



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ending June 30, 2016

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



Barbara P. Canavan,
Superintendent of Schools

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

2015-2016 Board of Education of Harford County



Nancy Reynolds
President
Elected Member
Councilmanic District D



Joseph L. Voskuhl
Vice President
Elected Member
Councilmanic District C



Joseph A. Hau
Appointed Member-at-Large



Laura S. Runyeon
Appointed Member-at-Large



Alfred L. Williamson
Appointed Member-at-Large



Jansen M. Robinson
Elected Member
Councilmanic District A



Robert L. Frisch
Elected Member
Councilmanic District B



Rachel Gauthier
Elected Member
Councilmanic District E



Thomas F. Fitzpatrick
Elected Member
Councilmanic District F



Genae O. Hatcher
Student Representative



Barbara P. Canavan
Superintendent of Schools

COVER, FROM TOP TO BOTTOM, LEFT TO RIGHT: Aberdeen High School students Kelly Pysh, Brandon Casquete, Sara Decker, the first non-presidential children to fly on Air Force Two, spent a day with the Second Lady of the United States, Dr. Jill Biden, and met Astronaut Scott Kelly upon his arrival back to the United States from NASA's Year Long Space Mission; Youth's Benefit Elementary School Student Council members, Rylee DeVito, Macy Budke, Hannah Richard and Devon Nixon (not pictured) with student council advisor Connie Charitonuk, collected \$3,698.42 in their annual Pennies for Patients campaign for the Leukemia/Lymphoma Foundation; Fallston High School staff, students and community members showed support for Autism by purchasing blue T-shirts and wearing them to the Cougars football game versus Boys Latin on Friday, September 11, 2015. Approximately 400 shirts were sold with proceeds benefiting Autism and the Best Buddies program; Fountain Green Elementary School students created "TransFUNers" kits with encouraging get well cards, to be given to children in hospitals to decorate their transfusion poles. This project was done in conjunction with Grace Callwood (pictured), a fifth grade student at William S. James Elementary School and founder of the We CanCerve Movement; Harford Technical High School construction students collaborated with Habitat for Humanity Susquehanna to build a new home for a local Aberdeen family.

Cover design by Stephanie Williams, Graphic Design & Technical Specialist, HCPS Communications Office.



Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2016

Component Unit of Harford County, Maryland

Prepared by the Division of Business Services
Finance Department

102 South Hickory Avenue
Bel Air, Maryland 21014

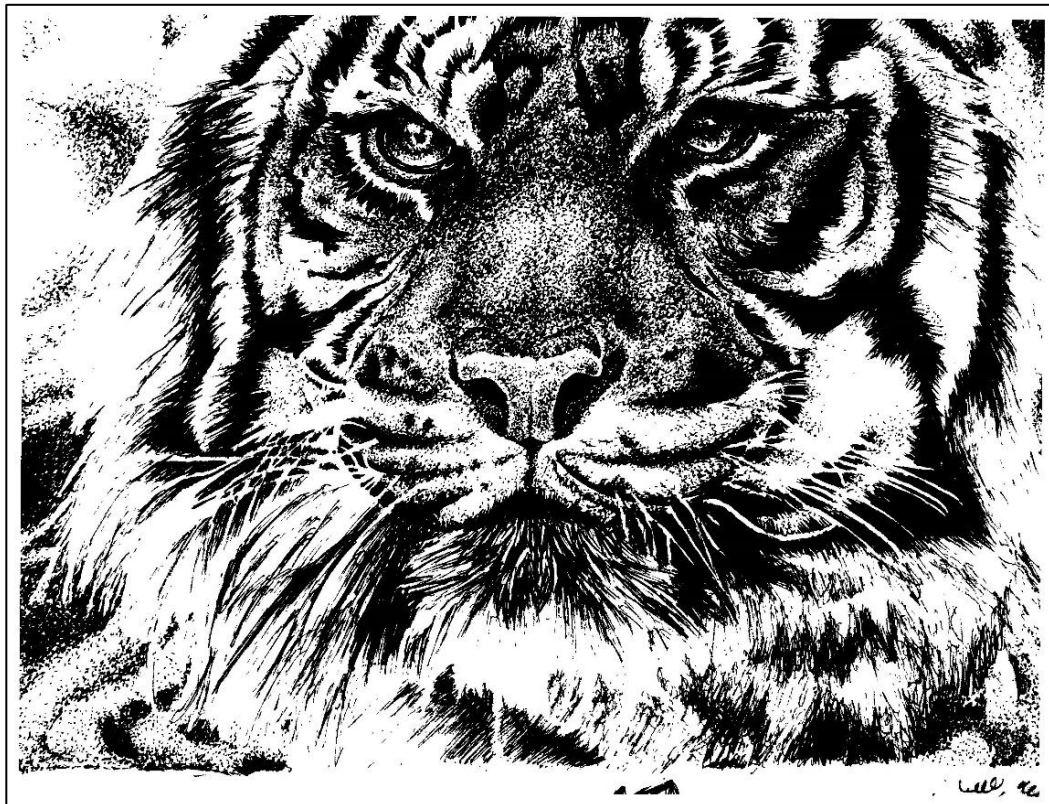
Office of Civil Rights Statement for Harford County Public Schools

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 Artwork:

<u>Student</u>	<u>Grade</u>	<u>School</u>	<u>Page</u>
Heather A. Pace	10	C. Milton Wright High School	1
Zoe T. Cox	9	Harford Technical High School	4
Zoya K. Keck	5	Churchville Elementary School	5
Jessie M. Clark	9	Fallston High School	12
Isabelle D. Sapp	12	Harford Technical High School	14
Emma E. Lockhart	6	Southampton Middle School	30
Bryan G. Baligad	12	Harford Technical High School	65
Caitlyn N. Bova	9	Fallston High School	69
Ava N. DiCasagrande	5	Prospect Mill Elementary School	76
Sidney L. Stewart	4	Joppatowne Elementary School	76
Patricia K. Tamaris	7	Southampton Middle School	94
Carson D. Clinton	1	Prospect Mill Elementary School	97
Mohamed A. Abouelmagd	2	William Paca / Old Post Road Elementary School	97



**Heather Pace, Grade 10, C. Milton Wright High School
Teacher: Carol Dunaway**

Harford County Public Schools

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Harford County Public Schools

