbrances, which represent commitments to purchase goods and services, are treated as expenditures of the current period rather than as reservations of the fund balance. The other principal difference is that under the budgetary basis, designations of the prior year's fund balance are treated as revenue of the current period. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (non-GAAP basis) and Actual-General Fund is presented using the budgetary basis of accounting. By state law, major categories of expenditures may not exceed budgeted amounts.

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

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 January, the Board will hold a special meeting for the purpose of providing for a public hearing on the Superintendent's recommended operating budget.
- 5) At the regular monthly meeting in January, the Board will adopt an operating budget and submit the adopted operating budget to the County Executive.
- 6) After approval or adjustment by the County Council, the final operating budget is approved by the Board in June.
- 7) Budgets are normally adopted on a basis consistent with GAAP except for the inclusion of portions of the prior year's fund balance as revenues, the inclusion of encumbrances as expenditures and the exclusion of retirement payments made on the Board's behalf by the State of Maryland as revenues and expenditures. Budget comparisons presented are on a non-GAAP budgetary basis.
- 8) Transfers may be made within the major categories by the Board of Education without the approval of the County Council as budgetary control is at the category level.
- 9) Requests for transfers between major categories must be submitted to the County Council for approval or denial. No action within thirty (30) days of submission constitutes approval.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

The expenditures under special state and federal programs may exceed budgeted amounts. The grants included in this category are not part of budget categories subject to the spending limitations of the operating budget. Expenditures under these programs are limited to the amounts of the respective grants.

Food Service Fund Budget (Special Revenue Fund)

The Food Service Fund Budget is not a legally adopted budget 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 Service Fund includes \$847,618 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 assignments of fund balances since they do not constitute expenditures or liabilities.

Cash and Investments

Cash on Hand

At year end, cash on hand for petty cash and change funds was \$131.

Deposits

As of June 30, 2012, the book and bank balances of cash were \$13,778,874 and \$17,979,873, respectively. The bank balance of \$17,979,873 was 100% covered by Federal Depository Insurance and or collateralized with federal government backed securities held in the pledging bank's trust department in the Board's name.

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments (continued)

Investments

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

The Board is a participant in the Maryland Local Government Investment Pool, which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAAM by Standard and Poors, their highest rating for money market funds. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked-to-market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. The investment objectives of the Pool are: to preserve the capital value of the dollars invested; to provide a competitive rate of return; and to provide a readily available source of daily liquidity.

At June 30, 2012 the Board's investment balances were as follows:

	<u>Fair Value</u>
Maryland Local Government Investment Pool	\$ 20,126,776
Total Investments	<u>\$ 20,126,776</u>

Interest Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Board's exposure to interest rate risk arising from increasing interest rates, the Board's investment policy limits the term of investment maturities, except in the fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. The Board's management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Board from having to sell investments below original cost for that purpose. The investments at June 30, 2012, complied with the Board's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2012:

Net interest and dividends	\$ 32,894
Less: Restricted net investment income	-
Total Net Investment Income Per Statement of Activities	<u>\$ 32,894</u>

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments (continued)

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the Board will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2012, all of the Board's investments were insured or registered, or were held by the custodian in the Board's name or were invested in MLGIP. The Board's investment policy states that all investments must be fully collateralized. As of June 30, 2012, the Board's investments were not exposed to custodial credit risk.

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

Cash on hand	\$ 131
Carrying amount of deposits	36,353,173
Carrying amount of investments	20,126,776
Total cash and investments	<u>56,480,080</u>
Less: Amounts in fiduciary funds	25,344,546
Total Cash and Investments Per Statement of Net Assets	<u>\$ 31,135,534</u>
Cash and cash equivalents	\$ 11,008,758
Investments	20,126,776
Total Cash and Investments Per Statement of Net Assets	<u>\$ 31,135,534</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments (continued)

Investment in External Investment Pool

The Board has funds designated for Other Postemployment Benefits that are held by Maryland Association of Boards of Education (MABE). As of June 30, 2012, MABE held \$22,574,299 in cash and cash equivalents in the MABE OPEB Trust for the Board. The investment policy of MABE is set and monitored by MABE’s Board of Trustees. MABE primarily invests in registered securities and mutual funds.

Due From Other Units of Government and Other Receivables

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

Accounts receivable are not collateralized, but are primarily with other governmental units and related agencies. These entities rarely default on their obligations and management of the Board considers all amounts collectible at June 30, 2012. 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 in the general fund consists of supplies maintained in the distribution center. Inventory in the food service fund consists of expendable food and supplies held for consumption. The cost is recorded as an asset at the time individual inventory items are purchased. The cost is recorded as an asset at the time individual inventory items are purchased. As inventory is consumed, the cost is charged to expenditures.

Compensated Absences

At June 30, 2012, annual and sick leave earned, applicable to governmental fund types, but not taken by Board employees, was \$28,095,723. This amount is based on vested accumulated leave as of June 30, 2012, for employees eligible to receive annual leave benefits at retirement. Sick leave is accrued for employees with at least ten years of service and calculated at 25% of their annual daily rate up to a maximum ranging from 200 to 250 days. An accrual in the amount of \$1,623,479 was made in the General Fund for the year ended June 30, 2012. This amount was an estimate of the accumulated annual and sick leave which will be paid to retirees during the first month of the fiscal year ending June 30, 2013. The remaining liability for accumulated annual and sick leave earned in the amount of \$26,472,244 is reported as a noncurrent liability in the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets and Fund Balance

The difference between fund assets and liabilities is “Net Assets” on the government-wide and fiduciary fund statements and “Fund Balance” on governmental fund statements. Net Assets are classified as “Invested in Capital Assets, Net of Related Debt,” legally “Restricted” for a specific purpose or “Unrestricted” and available for appropriation for general purposes.

In the governmental fund financial statements, non-spendable and restricted fund balance represent amounts that are legally restricted by outside parties for use for a specific purpose or are otherwise not available for appropriation. Committed fund balance represents amounts that are reserved for a particular purpose by the Board and would require action by the Board to release the fund balance from its commitment. Assigned fund balance represents tentative management plans that are subject to change.

Use of Estimates in Preparing Financial Statements

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
.....

NOTE 2 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2012 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	\$ 9,672,942	\$ -	\$ -	\$ 9,672,942
Construction in progress	139,089,104	12,958,000	(32,091,239)	119,955,865
Total capital assets not being depreciated	<u>148,762,046</u>	<u>12,958,000</u>	<u>(32,091,239)</u>	<u>129,628,807</u>
Capital assets being depreciated:				
Land improvements	11,972,757	2,513,877	-	14,486,634
Buildings	514,736,786	2,037,702	32,091,239	548,865,727
Furniture and equipment	32,046,680	3,970,759	(937,181)	35,080,258
Total capital assets being depreciated	<u>558,756,223</u>	<u>8,522,338</u>	<u>31,154,058</u>	<u>598,432,619</u>
Less accumulated depreciation for:				
Land improvements	3,537,581	623,485	-	4,161,066
Buildings	114,509,302	9,832,510	-	124,341,812
Furniture and equipment	18,664,348	2,913,969	(906,870)	20,671,447
Total accumulated depreciation	<u>136,711,231</u>	<u>13,369,964</u>	<u>(906,870)</u>	<u>149,174,325</u>
Total capital assets being depreciated, net	<u>422,044,992</u>	<u>(4,847,626)</u>	<u>32,060,928</u>	<u>449,258,294</u>
Governmental activities capital assets, net	<u>\$570,807,038</u>	<u>\$ 8,110,374</u>	<u>\$ (30,311)</u>	<u>\$578,887,101</u>

Depreciation expense for the year ended June 30, 2012 was charged to governmental functions on the statement of activities as follows:

Depreciation not allocated to specific functions	\$ 85,824
Administration	500,339
Mid-level administration	4,501
Instruction	7,802,593
Special education	8,165
Pupil service	2,999
Transportation	823,407
Operations	2,576,233
Maintenance	1,355,089
Food service	210,814
Total	<u>\$ 13,369,964</u>

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE 2 - CAPITAL ASSETS (continued)

The Board has active school construction projects as of June 30, 2012 as follows:

Project:	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Joppatowne High	\$ 169,450	\$ -
Campus Hills Elementary	1,126,507	140,907
John Archer	83,045	-
Red Pump Elementary	26,625,667	163,877
Church Creek Elementary HVAC	23,988	15,706
Youth's Benefit Elementary Modernization	1,615,693	40,153
Havre de Grace Elementary HVAC	25,168	12,712
Edgewood High Modernization	76,775,221	29,559
Havre de Grace High School	155,041	69,007
Jarrettsville Elementary HVAC	259,210	3,865,100
Forest Hill Annex Electrical	295,732	13,325
Havre de Grace High HVAC	4,799,868	1,453,058
Cedarwood Gravity Sewer (Red Pump Elementary)	121,357	870,584
North Bend Elementary Roof	782,083	13,000
Youth's Benefit Elementary Air Conditioning	1,328,404	1,071,294
Emmorton Elementary Chiller Replacement	31,373	18,315
Hall's Cross Roads Elementary HVAC Upgrades	59,695	20,276
William Paca Elementary Air Conditioning	1,909,504	1,576,966
Havre de Grace High Athletic Fields	80,214	19,306
Joppatowne High Stadium Accessibility Upgrades	94,122	40,708
Prospect Mill Elementary Fire Alarm	93,182	35,079
Fallston High Wastewater Treatment	2,639,370	179,525
Waste Water Treatment Plant	861,971	1,870,056
Total	<u>\$ 119,955,865</u>	<u>\$ 11,518,513</u>