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Introductory Section



**Zoe Cox, Grade 9, Harford Technical High School
Teacher: Judy Demond**

Harford County Public Schools

Vision

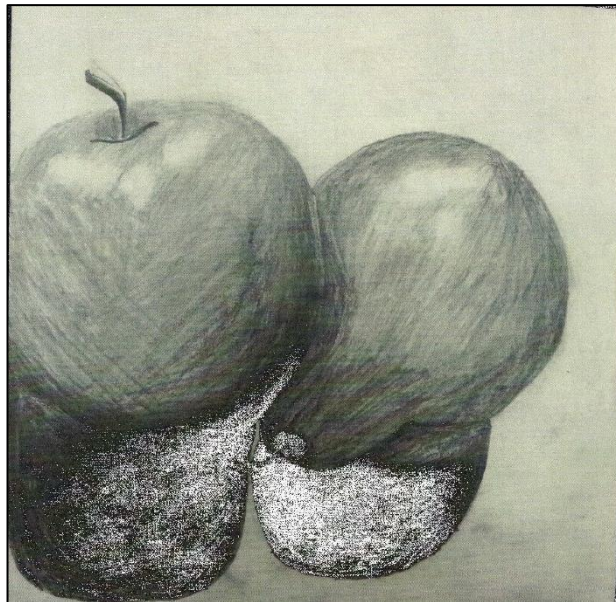
Harford County Public Schools will be a community of learners in which our public schools, families, public officials, businesses, community organizations, and other citizens work collaboratively to prepare all of our students to succeed academically and socially in a diverse, democratic, change-oriented,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

Mission

The mission of Harford County Public Schools is to promote excellence in instructional leadership and teaching and to provide facilities and instructional materials that support teaching and learning for the 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

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



**Zoya Keck, Grade 5, Churchville Elementary School
Teacher: Marie Hoppenstein**

Board of Education of Harford County

The members of the Board as of June 30, 2016, 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	Nancy Reynolds	Councilmanic District D	2019
Vice-President	Joseph L. Voskuhl	Councilmanic District C	2019
Other members	Jansen M. Robinson	Councilmanic District A	2019
	Robert L. Frisch	Councilmanic District B	2019
	Rachel Gauthier	Councilmanic District E	2019
	Thomas Fitzpatrick	Councilmanic District F	2019
	Joseph A. Hau	Appointed Member-at-Large	2019
	Laura S. Runyeon	Appointed Member-at-Large	2019
	Alfred L. Williamson	Appointed Member-at-Large	2019
Student member	Genae Hatcher	Student Member	2016
Secretary-Treasurer	Barbara P. Canavan	Superintendent of Schools	2018

Administration as of June 30, 2016

Barbara P. Canavan
Superintendent until June 30, 2018

Susan P. Brown, Ed.D.
*Executive Director of Curriculum, Instruction
and Assessment*

Joseph P. Licata
Chief of Administration

Patrick P. Spicer, Esquire
General Counsel

Cornell S. Brown, Jr.
Assistant Superintendent for Operations

Jean A. Mantegna
Assistant Superintendent for Human Resources

Deborah L. Judd, CPA
Assistant Superintendent for Business Services

Eric G. Clark
Director of Budget

Patti Jo Beard
Executive Director of Facilities Management

Stephen C. Lentowski
Director of Student Services

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

H. Andrew Moore, II
Director of Technology

Joseph A. Schmitz
*Executive Director of Middle & High School
Instruction and Performance*

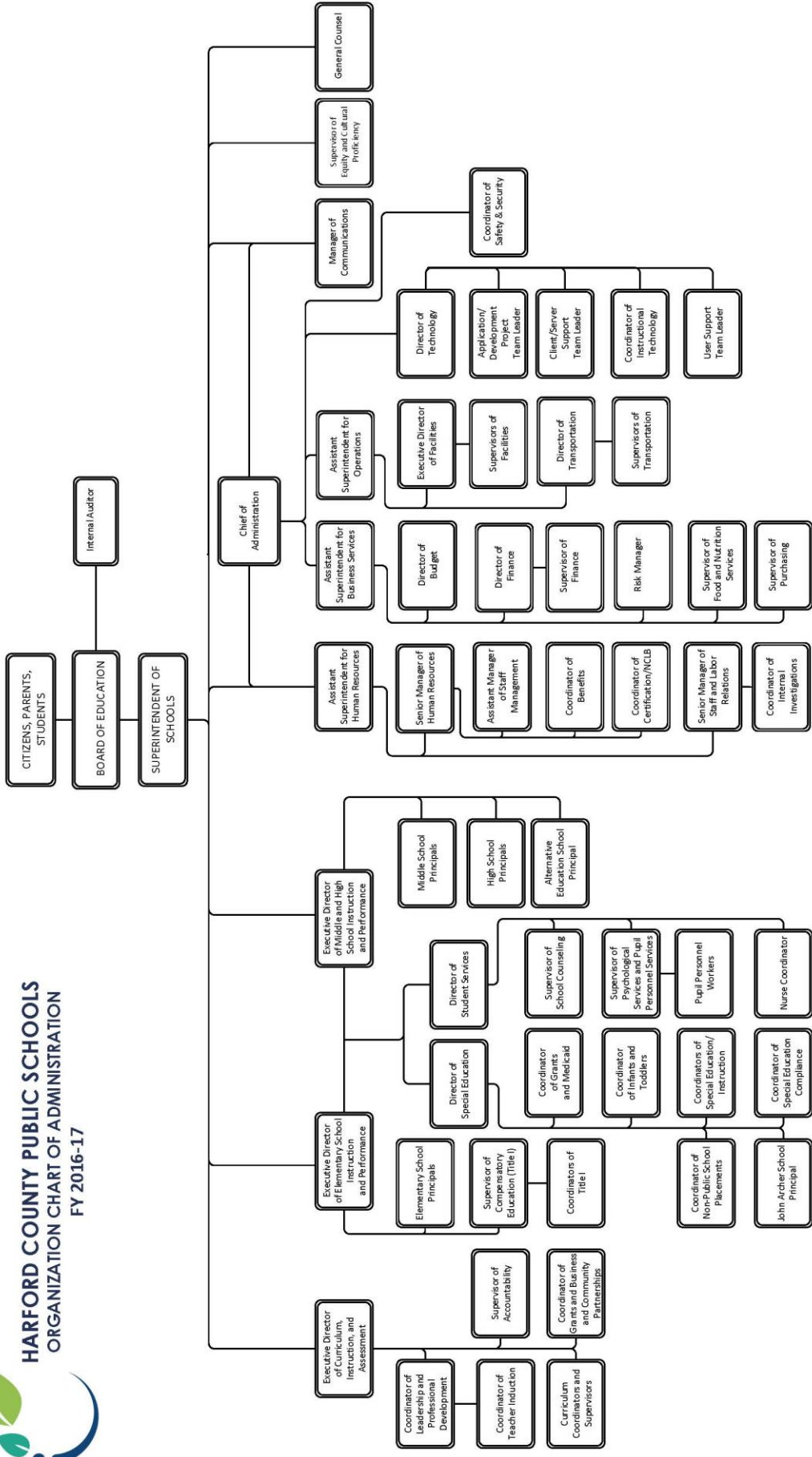
Charles L. Taibi
Director of Transportation

Susan Austin, Ph.D.
Director of Special Education

John G. Staab, CPA
Director of Finance



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



September 30, 2016

Members of the Board of Education:

The Public School Laws of the State of Maryland require school districts to 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, 2016.

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. The cost of internal controls should not exceed anticipated benefits; therefore, 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, has issued an unmodified (“clean”) opinion on Harford County Public Schools (HCPS) financial statements for the fiscal year ended June 30, 2016. 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 complements this letter of transmittal and should be read in conjunction with it.

All funds and accounts of 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’ financial statements and footnotes will be included in the Comprehensive Annual Financial Report of Harford County.

Profile of the Government

Harford County Public Schools (HCPS) is a fiscally dependent school system with an actual enrollment of 37,448 students in fiscal 2016. HCPS is the 157th largest school system of the 13,491

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.² The student body will be served by a projected 4,917 FTE faculty and staff positions for fiscal 2017.

Citizens in the County have a choice of public or private schools. Harford County has 54 public schools and 46 non-public schools² located within the county. The number of students attending private schools is unknown. The 2015 actual population of Harford County was 250,025³. According to the U.S. Census Bureau, the school-age population in 2015 was 43,050⁴, of which 36,639 (HCPS enrollment less preschool and prekindergarten) or 85.1% attended public schools. School enrollment was 35,963 in 1994 and reached a peak of 40,212 in 2005.

Senate Bill 629 (2009 Session of the Maryland General Assembly), effective July 1, 2009, 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. 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.

County Government perspective on local economy⁵

Local economy: The revenue outlook for fiscal year 2016 remained challenging while preparing the fiscal year 2017 budget. A lagging national economy and unfunded mandates from the State of Maryland have resulted in lean budgets for 2017.

The County's largest revenue source remains real property taxes. The fiscal year 2016 taxable assessable base resulted in an increase over the fiscal year 2015 assessable base of 1.0 percent. The assessable base growth rate is expected to increase by 1.4 percent in fiscal year 2017. General Fund property tax revenues net, of interest, discounts and credits are estimated to increase by 1.0 percent from fiscal year 2016 to fiscal year 2017. The real estate market has experienced a modest recovery in property assessments, which have increased, albeit slightly, for the past three years after declining for the previous four years. All areas of the County have now seen positive growth in their assessments.

Income tax revenue, the second largest revenue source in the County, is directly affected by population growth, employment levels, and personal income. Income tax revenue has shown increases beginning in 2011 through 2016 using the modified accrual basis of accounting. The year-over-year increase for 2013 to 2014, 2014 to 2015 and 2015 to 2016 has been 3.7%, 1.9% and 5.3%, respectively. Income tax is budgeted at \$213 million for fiscal year 2017.

¹U.S. Department of Education, National Center for Education Statistics, Common Core of Data(CCD), "Public Elementary/Secondary School Universe Survey," 2013-2014, Table 214.10.

² Maryland State Department of Education Fact Book for the Fiscal Year 2014-2015.

³ Harford County Department of Planning and Zoning.

⁴ United States Census Bureau, QuickFacts, Harford County, Maryland, Persons under 5 years/18 years, V2013

⁵ Excerpts from the Harford County Government Comprehensive Annual Financial Report for the year ended June 30, 2016.

Long-term financial planning for the school system

Although Harford County and the State of Maryland are still recovering from the economic downturn, this still has not translated into an increase in funding from these entities. In addition, declining enrollment has resulted in declining revenue from the State of Maryland's enrollment-driven funding. Due to the prevailing low interest environment, investment earnings have provided a relatively negligible source of revenue. Sufficient resources from all funding sources were identified and reallocated with minimal impact to school-based programs or services. These factors continue to be a concern as we move forward. While HCPS continues to examine ways to reduce costs and still maintain a high level of service to our students and citizens, it is becoming more challenging each year without increased revenues. As we continue to make budget reductions, we will begin to see reduction in services.

The Maryland General Assembly enacted Chapter 288, Acts of 2002 – the Bridge to Excellence in Public Schools Act, which established new primary State education aid formulas based on adequacy cost studies using the professional judgment and successful schools method and other education finance analyses that were conducted in 2000 and 2001 under the purview of the Commission on Education Finance, Equity and Excellence. State funding to implement the Bridge to Excellence Act was phased-in over six years, reaching full implementation in fiscal 2008. Chapter 288 required a follow-up study of the adequacy of education funding in the State to be undertaken approximately 10 years after its enactment. The study must include, at a minimum, adequacy cost studies that identify a base funding level for students without special needs and per pupil weights for students with special needs to be applied to the base funding level, and an analysis of the effects of concentrations of poverty on adequacy targets. The adequacy cost study will be based on the Maryland College and Career Ready Standards (MCCRS) adopted by the State Board of Education and include two years of results from new State assessments aligned with the standards, which were administered beginning in the 2014-2015 school year.

There are several additional components mandated to be included in the study. These components include evaluations of: the impact of school size, the Supplemental Grants program, the use of Free and Reduced Price Meal eligibility as the proxy for identifying economic disadvantage, the federal Community Eligibility Program in Maryland, prekindergarten services and funding, the current wealth calculation, and the impact of increasing and decreasing enrollments on local school systems. The study must also include an update of the Maryland Geographic Cost of Education Index.

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 expenditures and supplemental appropriations during the fiscal year require approval of the Board of Education, Harford County Executive, 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 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 project 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 the Board of Education, Harford County Executive, and the Harford County Council.

Awards and Acknowledgements

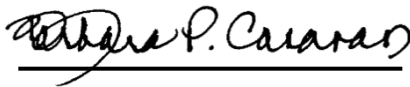
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Harford County Public Schools for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the eleventh consecutive 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 accounting principles generally accepted in the United States of America 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, 2015. 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 Laura J. Tucholski, CPA, CIA, CFE and SB & Company, LLC, external auditor. Many other offices in the system contributed to provide data for this report, including the students whose artwork 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.