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

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE 3 - RECONCILIATION OF BUDGETARY DATA

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - General Fund is prepared on a legally prescribed budgetary basis of 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)	\$ 464,392,728
Fund balance at June 30, 2012 designated for current year's expenditures	(8,553,443)
Revenues adjusted by encumbrances of expenditure driven grants	29,783
Pension contributions made directly by the State of Maryland	33,360,568
Changes in value of rate stabilization fund	3,155,143
Interest earned on rate stabilization deposit	7,865

Revenues (GAAP basis)	<u>\$ 492,392,644</u>
------------------------------	------------------------------

Expenditures (non-GAAP budgetary basis) (unrestricted and restricted)	\$ 456,199,796
Capital lease refunding expenditures	178,039
Contribution for OPEB	3,559,459
Net effect of encumbrance	(404,846)
Pension contributions made directly by the State of Maryland	33,360,568

Expenditures (GAAP basis)	<u>\$ 492,893,016</u>
----------------------------------	------------------------------

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

Unassigned fund balance (non-GAAP budgetary basis)	\$ 6,138,961
Cumulative effect of:	
Revenues adjusted by encumbrances of expenditure driven grants	(336,089)
Rate stabilization receivable	7,365,916

Unassigned fund balance (GAAP basis)	<u>\$ 13,168,788</u>
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The assigned fund balances in the current expense fund (general fund) are reconciled as follows:

Assigned fund balance (non-GAAP budgetary basis)	\$ 9,940,166
Encumbrances	2,687,533

Assigned fund balance (GAAP basis)	<u>\$ 12,627,699</u>
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HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE 4 - FUND BALANCE

Non-spendable and assigned fund balances as of June 30, 2012:

	<u>General Fund</u>
Assigned Fund Balance	
Encumbrances	\$ 2,687,533
Fiscal year 2013 expenditures	7,800,000
Future health insurance call	1,225,166
Emergency fuel reserve	915,000
Total	<u>\$ 12,627,699</u>
	<u>Food Service Fund</u>
Nonspendable Fund Balance	
Inventory – U.S.D.A.	\$ 236,627
Total	<u>\$ 236,627</u>

Nonspendable fund balance reports resources cannot be spent because of their form, or due to legal or contractual requirements. Committed fund balance reports resources with self-imposed limitation approved by the Board to the end of the period. Formal action is required to remove or modify a constraint reflected in the committed fund balance. There were no committed fund balances as of June 30, 2012. Assigned fund balance records the portion of fund balance that reflects the Board’s intended use of resources. Assigned fund balance can be established by either the Board or Assistant Superintendent of Business Services. Unlike committed fund balance, formal action is not required to impose, remove, or modify assigned fund balance.

NOTE 5 - PENSION PLANS

Plan Description

The Board’s employees are covered by the Teachers Retirement System of the State of Maryland, the Teachers Pension System of the State of Maryland or The Employees Retirement System of the State of Maryland. These systems are part of the Maryland State Retirement and Pension System (the State System), and are cost-sharing multiple-employer public employee retirement systems. The State System provides pension, death and disability benefits to plan members and beneficiaries. The State of Maryland pays a substantial portion of employer contributions on behalf of the Board. On behalf payments of fringe benefits were recognized as revenues and expenditures during the period. 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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
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Article of the Annotated Code of Maryland. The Agency issues 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, 2012, 2011, and 2010 were \$33,360,568, \$34,323,976 and \$31,578,248, respectively, which were equal to the required contributions for each year. The Board's contribution for the years ended June 30, 2012, 2011 and 2010 were \$2,946,759, \$4,630,306 and \$3,469,631 respectively, which were equal to the required contributions for each year.

NOTE 6 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

Medical Benefits - Retirees are eligible for continued membership in one of the school system's group medical plans provided that they have at least 10 years of service with the Board and are under 65 years of age. The Board pays either 85% or 90% of these medical insurance premiums, based on the plan chosen by the retiree. The Board pays 90% of the insurance premiums for Medicare supplemental insurance for retirees age 65 and older. The medical benefits paid by the Board for the year ended June 30, 2012 was \$17,957,063. As of June 30, 2012, 2,019 of approximately 2,200 eligible retirees were receiving benefits.

Dental Benefits - The Board pays 90% of dental insurance premiums for retirees with at least 10 years service. The dental benefits paid by the Board for the year ended June 30, 2012 was \$911,899. As of June 30, 2012, 2,003 of approximately 2,200 eligible retirees were receiving benefits.

Life Insurance Benefits - The Board pays 90% of the life insurance premiums for retirees with at least 10 years of service. The amount of insurance coverage is reduced to \$20,000 upon retirement and \$10,000 five years after retirement. The life insurance benefits paid by the Board for the year ended June 30, 2012 was \$239,978. As of June 30, 2012, 1,902 of approximately 2,200 eligible retirees were receiving benefits.

The Board participates in the Maryland Association of Boards of Education (MABE) pooled OPEB investment trust. It is a member owned trust that provides the Board and the other nine member boards a structure to pool assets to reduce investment costs and share administrative expenses.

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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

Annual OPEB Cost and Net OPEB Obligation

The Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Board's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation:

Annual required contribution	\$ 41,644,000
Interest on net OPEB obligation	6,322,000
Amortization of net OPEB obligation	<u>(5,939,000)</u>
Annual OPEB cost (expense)	42,027,000
Contributions made	<u>24,556,886</u>
Increase in net OPEB obligation	17,470,114
Net OPEB obligation - beginning of year	<u>109,940,815</u>
Net OPEB obligation - end of year	<u>\$ 127,410,929</u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 was as follows:

Fiscal Year	Annual	Percentage of Annual OPEB	Net OPEB
<u>Ended</u>	<u>OPEB Cost</u>	<u>Cost Contributed</u>	<u>Obligation</u>
6/30/12	\$42,027,000	58.4%	\$127,410,929

Funded Status and Funding Progress

As of July 1, 2011, the plan was 3.30 percent funded. The actuarial accrued liability for benefits was \$462,698,000, and the actuarial value of assets was \$15,255,626, resulting in an unfunded actuarial accrued liability (UAAL) of \$447,442,374. The covered payroll (annual payroll of active employees covered by the plan) was \$276,823,307, and the ratio of the UAAL to the covered payroll was 161.63 percent.

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant valuation methods and assumptions are as follows:

Valuation Date	July 1, 2011
Actuarial Cost Method	Projected Unit Credit method
Amortization Method	Level percentage of projected pay over a 27-year period
Asset Valuation Method	Market value
Actuarial Assumptions:	
Discount Rate	5.75%
Investment Rate of Return	8.00% per year compounded annually
Payroll Growth Rate	3.00%
Inflation Rate	3.20%
Healthcare Cost Trend Rates:	
Medical and prescription	8.00% initial year of valuation (not applicable to Life)
	4.20% final year of valuation (not applicable to Life)
Dental	5.00%

The actuarial value of assets was determined using market value of assets. The trust is assumed to earn 8% interest and contributions are assumed to be made in the middle of the year. The unfunded liability was amortized over a closed period of 27 years using level percentage of pay for FY12.

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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

Schedule of Funding Progress

	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2008	\$ 12,136,368	\$ 589,795,000	\$ 577,658,632	2.06%	\$ 278,038,509	207.76%
July 1, 2009	\$ 10,233,348	\$ 626,155,000	\$ 615,921,652	1.63%	\$ 278,636,614	221.05%
July 1, 2010	\$ 10,962,506	\$ 534,277,000	\$ 523,314,494	2.05%	\$ 278,479,993	187.92%
July 1, 2011	\$ 15,255,626	\$ 462,698,000	\$ 447,442,374	3.30%	\$ 276,823,307	161.63%

NOTE 7 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Balance at July 1, 2011	Increase	Reductions	Balance at June 30, 2012	Due Within One Year
Capital lease	\$ 9,972,928	\$ 10,016,647	\$ 9,972,928	\$ 10,016,647	\$ -
Compensated absence	28,464,371	4,574,167	4,942,815	28,095,723	4,846,031
OPEB obligation	109,940,815	42,027,000	24,556,886	127,410,929	-
Total Governmental Activities	\$ 148,378,114	\$ 56,617,814	\$ 39,472,629	\$ 165,523,299	\$ 4,846,031

Compensated absences and net OPEB obligation have typically been liquidated by the General Fund in prior years.

The Board entered into lease agreements as lessee in the amount of \$11,400,223 to construct the administration building, which was completed in January 2007. The lease agreement is for a period of twenty-five years. The debt was refinanced in June of 2012 at a rate of 3.25%. The term of the debt was not extended. The asset acquired and capitalized under the capital lease is as follows:

Building cost	\$ 10,852,395
Less accumulated depreciation	1,410,811
Net Book Value	\$ 9,441,584

HARFORD COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE 7 - LONG-TERM LIABILITIES (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

<u>Years Ending June 30,</u>	
2013	\$ 246,568
2014	327,544
2015	698,803
2016	823,822
2017	823,822
2018 – 2030	<u>10,709,686</u>
Total minimum lease payments	13,630,245
Less: Amount representing interest	<u>3,613,598</u>
Present value of minimum lease payments	<u>\$ 10,016,647</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
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NOTE 8 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Board participates in the Maryland Association of Boards of Education (MABE) Group Insurance Pool and the Worker's Compensation Self Insurance Fund.

These public entity risk pools are self-insurance funds for the various member Maryland Boards of Education to minimize the cost of insurance and related administrative expenses.