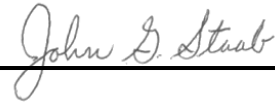
Sincerely,



Barbara P. Canavan
Superintendent



Deborah L. Judd, CPA
Assistant Superintendent for
Business Services



John G. Staab, CPA
Finance Director



**Jessie Clark, Grade 9, Fallston High School
Teacher: Andrea Sauer**



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

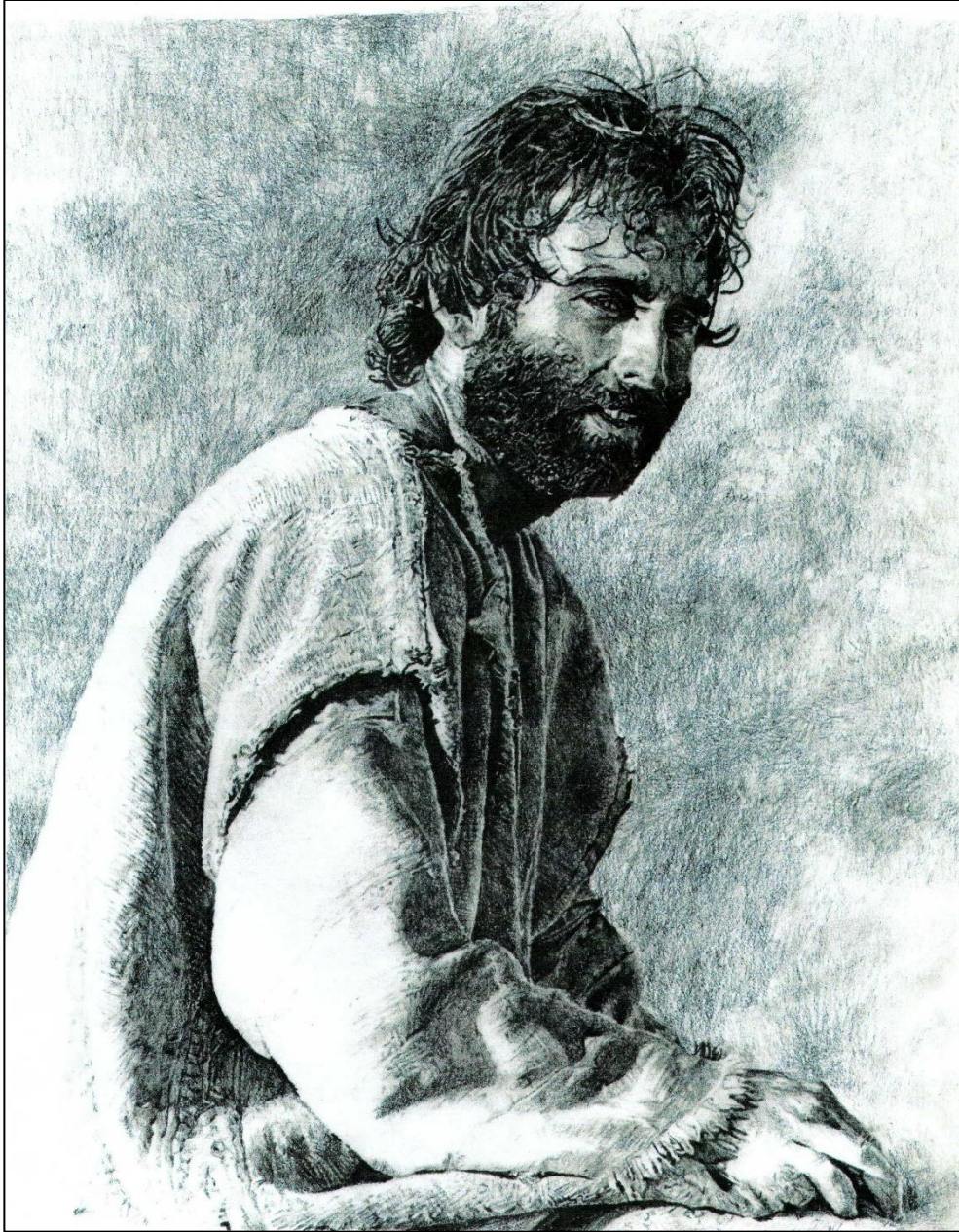
**Harford County Public Schools
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Financial Section



**Isabelle Sapp, Grade 12, Harford Technical High School
Teacher: Judy Demond**



Report of Independent Public Accountants

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

Report on the Financial Statements

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 (HCPS), a component unit of Harford County, Maryland as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise HCPS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

HCPS' management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools, as of June 30, 2016, and the respective changes in financial position, where applicable, cash flows thereof, and statement of revenues, expenditures and changes in fund balances – budget (non-GAAP basis) and actual – general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and schedules of funding progress, proportionate share of net pension liability, and contributions, as listed in the accompanying table of contents, 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 sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HCPS’ basic financial statements. The accompanying food services fund schedule of revenues, expenditures and changes in fund balance compared to budget, school construction fund schedule of expenditures by project, agency funds schedule of increases, decreases, and fund balances, combining statement of fiduciary net position – agency funds and combining statement of changes in assets and liabilities – agency funds (collectively, the Supplemental Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Other Information

The introductory and statistical sections as listed in the accompanying table of contents have 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2016 on our consideration of HCPS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HCPS' internal control over financial reporting and compliance.

Hunt Valley, Maryland
September 22, 2016

A handwritten signature in black ink that reads "SB & Company, LLC". The signature is written in a cursive, flowing style.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2016

As Management of 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, 2016. 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.

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 \$334.9 million. Net Position as of June 30, 2015 was \$349.3 million and decreased by \$14.4 million for the year ended June 30, 2016 due mainly to the increase in liabilities discussed below.
- The HCPS total liabilities increased by \$39.1 million during the current fiscal year. The key factor in this change was the increase in the noncurrent liabilities consisting primarily of an increase of \$33.8 million in Other Post-Employment Benefits (OPEB) Obligation and \$5.7 million in Net Pension Liability.
- The final Unrestricted General Fund budget increased by \$2.3 million (or 0.5%) during the year from the originally adopted budget.
- The General Fund unrestricted, unassigned fund balance on a budgetary basis increased from \$7.0 million to \$8.5 million, an increase of \$1.5 million (or 21.8%). Maintaining an unassigned fund balance was a strategic decision to prepare for additional funding reductions or unexpected expenditures.
- The unrestricted General Fund actual revenues were less than the final budget by \$1 million (or 0.2%), and expenditures were \$8.6 million, (or 2.0%), under the final budget.

Overview of the Financial Statements

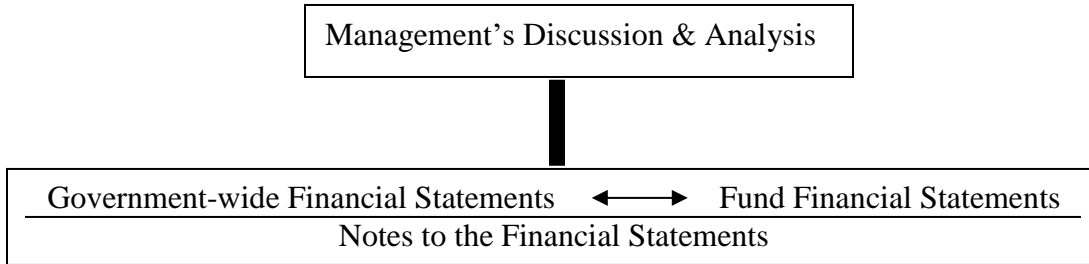
This discussion and analysis is intended to serve as an introduction to the Harford County Public Schools basic financial statements.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2016

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.

Government-wide financial statements. In addition to the MD&A, the government-wide financial statements are the other primary addition to financial reporting under GASB Statement No. 34. The government-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 position* presents information on all of the assets and liabilities of HCPS with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position 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 expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (such as earned but unused employee leave), or for which cash has already been expended (depreciation of buildings and equipment already purchased).

The government-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. HCPS uses fund accounting to ensure and demonstrate compliance with finance-related requirements. HCPS' funds are in two categories, governmental funds and fiduciary funds. Harford County Public Schools does not operate any enterprise activities that are reported as proprietary funds.

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

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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 No. 34 requires that we present the original adopted budget as well as the final budget and discuss the changes between them.

	Government-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 (Exhibits 8 and 9). 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 government-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.

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Government-wide Financial Analysis

Net position over time may serve as a useful indicator of a government's financial position. In the case of HCPS, assets exceeded liabilities by \$334.9 million at the close of the fiscal year, which represents a decrease from the prior year of \$14.4 million. Although capital assets increased by \$15.1 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 position reflects the net investment in capital assets (i.e., land, buildings, machinery, and equipment). 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, HCPS is fiscally dependent on and nearly all capital debt is carried by the County and State governments.

HCPS' net position as of June 30, 2016 and 2015, is illustrated in the table below and Exhibit 1.

Harford County Public Schools Governmental Funds Net Position

	June 30, 2016	June 30, 2015	\$ Change	% Change
ASSETS				
Current and other assets	\$ 48,263,004	\$ 41,843,909	\$ 6,419,095	15.341%
Capital assets	622,959,292	607,884,082	15,075,210	2.480%
Total assets	<u>671,222,296</u>	<u>649,727,991</u>	<u>21,494,305</u>	<u>3.308%</u>
Deferred outflows related to pensions	<u>6,158,733</u>	<u>2,979,924</u>	<u>3,178,809</u>	<u>106.674%</u>
LIABILITIES				
Current and other liabilities	11,455,578	11,136,193	319,385	2.868%
Noncurrent liabilities	328,775,674	290,034,962	38,740,712	13.357%
Total liabilities	<u>340,231,252</u>	<u>301,171,155</u>	<u>39,060,097</u>	<u>12.969%</u>
Deferred inflows related to pensions	<u>2,245,369</u>	<u>2,272,407</u>	<u>(27,038)</u>	<u>-1.190%</u>
NET POSITION				
Net investment in capital assets	614,347,364	598,747,111	15,600,253	2.605%
Restricted	5,199,571	5,378,289	(178,718)	-3.323%
Unrestricted	(284,642,527)	(254,861,047)	(29,781,480)	11.685%
Total net position	<u>\$ 334,904,408</u>	<u>\$ 349,264,353</u>	<u>\$ (14,359,945)</u>	<u>-4.111%</u>

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The unrestricted deficit as of June 30, 2016 of \$284.6 million is the result of reducing the fund balance from the General Fund (Exhibit 3) of \$30.1 million by the compensated absences long-term liabilities of \$26.0 million, other post-employment benefits obligation of \$265.7 million and net pension liability of \$26.4 million. HCPS is 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 300 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, 2017. A total of \$27.5 million exists as of June 30, 2016 with \$4.9 million due within one year. The amount attributable to vacation leave is \$4.8 million and \$22.7 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 \$9.1 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 \$549.2 million in expenditures 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. \$368.8 million in expenditures were supported 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 expenditures produced a net loss for this program.

The following table summarizes the government-wide cost of services for each program or function. About 90.1% of the total costs of services are directly related to students' instruction and welfare. Of the remaining 9.9%, all but about 0.7% 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.

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	\$ 365,818,509	\$ 247,458,964	67.65%
Pupil personnel	2,531,025	2,394,060	94.59%
Health services	6,217,563	6,217,563	100.00%
Pupil transportation	38,694,705	26,197,900	67.70%
Operation and maintenance of plant	63,892,673	50,734,797	79.41%
Food services	17,883,187	987,788	5.52%
All others	54,130,189	49,137,661	90.78%
Total	<u>\$ 549,167,851</u>	<u>\$ 383,128,733</u>	<u>69.77%</u>
All others			
Administration	\$ 15,230,640	\$ 13,854,040	90.96%
Mid-level administration	37,941,253	34,790,130	91.69%
Community services	565,724	100,919	17.84%
Depreciation - unallocated	77,168	77,168	100.00%
Interest on debt	315,404	315,404	100.00%
Total	<u>\$ 54,130,189</u>	<u>\$ 49,137,661</u>	<u>90.78%</u>

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Total revenues increased by 0.14% from the prior year, as shown in the table below. This increase is attributable mainly to an increase in capital grants and contributions and local appropriations and offset by decreases in state aid, operating grants and contributions and miscellaneous revenue. 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 Federal governments as well.

Expenses decreased by \$1.1 million (or 0.20%) with increases in pupil personnel services, maintenance of plant and equipment and food services offset by decreases in operation of plant.