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

NOTE 9 - CONTINGENCIES AND COMMITMENTS

The Board has been named as defendant in several lawsuits in the normal course of business, the outcomes of which are uncertain. It is anticipated by the Board that an adverse decision on any or all of these suits would not have a material adverse effect on these financial statements.

The Board leases certain equipment and properties for storage and other uses under long-term operating leases. Expenditures under operating leases amounted to approximately \$506,634 for the year ended June 30, 2012.

NOTE 10 – NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued GASB 68, Accounting and Financial Reporting for Pension Plans in June 2012 effective for the year ended June 30, 2015. In June 2012, GASB issued Statement No. 67, Financial Reporting for Pension Plans- an Amendment of GASB No. 25, effective for the year ended June 30, 2014. Harford County Public Schools will implement these statements as of their effective dates. Harford County Public Schools is still in the process of determining the effect of implementing these statements and the effect on the financial statements is unknown at this time.

In March 2012, GASB issued Statement No. 66, Technical Corrections- 2012, effective for the year ended June 30, 2014. Also in March of 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, effective for the year ended June 30, 2014. In June of 2011, GASB issued Statement No. 64, Derivative Instruments: Application of Hedge

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
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NOTE 10 – NEW PRONOUNCEMENTS (continued)

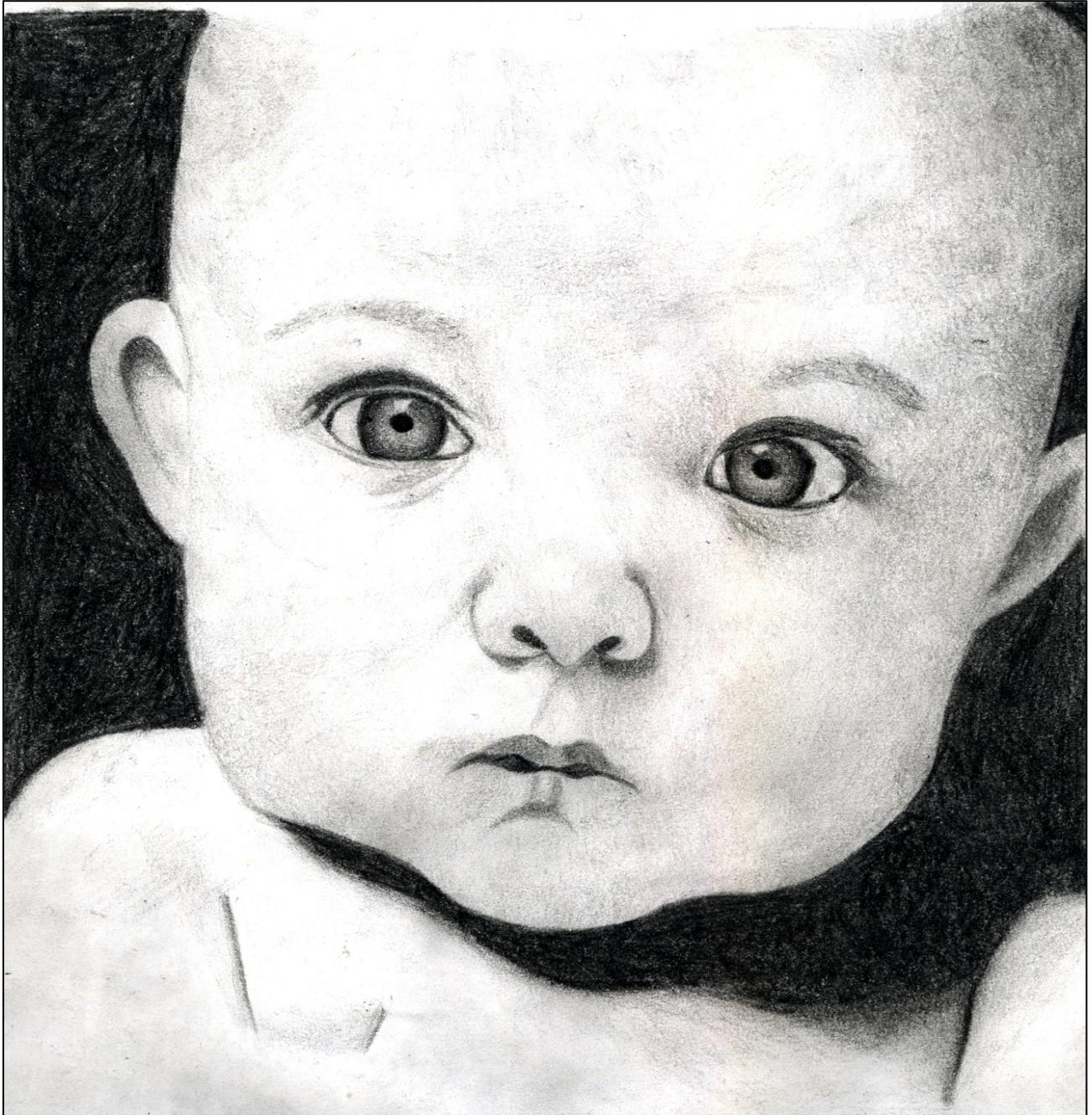
Accounting Termination Provision, effective for the year ended June 30, 2013. Also in June of 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the year ended June 30, 2013. In December 2010, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the year ended June 30, 2013. In November 2010, GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus, effective for the year ended June 30, 2013. Also in November 2010, GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, effective for the year ended June 30, 2013. Harford County Public Schools will implement these statements as of their effective dates. While Harford County Public Schools is still in the process of determining the effects of implementing these GASB statements, they are not expected to have a material effect on the financial position of Harford County Public Schools.

During the year ended June 30, 2011, Harford County Public Schools implemented GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple Employer Plans with no material effect to the financial position of Harford County Public Schools.



**Keynilie Pagan-Davila, Grade 8, Havre de Grace Middle School
Teacher: Laura Buscemi**

Required Supplemental Information



**Kristen Bascom, Grade 9, Harford Technical High School
Teacher: Judy Demond**

HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR OTHER POSTEMPLOYMENT BENEFIT PLAN
 June 30, 2012

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Schedule of Funding Progress

	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2008	\$ 12,136,368	\$ 589,795,000	\$ 577,658,632	2.06%	\$ 278,038,509	207.76%
July 1, 2009	\$ 10,233,348	\$ 626,155,000	\$ 615,921,652	1.63%	\$ 278,636,614	221.05%
July 1, 2010	\$ 10,962,506	\$ 534,277,000	\$ 523,314,494	2.05%	\$ 278,479,993	187.92%
July 1, 2011	\$ 15,255,626	\$ 462,698,000	\$ 447,442,374	3.30%	\$ 276,823,307	161.63%

Other Supplemental Information



**Kaleb Whiteford, Grade 8, Edgewood Middle School
Teacher: Katie VanBuskirk**



**Kameron Lewis, Grade 2, Magnolia Elementary School
Teacher: Kate Thurlow**

Harford County Public Schools

**FOOD SERVICE FUND
(SPECIAL REVENUE FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE COMPARED TO BUDGET (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Cafeteria sales	\$ 8,082,891	\$ 7,858,551	\$ (224,340)
<u>Federal Aid</u>			
School Lunch Program	4,387,147	4,598,136	210,989
School Breakfast Program	1,198,172	1,520,679	322,507
Summer Food Program	95,000	119,881	24,881
Fresh Fruits and Vegetables Program	-	53,186	53,186
U.S.D.A. Commodities	875,000	847,618	(27,382)
Total federal aid	6,555,319	7,139,500	584,181
<u>State Aid</u>			
Child Feeding Program	292,093	331,667	39,574
<u>Local Aid</u>			
Local revenue	189,811	189,811	-
Interest earned	250	-	(250)
Miscellaneous revenue	-	158,884	158,884
Total revenues	<u>\$ 15,120,364</u>	15,678,413	558,049
Expenditures			
Salaries and wages	5,477,369	5,406,166	71,203
Contracted services	346,000	356,770	(10,770)
Supplies and materials	6,255,210	6,326,470	(71,260)
Other charges	2,014,785	1,916,019	98,766
Furniture and equipment	152,000	290,906	(138,906)
U.S.D.A. commodities	875,000	904,975	(29,975)
Total expenditures	<u>\$ 15,120,364</u>	15,201,306	(80,942)
Excess of revenues over expenditures		477,107	
Total fund balance at July 1, 2011		2,287,739	
Increase (decrease) in nonspendable fund balance - U.S.D.A. inventory		(57,357)	
Total fund balance		2,707,489	
Nonspendable fund balance - U.S.D.A. inventory - end of year		(236,627)	
Fund balance at June 30, 2012 - unassigned		<u>\$ 2,470,862</u>	