Harford County Public Schools Change in Net Position

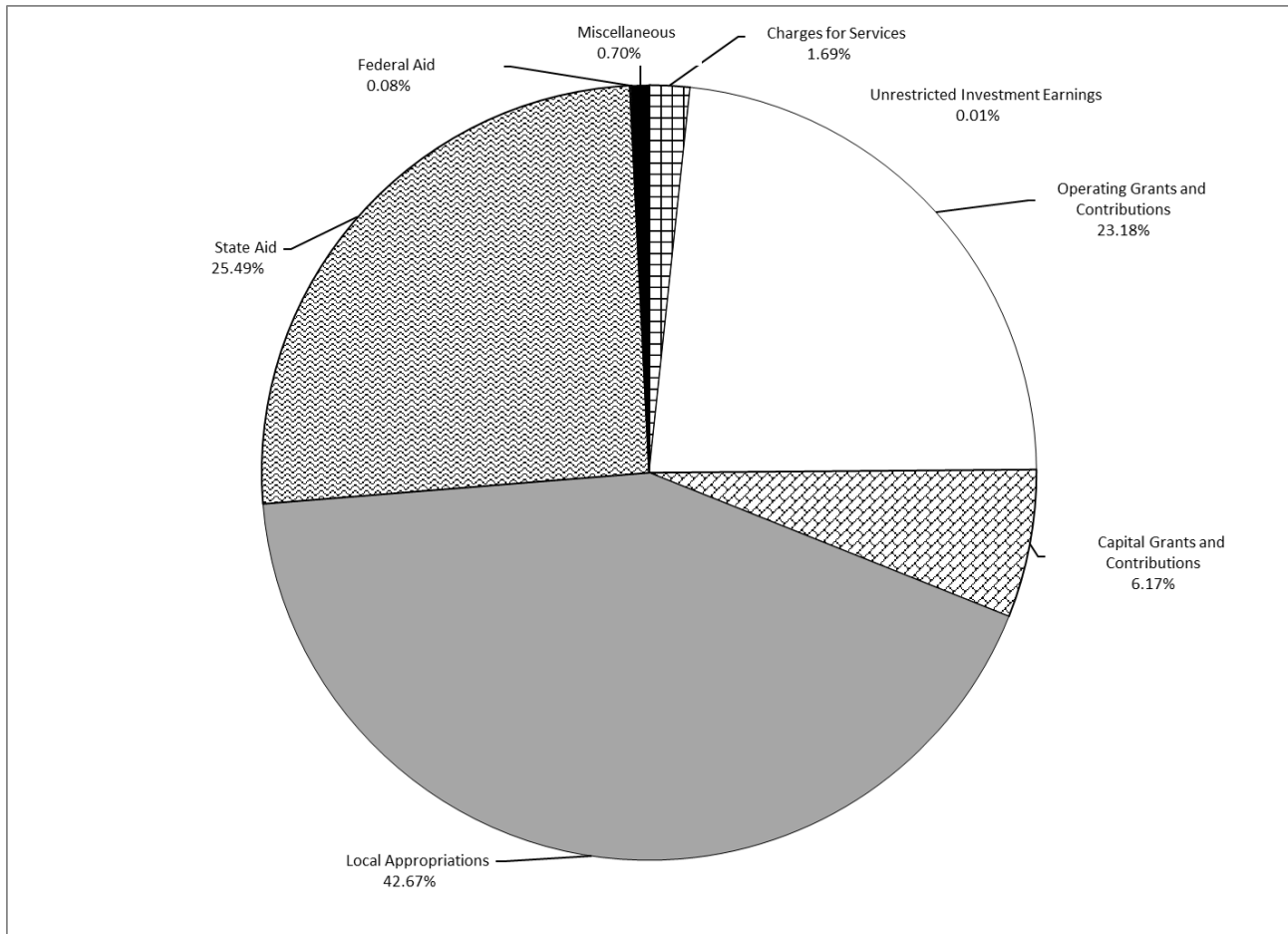
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>% Change</u>
Revenues			
Program:			
Charges for services	\$ 9,045,817	\$ 8,981,349	0.72%
Operating grants and contributions	123,982,469	125,874,924	-1.50%
Capital grants and contributions	33,010,832	32,294,672	2.22%
Local appropriations	228,208,971	223,667,302	2.03%
General:			
State aid	136,328,259	137,403,879	-0.78%
Federal aid	423,240	433,573	-2.38%
Miscellaneous	3,752,381	5,369,872	-30.12%
Investment earnings	55,937	13,270	321.53%
Total revenues	<u>534,807,906</u>	<u>534,038,841</u>	<u>0.14%</u>
Expenses			
Instruction	365,818,509	366,370,559	-0.15%
Support services:			
Administration	15,230,640	15,194,713	0.24%
Mid-level administration	37,941,253	38,138,699	-0.52%
Pupil personnel services	2,531,025	2,424,270	4.40%
Health services	6,217,563	6,291,603	-1.18%
Pupil transportation	38,694,705	38,827,021	-0.34%
Operation of plant	42,617,841	45,870,326	-7.09%
Maintenance of plant and equipment	21,274,832	19,508,760	9.05%
Community services	565,724	532,304	6.28%
Food services	17,883,187	16,719,155	6.96%
Interest on long-term debt	315,404	327,544	-3.71%
Depreciation - unallocated	77,168	77,168	0.00%
Total expenses	<u>549,167,851</u>	<u>550,282,122</u>	<u>-0.20%</u>
Change in Net Position	(14,359,945)	(16,243,281)	-11.59%
Net position - beginning of year	<u>349,264,353</u>	<u>365,507,634</u>	<u>-4.44%</u>
Net position - end of year	<u>\$ 334,904,408</u>	<u>\$ 349,264,353</u>	<u>-4.11%</u>

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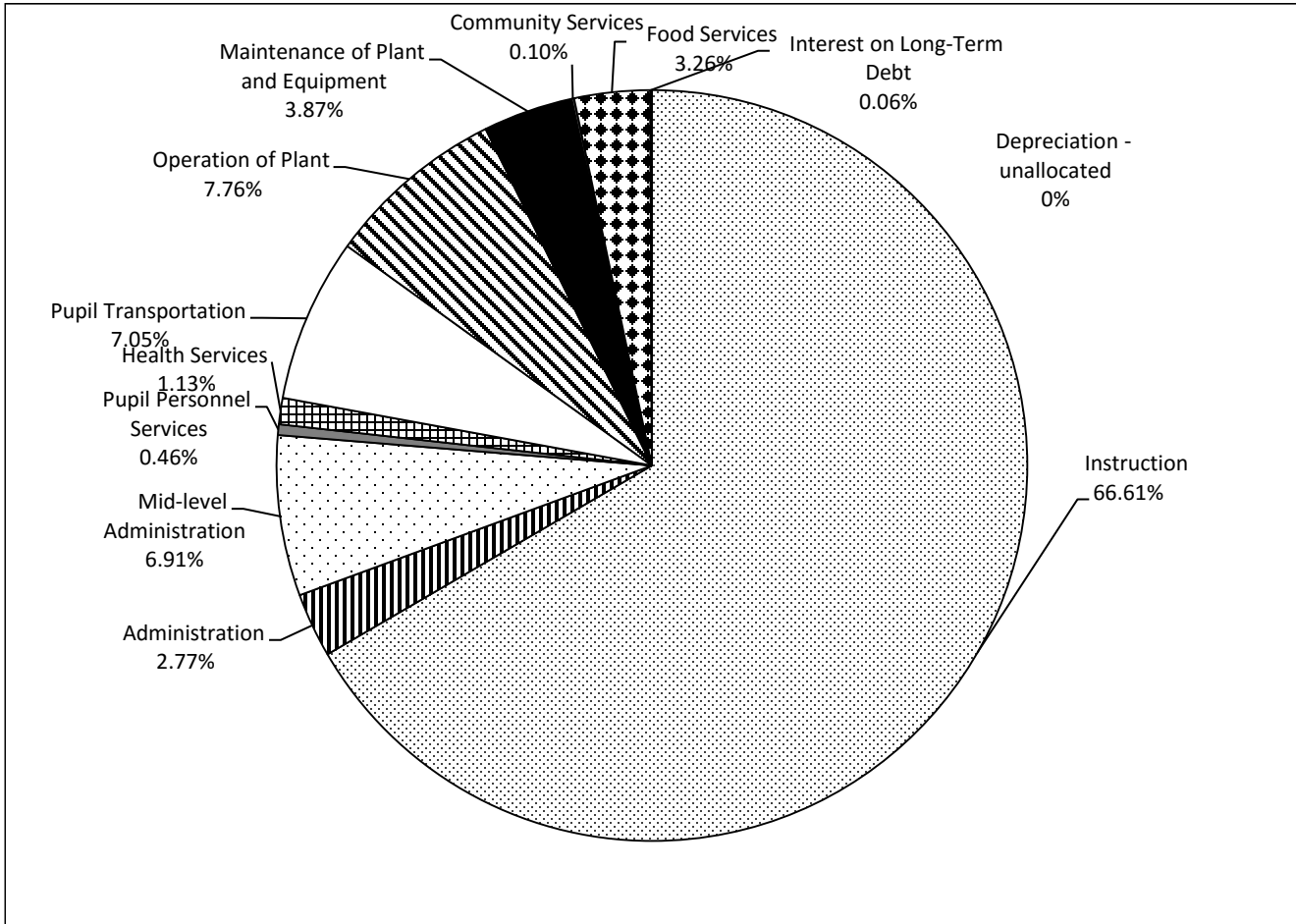
Sources of Revenues for Fiscal Year Ended June 30, 2016