Harford County Public Schools

SCHOOL CONSTRUCTION FUND
 (CAPITAL PROJECTS FUND)
 SCHEDULE OF EXPENDITURES BY PROJECT
 FOR THE YEAR ENDED JUNE 30, 2012

Construction in progress - by project

Campus Hills Elementary	\$ 19,902
Red Pump Elementary	3,135,097
Aberdeen High School addition	9,777
Deerfield Elementary modernization	161,101
Joppatowne Elementary modernization	84,616
Aberdeen High north building	9,800
Bel Air High modernization	587,020
Edgewood High modernization	897,530
Havre de Grace High modernization	155,041
North Harford High modernization	112,749
Prospect Mill Elementary remedial capacity renovations	12,030
Technology education lab refresh	284,986
Music technology labs	193,662
Special education facilities	22,282
Data center air conditioning	680
Forest Hill Annex electrical	334,399
Jarrettsville Elementary HVAC	263,151
North Bend Elementary air conditioning	790,885
Youth's Benefit Elementary air conditioning	1,332,768
Southampton Middle HVAC	45,662
Havre de Grace High HVAC	3,305,113
Roofing projects	273,202
William Paca Elementary air conditioning	1,950,656
Harford Technical High School athletic fields	20,612
Bel Air Elementary improvements	4,595
Havre de Grace High Field improvements	80,404
Outdoor track reconditioning	165,099
Relocatables	241,002
Technology refresh	4,315,916
Integrated business systems	15,420
Bel Air Elementary chiller	236,479
Dublin Elementary boiler	223,652
Major HVAC repairs - Church Creek Elementary	23,988
Major HVAC repairs - Havre de Grace Elementary	25,743
North Harford sewer	16,650
Environmental compliance	75,741
Alarms	136,882
Maintenance replacement vehicles	1,158,642
Septic pretreat facility	1,072,994
Backflow prevention	19,182
Storm water management, erosion and sediment control	18,880
ADA improvements	146,114
Paving - overlay and maintenance	759,612
Lockers	63,892
Bleachers	102,500
Building envelope improvements	81,000
Energy conservation	175,906
Athletic fields	79,873
Floor coverings	10,904
HVAC major repairs	1,657,472
William S. James Elementary playground	163,637
Emmorton Elementary playground	154,556
Prospect Mill Elementary playground	109,125
Roye Williams Elementary playground	164,928
Riverside Elementary playground	89,996
Furniture	41,560
Buses	665,503
Music refresh	20,450
Security cameras	321,926
Career and technology education equipment refresh	105,363
Swimming pools	9,987
	\$ 26,758,294

Harford County Public Schools

SCHOOL FUNDS
(AGENCY FUNDS)
STATEMENT OF INCREASES, DECREASES AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

School Activity Funds

	Balance <u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2012</u>
<u>Elementary schools</u>				
Abingdon	\$ 13,681	\$ 46,784	\$ 45,792	\$ 14,673
Bakerfield	23,147	24,297	32,120	15,324
Bel Air	9,244	29,016	30,837	7,423
Church Creek	12,835	24,411	31,292	5,954
Churchville	8,916	37,732	33,160	13,488
Darlington	7,858	18,972	14,844	11,986
Deerfield	125,260	26,644	23,066	128,838
Dublin	15,149	16,310	13,632	17,827
Edgewood	15,460	23,759	23,805	15,414
Emmorton	40,819	42,894	54,147	29,566
Forest Hill	7,725	38,102	37,003	8,824
Forest Lakes	25,446	61,703	60,487	26,662
Fountain Green	19,606	29,271	36,272	12,605
George D. Lisby at Hillsdale	17,176	40,373	44,199	13,350
Hall's Cross Roads	20,625	34,621	32,855	22,391
Harford Glen	2,952	2,941	3,105	2,788
Havre de Grace	23,244	30,234	30,852	22,626
Hickory	35,118	89,430	64,377	60,171
Homestead-Wakefield	1,408	73,491	71,256	3,643
Jarrettsville	23,181	51,021	55,310	18,892
John Archer	48,126	46,402	36,283	58,245
Joppatowne	19,594	28,376	23,619	24,351
Magnolia	11,053	9,667	13,576	7,144
Meadowvale	12,591	33,364	35,412	10,543
Norrisville	14,032	17,061	17,062	14,031
North Bend	10,907	30,237	27,961	13,183
North Harford	17,209	70,063	68,915	18,357
Prospect Mill	21,158	36,027	33,489	23,696
Red Pump	-	36,250	24,927	11,323
Ring Factory	17,913	50,609	54,519	14,003
Riverside	19,239	36,955	36,947	19,247
Roye-Williams	18,070	23,125	21,491	19,704
William S. James	27,036	31,717	45,904	12,849
William Paca-Old Post Road	18,642	10,564	14,394	14,812
Youth's Benefit	9,636	58,912	54,747	13,801
Total elementary schools	\$ 714,056	\$ 1,261,335	\$ 1,247,657	\$ 727,734

Harford County Public Schools

SCHOOL FUNDS
(AGENCY FUNDS)
STATEMENT OF INCREASES, DECREASES AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

School Activity Funds

	Balance <u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2012</u>
<u>Middle schools</u>				
Aberdeen	\$ 79,546	\$ 155,954	\$ 152,956	\$ 82,544
Bel Air	84,805	228,072	242,559	70,318
Edgewood	48,028	122,080	145,829	24,279
Fallston	68,901	145,415	133,236	81,080
Havre de Grace	25,970	79,514	84,309	21,175
Magnolia	32,839	72,710	78,257	27,292
North Harford	49,999	159,101	156,802	52,298
Patterson Mill	33,143	123,703	127,531	29,315
Southampton	76,261	213,682	238,147	51,796
Total middle schools	<u>499,492</u>	<u>1,300,231</u>	<u>1,359,626</u>	<u>440,097</u>
<u>High schools</u>				
Aberdeen	151,295	451,029	410,386	191,938
Alternative Education	21,253	65,219	79,202	7,270
Bel Air	223,255	455,219	468,488	209,986
C. Milton Wright	198,587	485,828	502,003	182,412
Edgewood	119,391	294,980	279,219	135,152
Fallston	133,419	440,396	437,500	136,315
Harford Technical	183,052	692,726	705,540	170,238
Havre de Grace	165,171	398,579	451,531	112,219
Joppatowne	74,479	202,162	202,923	73,718
North Harford	197,797	422,881	448,232	172,446
Patterson Mill	127,576	445,948	449,999	123,525
Total high schools	<u>1,595,275</u>	<u>4,354,967</u>	<u>4,435,023</u>	<u>1,515,219</u>
Total - all school activity funds	<u>2,808,823</u>	<u>6,916,533</u>	<u>7,042,306</u>	<u>2,683,050</u>
Scholarship funds	<u>88,704</u>	<u>1,523</u>	<u>3,030</u>	<u>87,197</u>
Total - agency funds	<u>\$ 2,897,527</u>	<u>\$ 6,918,056</u>	<u>\$ 7,045,336</u>	<u>\$ 2,770,247</u>

Harford County Public Schools

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SCHOOL FUNDS (AGENCY FUNDS) COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS JUNE 30, 2012

	<u>Scholarship Funds</u>	<u>Student Activity Funds</u>	<u>Total Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 87,197	\$ 2,683,050	\$ 2,770,247
Total assets	<u>\$ 87,197</u>	<u>\$ 2,683,050</u>	<u>\$ 2,770,247</u>
Liabilities			
Scholarship funds payable	\$ 87,197	\$ -	\$ 87,197
School activity funds payable	<u>-</u>	<u>2,683,050</u>	<u>2,683,050</u>
Total liabilities	<u>\$ 87,197</u>	<u>\$ 2,683,050</u>	<u>\$ 2,770,247</u>

Harford County Public Schools

SCHOOL FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS FOR YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
SCHOLARSHIP FUNDS				
ASSETS				
Cash and cash equivalents	\$ 88,704	\$ 1,523	\$ 3,030	\$ 87,197
LIABILITIES				
Scholarship funds payable	\$ 88,704	\$ 1,523	\$ 3,030	\$ 87,197
STUDENT ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,808,823	\$ 6,916,533	\$ 7,042,306	\$ 2,683,050
LIABILITIES				
Student activity funds payable	\$ 2,808,823	\$ 6,916,533	\$ 7,042,306	\$ 2,683,050
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,897,527	\$ 6,918,056	\$ 7,045,336	\$ 2,770,247
LIABILITIES				
Scholarship funds payable	\$ 88,704	\$ 1,523	\$ 3,030	\$ 87,197
Student activity funds payable	2,808,823	6,916,533	7,042,306	2,683,050
Total liabilities	\$ 2,897,527	\$ 6,918,056	\$ 7,045,336	\$ 2,770,247



**Noah Howerton, Grade 6, North Harford Middle School
Teacher: Denize Terzigni-Cox**

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 <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>	70 - 73
Demographic and Economic Information <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>	74 - 75
Operating Information <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>	76 - 83

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year after June 30, 2003 and from the Independent Auditors' Report, Financial Statements and Supplemental Information for the relevant year prior to that.



Megan Huth, Grade 12
Havre de Grace High School
Teacher: Jenna Zimmerman

Harford County Public Schools

Net Assets by Component Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$181,349	\$196,877	\$224,456	\$265,089	\$297,606	\$379,249	\$472,628	\$533,572	\$560,834	\$568,870
Restricted for food services	2,446	2,848	3,005	2,976	2,699	2,456	2,066	2,196	2,408	2,755
Restricted for capital projects	-	-	-	-	25	8,072	5,802	7,551	7,454	9,079
Unrestricted	(22,021)	(20,828)	(11,933)	(4,063)	1,827	(16,540)	(51,542)	(84,761)	(110,678)	(128,086)
Total governmental activities net assets	<u>\$161,774</u>	<u>\$178,897</u>	<u>\$215,528</u>	<u>\$264,002</u>	<u>\$302,157</u>	<u>\$373,237</u>	<u>\$428,954</u>	<u>\$458,558</u>	<u>\$460,018</u>	<u>\$452,618</u>

Harford County Public Schools

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Functions/Programs										
Expenses										
Governmental activities:										
Instruction:										
Regular education	\$187,371	\$191,404	\$200,144	\$229,007	\$247,876	\$277,212	\$290,266	\$294,136	\$289,527	\$285,182
Special education	39,276	40,855	47,269	54,113	60,048	69,664	77,461	89,247	94,112	86,373
Total Instruction	226,647	232,259	247,413	283,120	307,924	346,876	367,727	383,383	383,639	371,555
Support services										
Administration	7,212	8,443	9,101	11,094	13,474	15,093	15,934	15,989	15,341	16,114
Mid level administration	22,884	23,341	25,130	28,393	31,195	35,358	36,855	37,516	36,621	37,070
Pupil personnel services	1,411	1,485	1,504	1,777	1,948	2,198	2,312	2,338	2,223	2,322
Health services	2,662	2,605	3,434	3,487	4,106	4,740	5,103	5,069	4,850	5,255
Pupil transportation	18,048	19,310	20,884	23,234	25,716	31,197	32,724	33,647	35,424	37,332
Operation of plant	21,504	23,562	24,925	27,912	31,282	36,304	37,614	39,310	38,716	40,267
Maintenance of plant and equipment	8,898	9,945	10,489	11,671	12,742	14,528	14,522	15,130	15,789	16,989
Community services	362	319	420	434	498	499	480	399	451	421
Food services	9,558	10,332	11,329	12,229	13,519	14,179	15,144	15,391	14,848	15,829
Interest on long-term debt	-	-	-	814	567	554	541	527	512	615
Depreciation - unallocated	107	107	103	103	94	89	89	89	87	86
Total Support Services	92,646	99,449	107,319	121,148	135,141	154,739	161,318	165,405	164,862	172,300
Total governmental activities	319,293	331,708	354,732	404,268	443,065	501,615	529,045	548,788	548,501	543,855
Program revenues										
Charges for services:										
Regular education	859	928	1,133	1,529	1,500	1,730	1,688	1,648	1,471	1,214
Community services	250	324	378	439	466	488	415	338	348	348
Food services	6,328	6,658	7,186	7,666	8,132	8,348	8,059	7,839	7,875	7,858
Operating grants and contributions	59,861	64,773	69,930	79,547	89,364	102,132	106,729	122,436	136,196	128,527
Capital grants and contributions	29,005	20,599	38,598	56,320	47,943	101,153	104,871	85,054	47,667	28,383
Total governmental activities program revenues	96,303	93,282	117,225	145,501	147,405	213,851	221,762	217,315	193,557	166,330
Total governmental net expense	(222,990)	(238,426)	(237,507)	(258,767)	(295,660)	(287,764)	(307,283)	(331,473)	354,944	377,525
General Revenues and Other Changes in Net Assets										
General revenues:										
Local appropriations	146,051	148,150	154,047	175,415	189,415	199,615	206,979	210,415	211,067	217,782
State Aid	96,272	105,600	112,468	125,158	138,061	152,542	153,313	147,510	140,638	143,456
Federal Aid	421	386	371	411	443	340	279	625	696	1,345
Miscellaneous	93	1,293	2,060	5,464	4,525	5,083	2,204	2,487	3,960	7,508
Unrestricted investment earnings	134	120	323	793	1,371	1,264	226	40	43	33
Total general revenues	242,971	255,549	269,269	307,241	333,815	358,844	363,001	361,077	356,404	370,124
Change in Net Assets	19,981	17,123	31,762	48,474	38,155	71,080	55,718	29,604	1,460	(7,401)
Net assets - beginning of year	141,793	161,774	178,897	215,528	264,002	302,157	373,237	428,955	458,559	460,019
Adjustment to Restate Beginning Net Assets	-	-	4,869	-	-	-	-	-	-	-
Net assets - beginning of year, as Restated	141,793	161,774	183,766	215,528	264,002	302,157	373,237	428,955	458,559	460,019
Net assets - end of year	\$161,774	\$178,897	\$215,528	\$264,002	\$302,157	\$373,237	\$428,955	\$458,559	\$460,019	\$452,618

Harford County Public Schools

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Assigned	\$2,911	\$3,409	\$3,523	\$4,230	\$5,338	\$2,937	\$2,261	\$2,405	\$12,976	\$12,628
Unassigned	910	2,778	7,635	16,188	22,128	16,152	18,113	22,626	13,143	13,169
Total general fund	<u>\$3,821</u>	<u>\$6,187</u>	<u>\$11,158</u>	<u>\$20,418</u>	<u>\$27,466</u>	<u>\$19,089</u>	<u>\$20,374</u>	<u>\$25,031</u>	<u>\$26,119</u>	<u>\$25,797</u>
All other governmental funds										
Non Spendable -										
Special Revenue Fund	\$150	\$339	\$277	\$239	\$160	\$122	\$186	\$278	\$294	\$237
Assigned - reported in:										
Special revenue fund	2,295	2,509	2,729	2,737	2,539	2,334	1,880	1,918	2,115	2,518
Capital projects fund	-	-	-	-	25	8,072	5,802	7,551	7,454	9,079
Total all other governmental funds	<u>\$2,445</u>	<u>\$2,848</u>	<u>\$3,006</u>	<u>\$2,976</u>	<u>\$2,724</u>	<u>\$10,528</u>	<u>\$7,868</u>	<u>\$9,747</u>	<u>\$9,863</u>	<u>\$11,834</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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Intergovernmental revenues										
Local	\$164,163	\$167,880	\$177,486	\$224,683	\$228,930	\$278,735	\$299,449	\$275,213	\$241,501	\$230,041
State	136,685	144,371	168,141	183,301	205,345	245,316	241,878	247,758	242,653	251,283
Special state and federal programs	26,744	22,839	21,833	23,558	24,835	24,881	24,357	33,330	41,992	28,817
Federal	3,870	4,401	4,711	5,036	5,177	5,358	5,907	6,860	7,629	8,485
Earnings on investments	159	137	501	1,066	1,530	1,348	235	40	43	33
Charges for services	6,328	6,658	7,186	7,666	8,132	8,348	8,059	7,839	7,875	7,858
Donation of land from county	-	-	3,063	-	-	-	-	-	-	-
Miscellaneous revenues	1,325	2,545	3,574	7,432	7,271	8,709	4,878	7,352	8,268	9,937
Total revenues	339,274	348,831	386,495	452,742	481,220	572,695	584,763	578,392	549,961	536,454
Expenditures										
Current										
Administrative services	5,615	6,205	6,781	8,381	9,906	10,732	11,044	10,708	10,473	10,776
Mid level administrative services	17,707	17,428	18,638	21,411	23,592	25,282	25,556	25,417	25,182	24,959
Instructional salaries	118,502	122,904	126,644	143,325	158,371	167,938	168,953	166,084	165,998	165,118
Instructional textbooks and supplies	5,596	5,512	6,070	8,584	9,885	9,962	8,405	7,758	7,316	8,067
Other instructional costs	1,640	1,912	2,208	2,409	2,103	2,848	3,406	2,904	3,173	2,839
Special education	20,329	22,459	23,921	27,764	31,751	35,782	38,054	39,030	39,674	40,322
Student personnel services	1,123	1,131	1,180	1,373	1,524	1,621	1,629	1,615	1,610	1,614
Health services	1,934	2,124	2,272	2,512	3,047	3,222	3,400	3,255	3,200	3,292
Pupil transportation services	16,293	17,103	18,642	20,632	22,617	26,889	27,321	27,655	29,522	30,917
Operation of plant	18,307	19,238	21,128	23,603	26,036	28,859	29,063	29,129	28,913	28,974
Maintenance of plant and equipment	7,483	8,089	8,511	9,239	10,096	11,269	10,701	11,014	11,757	12,607
Fixed charges	58,769	67,459	72,732	79,308	87,680	112,302	107,064	115,194	116,016	133,275
Community services	328	293	377	398	455	450	429	352	403	373
Special state and federal programs	26,744	22,839	21,833	23,558	24,835	24,880	24,357	33,330	41,992	28,817
Costs of operations - food services	9,601	10,709	11,600	12,652	13,517	13,977	14,435	14,315	14,911	15,275
Capital outlay	29,092	20,846	41,242	66,394	48,138	96,394	111,561	83,365	47,809	26,759
Debt service										
Principal	-	-	-	10	257	269	283	297	312	327
Interest	-	-	-	814	567	554	541	527	512	615
Total expenditures	339,063	346,251	383,779	452,367	474,377	573,230	586,202	571,949	548,773	534,926
Excess (deficit) of revenues over expenditures	211	2,580	2,716	375	6,843	(535)	(1,439)	6,443	1,188	1,528
Other financing sources (uses)										
Proceeds from capital lease	-	-	2,475	8,893	32	-	-	-	-	178
Increase (decrease) in nonspendable fund balance	(10)	188	(62)	(38)	-	(38)	-	92	16	-
Net change in fund balances	\$201	\$2,768	\$5,129	\$9,230	\$6,875	(\$573)	(\$1,439)	\$6,535	\$1,204	\$1,706