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Expenditures for Fiscal Year Ended June 30, 2016



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.

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

In the General Fund, revenues and expenditures are in line with the previous year with no significant increases or decreases warranting discussion. In the Food Services Fund, revenues and expenditures are in line with the previous year with no significant increases or decreases warranting discussion. In the Capital Projects Fund, revenues from local sources increased by \$6.0 million (or 35.92%) and decreased from state sources by \$5.61 million (or 37.01%), respectively. The fluctuation is due to the funding streams each year for an elementary school replacement project that commenced in FY15.

Harford County Public Schools Changes in Fund Balance

	<i>General Fund</i>		<i>Food Services Fund</i>		<i>Capital Projects Fund</i>		<i>Total</i>	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenues								
Intergovernmental Revenues								
Local Sources	\$ 228,208,971	\$ 223,667,302	\$ -	\$ -	\$ 22,676,418	\$ 16,683,422	\$ 250,885,389	\$ 240,350,724
State Sources	220,625,733	223,182,638	447,479	414,516	9,514,383	15,125,970	230,587,595	238,723,124
Special State and Federal Programs	29,931,471	31,020,081	-	-	-	-	29,931,471	31,020,081
Federal Sources	423,240	433,573	9,164,711	8,508,212	-	-	9,587,951	8,941,785
Earnings on Investments	55,937	13,270	-	-	-	40	55,937	13,310
Charges for Services	-	-	7,141,875	7,103,038	-	-	7,141,875	7,103,038
Miscellaneous Revenues	5,656,323	7,248,183	141,334	153,356	820,031	485,240	6,617,688	7,886,779
Total revenues	484,901,675	485,565,047	16,895,399	16,179,122	33,010,832	32,294,672	534,807,906	534,038,841
Expenditures								
Administration	10,179,492	10,162,846	-	-	-	-	10,179,492	10,162,846
Mid-Level Administration	24,909,942	24,569,032	-	-	-	-	24,909,942	24,569,032
Instructional Salaries	154,869,308	153,388,296	-	-	-	-	154,869,308	153,388,296
Instructional Textbooks & Materials	6,597,578	7,101,050	-	-	-	-	6,597,578	7,101,050
Other Instructional Costs	2,794,518	3,340,161	-	-	-	-	2,794,518	3,340,161
Special Education	40,671,555	40,713,445	-	-	-	-	40,671,555	40,713,445
Student Personnel Services	1,691,700	1,645,187	-	-	-	-	1,691,700	1,645,187
Health services	3,271,663	3,358,875	-	-	-	-	3,271,663	3,358,875
Pupil transportation	29,201,312	30,113,433	-	-	-	-	29,201,312	30,113,433
Operation of plant	26,773,119	28,127,736	-	-	-	-	26,773,119	28,127,736
Maintenance of plant and equipment	12,562,071	12,707,352	-	-	-	-	12,562,071	12,707,352
Fixed Charges	134,132,686	136,098,606	-	-	-	-	134,132,686	136,098,606
Community services	470,002	444,114	-	-	-	-	470,002	444,114
Special State & Federal Programs	29,931,471	31,020,081	-	-	-	-	29,931,471	31,020,081
Costs of Operations -Food Services	-	-	16,726,026	15,967,825	-	-	16,726,026	15,967,825
Capital Outlay	511,212	388,988	-	-	33,285,201	33,669,871	33,796,413	34,058,859
Total expenditures	478,567,629	483,179,202	16,726,026	15,967,825	33,285,201	33,669,871	528,578,856	532,816,898
Net Change in Fund Balance	6,334,046	2,385,845	169,373	211,297	(274,369)	(1,375,199)	6,229,050	1,221,943
Fund Balances - beginning of year	23,777,728	21,391,883	2,975,475	2,801,769	2,402,814	3,778,013	29,156,017	27,971,665
Decrease in nonspendable fund balance	-	-	(73,722)	(37,591)	-	-	(73,722)	(37,591)
Fund Balances - end of year	\$ 30,111,774	\$ 23,777,728	\$ 3,071,126	\$ 2,975,475	\$ 2,128,445	\$ 2,402,814	\$ 35,311,345	\$ 29,156,017

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General Fund - Unrestricted (Exhibit 7)

Changes made to the original budget during the fiscal year were supplemental appropriations for funding the OPEB Trust Fund as well as a one month health and dental premium holiday for employees and retirees. Inter-categorical transfers were made from various categories to cover additional expenditures of materials of instruction, instructional equipment, student services and special education expenditures.