Harford County Public Schools

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Capacity	Capacity
Abingdon Elementary	853	836	841	822	751	769	795	766	798	893	864	103.36%
Bakersfield Elementary	506	510	507	463	447	463	477	457	444	366	500	73.20%
Bel Air Elementary	577	525	533	524	505	487	512	508	505	488	500	97.60%
Church Creek Elementary	730	733	754	778	755	736	743	774	781	699	793	88.15%
Churchville Elementary	384	398	383	383	371	359	363	371	376	375	388	96.65%
Darlington Elementary	123	141	137	139	130	126	125	123	123	124	192	64.58%
Deerfield Elementary	639	687	670	584	569	545	520	514	633	797	816	97.67%
Dublin Elementary	258	260	268	239	250	246	247	247	246	289	295	97.97%
Edgewood Elementary	442	458	506	473	422	419	393	434	422	451	511	88.26%
Emmorton Elementary	576	580	617	617	653	667	676	704	732	539	549	98.18%
Forest Hill Elementary	536	580	603	579	585	575	564	579	550	557	581	95.87%
Forest Lakes Elementary	684	675	679	714	707	695	664	682	681	511	546	93.59%
Fountain Green Elementary	616	647	616	664	643	662	651	604	567	562	571	98.42%
George D. Lisby Elementary at Hillsda	391	383	378	347	333	311	350	333	347	427	455	93.85%
Halls Cross Roads Elementary	401	359	364	383	415	437	430	446	492	475	562	84.52%
Havre de Grace Elementary	481	487	461	413	368	373	393	416	424	443	566	78.27%
Hickory Elementary	693	693	667	696	664	693	702	687	720	653	655	99.69%
Homestead-Wakefield Elementary	982	992	970	958	934	919	905	937	937	892	907	98.35%
Jarrettsville Elementary	480	470	455	455	423	443	414	416	434	470	548	85.77%
Joppatowne Elementary	593	564	567	581	522	515	546	548	581	667	653	102.14%
Magnolia Elementary	589	566	574	515	512	526	536	563	466	385	518	74.32%
Meadowvale Elementary	588	602	574	603	571	549	545	538	512	532	568	93.66%
Norrisville Elementary	191	194	184	207	221	206	192	170	181	199	252	78.97%
North Bend Elementary	500	481	470	449	428	399	402	389	401	377	500	75.40%
North Harford Elementary	532	539	534	551	518	502	469	490	453	442	500	88.40%
Prospect Mill Elementary	911	879	907	976	1,008	980	951	931	902	651	680	95.74%
Red Pump Elementary												
Ring Factory Elementary	596	567	555	541	530	527	500	513	511	542	548	98.91%
Riverside Elementary	544	564	559	554	568	547	504	502	523	501	522	95.98%
Roye-Williams Elementary	620	563	641	577	546	493	426	440	388	440	683	64.42%
William Paca/Old Post Road Elementa	1,055	1,033	1,026	1,052	1,044	1,010	1,020	1,005	845	663	954	69.50%
William S. James Elementary	560	526	520	498	496	501	487	481	521	514	522	98.47%
Youths Benefit Elementary	1,003	985	1,008	1,029	1,044	1,067	1,072	1,041	1,029	998	958	104.18%
Total Elementary Schools	18,634	18,477	18,528	18,364	17,933	17,747	17,574	17,609	17,525	17,518	19,353	90.52%
Aberdeen Middle	1,299	1,293	1,301	1,247	1,207	1,095	1,120	1,095	1,087	1,043	1,444	72.23%
Bel Air Middle	1,429	1,461	1,402	1,434	1,403	1,244	1,249	1,267	1,291	1,296	1,318	98.33%
Edgewood Middle	1,349	1,346	1,275	1,216	1,164	1,151	1,028	1,046	1,022	1,073	1,370	78.32%
Fallston Middle	1,274	1,228	1,224	1,212	1,180	925	905	892	887	929	1,105	84.07%
Havre de Grace Middle	657	650	605	589	599	609	613	584	530	529	775	68.26%
Magnolia Middle	935	903	913	916	869	874	785	795	735	710	1,073	66.17%
North Harford Middle	1,226	1,200	1,118	1,123	1,085	1,153	1,134	1,113	1,056	1,019	1,243	81.98%
Patterson Mill Middle	-	-	-	-	-	735	763	775	753	732	711	102.95%
Southampton Middle	1,613	1,541	1,528	1,535	1,549	1,252	1,295	1,256	1,270	1,276	1,540	82.86%
Total Middle Schools	9,782	9,622	9,366	9,272	9,056	9,038	8,892	8,823	8,631	8,607	10,579	81.36%
Aberdeen High	1,250	1,250	1,357	1,543	1,589	1,569	1,504	1,464	1,459	1,411	1,679	84.04%
Bel Air High	1,573	1,649	1,636	1,639	1,683	1,403	1,380	1,431	1,574	1,633	1,668	97.90%
C. Milton Wright High	1,793	1,789	1,911	1,834	1,850	1,746	1,587	1,591	1,555	1,491	1,678	88.86%
Edgewood High	1,226	1,327	1,357	1,316	1,261	1,177	1,123	1,194	1,226	1,211	1,743	69.48%
Fallston High	1,656	1,672	1,635	1,643	1,606	1,453	1,365	1,209	1,113	1,090	1,529	71.29%
Harford Technical High	1,054	1,070	1,069	1,052	1,056	1,056	1,040	1,026	1,024	1,019	920	110.76%
Havre de Grace High	690	687	705	721	717	769	764	775	745	691	850	81.29%
Joppatowne High	1,052	1,051	1,108	1,118	1,063	1,004	969	952	940	872	1,126	77.44%
North Harford High	1,370	1,425	1,447	1,445	1,437	1,385	1,367	1,393	1,383	1,447	1,603	90.27%
Patterson Mill High	-	-	-	-	-	436	701	949	964	991	924	107.25%
Total High Schools	11,664	11,920	12,225	12,311	12,262	11,998	11,800	11,984	11,983	11,856	13,720	86.41%
Total Secondary Schools	21,446	21,542	21,591	21,583	21,318	21,036	20,692	20,807	20,614	20,463	24,299	84.21%
Alternative Education	20	30	17	113	139	155	106	76	112	113	250	45.20%
Restoration Academy (Charter)	-	-	-	-	21	78	79	-	-	-	-	-
John Archer	164	154	158	152	160	159	159	147	143	128	210	60.95%
Total Special Schools	184	184	175	265	320	392	344	223	255	241	460	52.39%
Total All Schools	40,264	40,203	40,294	40,212	39,571	39,175	38,610	38,639	38,394	38,222	44,112	86.65%
Teachers & Therapists Staff (1)	2,579	2,590	2,357	2,437	2,589	2,809	2,835	2,778	2,831	2,832		
Student/Teacher Ratio	15.61	15.52	17.10	16.50	15.28	13.95	13.62	13.91	13.56	13.50		

Source: Monthly Report on Enrollment at September 30.

Source (1): Maryland State Department of Education Fact Book for relevant year, estimated for 2011

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

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

Harford County Public Schools

*Enrollment by Grade Last Ten Years
as of September 30*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Elementary School:										
Preschool	80	86	83	66	55	53	49	61	-	38
Prekindergarten	836	811	849	825	841	813	825	837	773	738
Kindergarten	2,796	2,721	2,653	2,811	2,611	2,823	2,704	2,734	2,681	2,792
Grade 1	2,944	2,948	2,908	2,778	2,849	2,603	2,836	2,736	2,808	2,715
2	2,879	2,904	2,953	2,907	2,756	2,848	2,643	2,873	2,757	2,809
3	3,025	2,923	2,937	2,964	2,894	2,761	2,862	2,670	2,904	2,796
4	2,932	3,068	3,006	2,971	2,947	2,906	2,762	2,925	2,691	2,919
5	<u>3,106</u>	<u>2,978</u>	<u>3,139</u>	<u>3,042</u>	<u>2,980</u>	<u>2,940</u>	<u>2,893</u>	<u>2,773</u>	<u>2,911</u>	<u>2,711</u>
Total Elementary School	<u>18,598</u>	<u>18,439</u>	<u>18,528</u>	<u>18,364</u>	<u>17,933</u>	<u>17,747</u>	<u>17,574</u>	<u>17,609</u>	<u>17,525</u>	<u>17,518</u>
Middle School:										
Grade 6	3,139	3,113	2,983	3,090	2,995	2,948	2,904	2,912	2,791	2,905
7	3,331	3,200	3,137	3,010	3,052	3,042	2,967	2,927	2,928	2,777
8	<u>3,315</u>	<u>3,311</u>	<u>3,249</u>	<u>3,189</u>	<u>3,040</u>	<u>3,090</u>	<u>3,069</u>	<u>2,991</u>	<u>2,923</u>	<u>2,941</u>
Total Middle School	<u>9,785</u>	<u>9,624</u>	<u>9,369</u>	<u>9,289</u>	<u>9,087</u>	<u>9,080</u>	<u>8,940</u>	<u>8,830</u>	<u>8,642</u>	<u>8,623</u>
High School:										
Grade 9	3,214	3,456	3,640	3,508	3,402	3,340	3,285	3,380	3,241	3,164
10	3,007	2,987	3,071	3,220	3,107	3,029	3,005	3,041	3,145	3,038
11	2,792	2,734	2,825	2,931	2,995	2,869	2,841	2,856	2,934	2,973
12	<u>2,629</u>	<u>2,734</u>	<u>2,703</u>	<u>2,748</u>	<u>2,887</u>	<u>2,951</u>	<u>2,806</u>	<u>2,776</u>	<u>2,764</u>	<u>2,778</u>
Total High School	<u>11,642</u>	<u>11,911</u>	<u>12,239</u>	<u>12,407</u>	<u>12,391</u>	<u>12,189</u>	<u>11,937</u>	<u>12,053</u>	<u>12,084</u>	<u>11,953</u>
Special Education	<u>239</u>	<u>229</u>	<u>158</u>	<u>152</u>	<u>160</u>	<u>159</u>	<u>159</u>	<u>147</u>	<u>143</u>	<u>128</u>
Total Enrollment	<u>40,264</u>	<u>40,203</u>	<u>40,294</u>	<u>40,212</u>	<u>39,571</u>	<u>39,175</u>	<u>38,610</u>	<u>38,639</u>	<u>38,394</u>	<u>38,222</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

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Operating Indicators by Function

Fiscal Year	Per Pupil Expenditures*		Number of School Bus Riders***	Food Services****	
	Dollars	State Rank**		Breakfasts Served	Lunches Served
2003	7,655	24	33,720	516,174	2,683,060
2004	7,816	24	34,140	632,276	2,947,239
2005	8,237	24	35,119	707,951	3,378,561
2006	9,104	23	35,340	791,792	3,527,756
2007	10,247	15	34,226	847,799	3,651,405
2008	11,141	17	33,797	865,842	3,554,739
2009	11,542	18	33,386	902,890	3,531,171
2010	11,869	19	34,236	959,941	3,585,643
2011	not available		33,992	1,064,341	3,667,354
2012	not available		33,873	1,237,425	3,622,066

* Source: Maryland State Department of Education, "The Fact Book"

** Ranking of the State's 24 school systems

*** Source: HCPS Department of Transportation

**** Source: HCPS Department of Food and Nutrition Services

Harford County Public Schools

Capital Asset Statistics by Function

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instructional Buildings										
Elementary Schools	32	32	32	32	32	32	32	32	33	33
Middle Schools ¹	8	8	8	8	9	9	9	9	9	9
High Schools ¹	9	9	9	9	10	10	10	10	10	10
Special Needs School	1	1	1	1	1	1	1	1	1	1
Alternative Education Center/Staff Training	1	1	1	1	1	1	1	1	1	1
Charter School	-	-	-	1	1	1	-	-	-	-
Harford Glen Environmental Center	1	1	1	1	1	1	1	1	1	1
Total	52	52	52	53	55	55	54	54	55	55
Support Buildings										
Central Administration Building	1	1	1	1	1	1	1	1	1	1
Transportation/Facilities Operations Center	1	1	1	1	1	1	1	1	1	1
Food Services/Warehouse Facility	1	1	1	1	1	1	1	1	1	1
Total	3	3	3	3	3	3	3	3	3	3

¹Patterson Mill Middle/High School is a joint building and is reflected in both the Middle and High School counts.

Harford County Public Schools

*Student Academic Performance
2011 and 2012 Test Results*

2011 Scholastic Assessment Test (SAT)

	<u>Harford</u>	<u>State</u>	<u>Nation</u>
	<i>Average Score</i>		
Mathematics	512	502	514
Critical Reading	507	499	497
Writing	481	491	489

2011 High School Assessments (HSA)

	<u>Grade 10</u>		<u>Grade 11</u>		<u>Grade 12</u>	
	<u>Harford</u>	<u>State</u>	<u>Harford</u>	<u>State</u>	<u>Harford</u>	<u>State</u>
	<i>Percent Passing</i>		<i>Percent Passing</i>		<i>Percent Passing</i>	
Algebra	89.0%	83.2%	91.2%	87.0%	93.3%	87.9%
Biology	86.0%	81.4%	86.2%	84.7%	88.7%	84.6%
English	82.1%	77.9%	84.5%	84.4%	86.5%	85.2%
Government	90.5%	84.8%	91.9%	88.9%	93.9%	89.8%

2012 Maryland School Assessments (MSA) - Reading

	<u>Harford</u>	<u>State</u>
Advanced and Proficient	<i>Percent Passing</i>	
Grade 3	88.6%	85.0%
Grade 4	93.9%	89.8%
Grade 5	93.1%	89.9%
Grade 6	87.7%	84.5%
Grade 7	86.8%	81.2%
Grade 8	85.5%	80.8%

2012 Maryland School Assessments (MSA) - Mathematics

	<u>Harford</u>	<u>State</u>
Advanced and Proficient	<i>Percent Passing</i>	
Grade 3	89.9%	87.8%
Grade 4	92.7%	89.9%
Grade 5	89.5%	85.3%
Grade 6	87.1%	83.0%
Grade 7	85.2%	76.0%
Grade 8	73.0%	69.3%

Harford County Public Schools

Insurance Summary FY 2012

Type of Coverage	Name of Company	Policy Number	Policy Period	Limits
Workers Compensation	MABE Group Self-Insurance Fund	N/A	7/1/11-6/30/12	Statutory up to \$400,000
Excess Workers Compensation	Safety National	SP 4042244	7/1/11-6/30/12	Statutory excess of \$400,000
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/1/11-6/30/12	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Liability	MABE Group Insurance Pool	N/A	7/1/11-6/30/12	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	N/A	7/1/11-6/30/12	\$100,000 combined single limit \$1 million combined single limit for Bus Contractors
Personal Injury Protection	MABE Group Insurance Pool	N/A	7/1/11-6/30/12	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/1/11-6/30/12	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	N/A	7/1/11-6/30/12	\$100,000 per loss
Criminal Proceeding and Intentional Conduct Defense Reimbursement	MABE Group Insurance Pool	N/A	7/1/11-6/30/12	\$50,000 per covered person \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/1/11-6/30/12	\$500,000 per occurrence
Excess Property and Boiler and Machinery	PEPIP	PEPIP101654-020	7/01/11-6/30/12	\$1 billion per occurrence excess of \$500,000
Crime	Travelers Casualty and Surety Axis Insurance Company	103910757 MON719382012010	7/1/11-6/30/12 7/1/11-6/30/12	\$2,500,000 per loss \$2,500,000 excess of \$Travelers
School Board Legal Liability	MABE Group Insurance Pool	N/A	7/1/11-6/30/12	\$250,000 per occurrence \$5 million per occurrence should sovereign immunity be abrogated
School Board Legal Liability Reinsurance	United Educators Insurance	RCN2009043071	7/1/11-6/30/12	\$5,000,000 per occurrence excess of \$250,000
Catastrophic Student Accident	AIG	SRG 0009100979	8/01/11-8/01/12	\$5,000,000 Medical Expense \$1,000,000 Catastrophic Cash

Harford County Public Schools

Facilities Information
as of June 30, 2012

	Gross Square Feet	Acres	Year Constructed	Age in Years
Central Offices				
102 S. Hickory	73,122	0.77	2005	7
Hickory Annex	39,930	7.15	various	n/a
Forest Hill Annex	33,895	5.96	various	n/a
Woodbridge Center Land	-	19.80	n/a	n/a
Box Hill South Land	-	17.86	n/a	n/a
Shucks Rd Land	-	31.38	n/a	n/a
Harford Glen Environmental Center	31,647	245.23	1804 to 2000	208
John Archer	63,984	15.00	1971	41
Center for Educational Opportunity	107,087	3.04	1965	47
High Schools				
1 Aberdeen High	229,000	20.47	2004	8
2 Bel Air High	262,454	53.17	2009	3
3 C. Milton Wright High	220,910	60.00	1980	32
4 Edgewood High	268,354	44.35	2010	2
5 Fallston High	233,500	62.00	1977	35
6 Harford Technical High	218,225	55.00	1978	34
7 Havre de Grace High	144,815	35.00	1955	57
8 Joppatowne High	184,070	65.16	1972	40
9 North Harford High	245,238	73.00	2006	6
10 Patterson Mill High & Middle	265,000	79.85	2007	5
Middle Schools				
11 Aberdeen Middle	196,800	43.83	1973	39
12 Bel Air Middle	164,900	25.84	1961	51
13 Edgewood Middle	166,530	34.86	1965	47
14 Fallston Middle	130,284	34.59	1993	19
15 Havre de Grace Middle	102,000	37.34	1967	45
16 Magnolia Middle	149,100	69.33	1979	33
17 North Harford Middle	173,728	40.00	1976	36
18 Southampton Middle	188,134	35.99	1970	42
Elementary Schools				
19 Abingdon Elementary	91,229	28.49	1992	20
20 Bakersfield Elementary	65,691	10.00	1961	51
21 Bel Air Elementary	49,748	6.31	1984	28
22 Church Creek Elementary	85,801	20.51	1994	18
23 Churchville Elementary	52,360	6.46	1931	81
24 Darlington Elementary	24,237	7.89	1938	74
25 Deerfield Elementary	103,200	20.76	2010	2
26 Dublin Elementary	44,385	24.69	1941	71
27 Edgewood Elementary	67,341	36.95	1969	43
28 Emmorton Elementary	63,000	22.04	1994	18
29 Forest Hill Elementary	64,722	8.44	2000	12
30 Forest Lakes Elementary	68,971	20.03	1997	15
31 Fountain Green Elementary	60,000	23.87	1993	19
32 George D. Lisby Elementary	56,295	20.01	1968	44
33 Halls Cross Roads Elementary	63,082	12.73	1943	69
34 Havre de Grace Elementary	65,085	10.25	1949	63
35 Hickory Elementary	77,958	33.11	1950	62
36 Homestead-Wakefield Elementary	115,458	36.53	1958	54
37 Jarrettsville Elementary	61,275	27.44	1962	50
38 Joppatowne Elementary	89,985	17.19	1965	47
39 Magnolia Elementary	59,900	17.00	1975	37
40 Meadowvale Elementary	69,000	13.26	1959	53
41 Norrisville Elementary	37,417	11.54	1967	45
42 North Bend Elementary	60,221	18.23	1991	21
43 North Harford Elementary	49,703	20.00	1984	28
44 Prospect Mill Elementary	75,538	15.00	1973	39
45 Red Pump Elementary	100,573	23.67	2011	1
46 Ring Factory Elementary	59,132	34.26	1990	22
47 Riverside Elementary	55,711	13.18	1968	44
48 Roye Williams Elementary	78,126	28.00	1953	59
49 William Paca/Old Post Rd. Elementary	112,417	46.00	1964	48
50 William S. James Elementary	58,500	15.00	1976	36
51 Youths Benefit Elementary	96,616	26.18	1953	59
Total	6,175,384	1,891.00		

Source: Educational Facilities Master Plan 2012

Harford County Public Schools

Principal Employers in Harford County

	2011 ¹			2003		
	<u>Employees²</u>	<u>Rank</u>	<u>% of Total Jobs in Harford County</u>	<u>Employees²</u>	<u>Rank</u>	<u>% of Total Jobs in Harford County</u>
Government Sector:						
Aberdeen Proving Ground	15,582	1	18.7%	11,081	1	15.3%
Harford County Public Schools	5,478	2	6.6%	4,573	2	6.3%
Harford County Government	1,939	4	2.3%	1,594	4	2.2%
Private Sector:						
Upper Chesapeake Health Systems	2,720	3	3.3%	1,762	3	2.4%
Rite Aid Mid-Atlantic Customer Distrib (1,167	5	1.4%	1,299	5	1.8%
Harford Community College	982	6	1.2%	550	7	0.8%
Jacobs Technology, Inc.	895	7	1.1%	-	-	-
SAIC	788	8	0.9%	-	-	-
Saks Fifth Avenue	520	9	0.6%	585	6	0.8%
Sephora Central Distribution	454	10	0.5%	-	-	-
Frito-Lay, Inc.	-	-	-	454	8	0.6%
The GAP-Atlantic Distribution Center	-	-	-	400	9	0.6%
Old Line Plastics	-	-	-	350	10	0.5%
Top Employers' Jobs	30,525		36.7%	22,648		31.2%
Total Jobs in Harford County³	83,209		100.0%	72,646		100.0%

Sources:

¹2011 data is the most current yearly information available

²Data from the Harford County Office of Economic Development

³Maryland Department of Labor, Licensing & Regulation

Harford County Public Schools

Outstanding Capital Leases Direct Debt as of June 30, 2012

Fiscal Year	Principal	Interest	Total Debt Service
2013	\$ -	\$ 246,568	\$ 246,568
2014	-	327,544	327,544
2015	371,258	327,544	698,803
2016	508,418	315,404	823,822
2017	525,043	298,779	823,822
2018	542,212	281,610	823,822
2019	559,942	263,880	823,822
2020	578,252	245,570	823,822
2021	597,161	226,661	823,822
2022	616,688	207,134	823,822
2023	636,854	186,968	823,822
2024	657,679	166,143	823,822
2025	679,185	144,637	823,822
2026	701,395	122,427	823,822
2027	724,330	99,492	823,822
2028	748,016	75,806	823,822
2029	772,476	51,346	823,822
2030	797,736	26,086	823,822
	<u>\$ 10,016,647</u>	<u>\$ 3,613,598</u>	<u>\$ 13,630,244</u>

Capital lease is for an Administration Building.

The original capital lease was executed in 2005 and refunded in May 2012.

There is no overlapping debt.

Harford County Public Schools

Full-time Equivalent Employees by Function Fiscal 2002 - 2012

State Category	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administration	76	80	88	91	108	122	124	124	123	124	126
Mid Level - Office of the Principal	251	252	252	256	264	269	275	277	282	281	306
Mid Level - Admin & Supervision	61	72	66	61	70	74	80	79	74	76	54
Instructional Salaries	2,495	2,733	2,730	2,735	2,829	2,881	2,912	2,868	2,848	2,868	2,835
Special Education	494	611	621	727	824	876	936	941	1,028	1,124	1,085
Student Services	18	18	18	18	20	20	20	20	20	20	20
Health Services	59	61	62	63	64	66	71	71	71	71	72
Transportation	156	136	142	142	147	159	171	183	193	203	211
Operation of Plant	292	293	293	294	314	315	332	333	333	334	342
Maintenance of Plant	124	124	124	124	130	128	128	126	126	124	125
Community Services	1	1	1	1	1	1	1	1	1	1	1
Totals	4,025	4,380	4,397	4,511	4,769	4,910	5,049	5,022	5,097	5,225	5,177

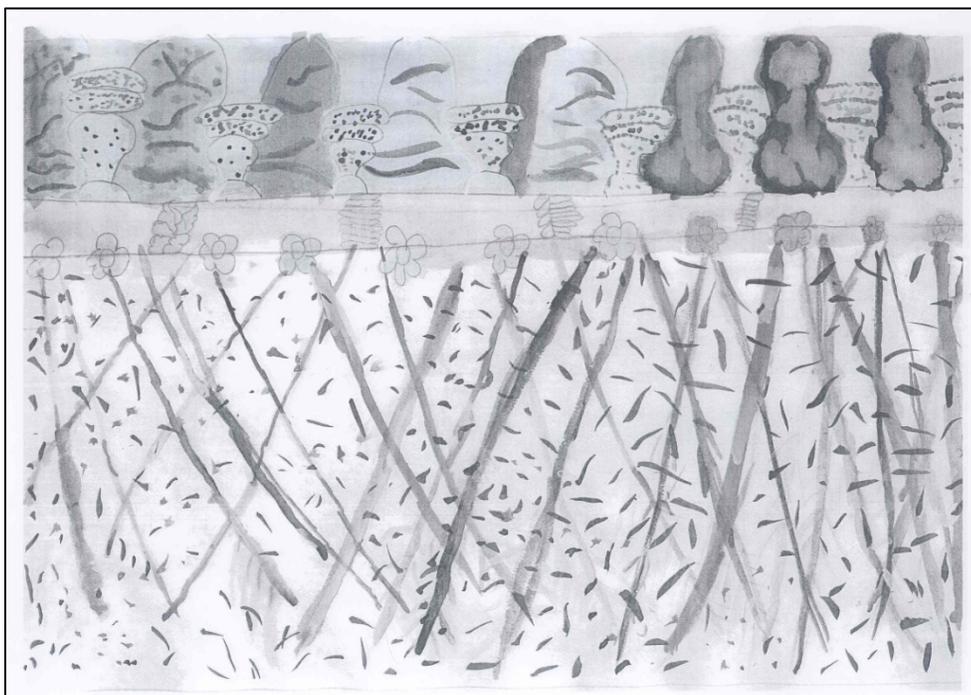
Information supplied by HCPS Budget Office from the MSDE Budget Certification Reports

Data includes employee count from the Unrestricted and Restricted Funds, referred to as the Current Expense Fund.

Compliance Section



**Aubrey Coughlin, Grade 10, C. Milton Wright High School
Teacher: Carol Dunaway**



**Khazmere Gibbons, Grade 5, Joppatowne Elementary School
Teacher: Sharon Pardew**



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EXPERIENCE • QUALITY • CLIENT SERVICE

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

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

We have audited the basic financial statements of Harford County Public Schools as of and for the year ended June 30, 2012 and have issued our report thereon dated September 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

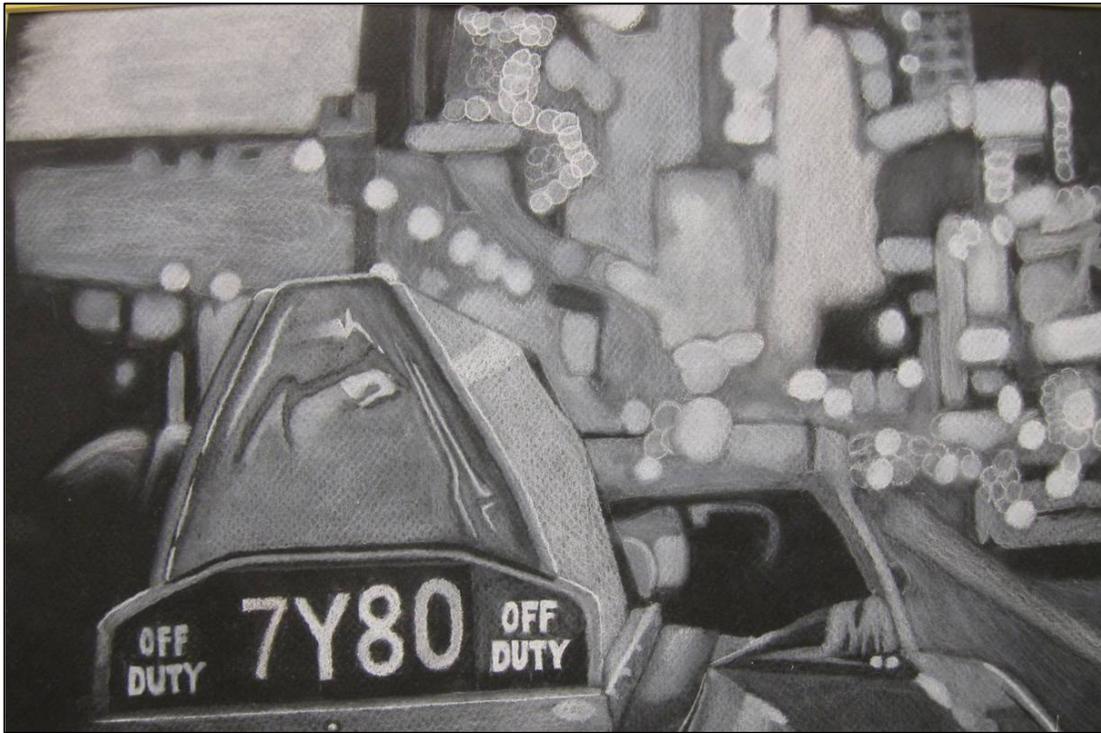
As part of obtaining reasonable assurance about whether Harford County Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

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

Hunt Valley, MD
September 17, 2012



**Maurice Brown, Grade 2, Prospect Mill Elementary School
Teacher: Sherry Rowe**



**Austin Tracey, Grade 11, Bel Air High School
Teacher: Laura Crocker**