Harford County Public Schools Unrestricted Fund Changes Made to the Original Budget

	<u>Original Budget</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Change</u>	<u>Final Budget</u>
REVENUE					
Local	\$228,208,971	\$ -	\$ -	\$ -	\$228,208,971
State	194,335,044	-	-	-	194,335,044
Federal	390,000	-	-	-	390,000
Earnings on investments	15,000	-	-	-	15,000
Other sources	3,514,035	2,290,265	-	2,290,265	5,804,300
Prior year's fund balance	4,750,000	-	-	-	4,750,000
Total revenues	<u>\$431,213,050</u>	<u>\$2,290,265</u>	<u>\$ -</u>	<u>\$ 2,290,265</u>	<u>\$433,503,315</u>
EXPENDITURES					
Administration	\$ 10,518,865	\$ -	\$ -	\$ -	\$ 10,518,865
Mid-level administration	25,125,976	-	-	-	25,125,976
Instructional salaries	157,705,559	-	-	-	157,705,559
Textbooks	7,203,605	-	-	-	7,203,605
Other instructional costs	2,794,907	2,365,000	-	2,365,000	5,159,907
Special education	41,286,095	-	-	-	41,286,095
Student personnel services	1,692,980	50,000	-	50,000	1,742,980
Student health services	3,287,076	50,000	-	50,000	3,337,076
Student transportation	30,329,248	-	(900,000)	(900,000)	29,429,248
Operation of plant	30,285,517	-	(1,250,000)	(1,250,000)	29,035,517
Maintenance of plant	12,989,265	200,000	-	200,000	13,189,265
Fixed charges	106,908,676	1,775,265	-	1,775,265	108,683,941
Community services	526,862	-	-	-	526,862
Capital outlay	558,419	-	-	-	558,419
Total expenditures	<u>\$431,213,050</u>	<u>\$4,440,265</u>	<u>\$(2,150,000)</u>	<u>\$ 2,290,265</u>	<u>\$433,503,315</u>

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It is critical for the reader to understand that local and state revenues account for 92.56% of the total General Fund unrestricted revenue. In the past, both were stable and highly predictable; however, in recent years, state and local revenues have declined with the general condition of the economy. Enrollment reductions have also contributed to the reduction of revenues.

Other revenue includes 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 receipts in the other revenue account are from the following:

Health/Dental Insurance rebates & settlements*	\$1,492,927
Medicare Part D*	1,236,567

*Part of the Contribution to the OPEB Investment Trust Fund appropriated for FY16

Capital Asset and Debt Administration (See Notes 4 and 5)

As of June 30, 2016, HCPS had over \$838.4 million invested in a broad range of capital assets including land (over 1,891 acres), buildings (over 6.175 million square feet), improvements, furniture, vehicles and other equipment. Capital assets increased by just over \$33.6 million from the same time last year, excluding the effect of depreciation as shown in the table below.

Harford County Public Schools Changes to Capital Assets

	June 30, 2016	June 30, 2015	\$ Change	% Change
Land	\$ 10,318,494	\$ 9,672,942	\$ 645,552	6.7%
Construction in progress	59,580,332	30,273,637	29,306,695	96.8%
School properties	723,054,918	720,349,886	2,705,032	0.4%
Furniture, fixtures and equipment	45,476,604	44,503,618	972,986	2.2%
Total Capital Assets	<u>\$ 838,430,348</u>	<u>\$ 804,800,083</u>	<u>\$ 33,630,265</u>	<u>4.2%</u>

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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. In FY 2012, HCPS refinanced the capital lease for the Administration Building from an interest rate of 4.974% to a lower rate of 3.27%, resulting in a savings of \$1,146,908 in the remaining term of the debt, without extending the term of the debt.

Current Issues

The State of Maryland Bridge to Excellence in Public Schools and the Federal No Child Left Behind Acts established certain requirements for public school systems. These requirements include, but are not limited to: highly qualified teachers and paraprofessionals; expanded school choice options for parents; more frequent testing of students; certification and assessment requirements for paraprofessionals; and extensive data tracking and reporting requirements. Additionally, the State of Maryland has adopted the Common Core State Standards (CCSS) – a set of high quality academic expectations in English/language arts and mathematics that define the knowledge and skills all students should master by the end of each grade level. Along with the CCSS, Maryland fully implemented new assessments, the Partnership for Assessment of Readiness for College and Careers (PARCC), in the 2014-2015 school year. The PARCC assessments replace the former Maryland State Assessments and are computer based, aligned with the CCSS, and allow for tracking of student progress over time. All of these requirements have significant cost impacts.

Future Issues

The school system must consider a multitude of factors as it prepares future budgets. Notable factors influencing future budgets include the following:

- expected higher costs for state retirement due to the shift of a portion of the pension responsibility from the state to the school system;
- increasing number of homeless students, those newly immigrated to this country, and growing socioeconomically eligible population require greater services;
- the uncertain state of the federal budget affecting funding decisions at the state and local levels;
- the construction and completion of additional apartment complexes within Harford County that could potentially affect school enrollment and class sizes subsequent to the submission of official enrollment for the FY16-17 school year;
- future capital budgets with funding for renovations and additions to existing schools, including major systemic renovations to many of the older school facilities as well as the construction of new schools;
- the need for salary increases in order to be competitive with surrounding school systems in attracting highly qualified employees; and

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- projected increases in the cost of employee health and dental benefits.

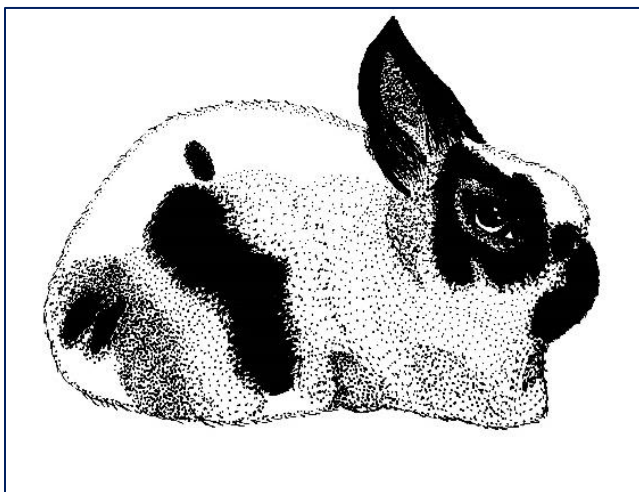
The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* that addressed how state and local governments account for and report their costs and obligations related to postemployment healthcare 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 30 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.

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 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 Deborah L. Judd, CPA, Assistant Superintendent for Business Services at (410) 588-5321; or by mail at Harford County Public Schools, Business Services, 102 South Hickory Avenue, Bel Air, Maryland 21014.



**Emma Lockhart, Grade 6,
Southampton Middle School
Teacher: Sue Ellen North**

Harford County Public Schools

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STATEMENT OF NET POSITION JUNE 30, 2016

Governmental Activities

ASSETS

Cash and cash equivalents	\$ 16,598,487
Investments	12,197,430
Due from other units of government	10,106,266
Other receivables	8,827,438
Inventory	509,012
Prepaid items	24,371
Capital assets:	
Construction in progress	59,580,332
School properties	733,373,412
Furniture, fixtures and equipment	45,479,604
Less: accumulated depreciation	<u>(215,474,056)</u>
Total capital assets, net of depreciation	<u>622,959,292</u>
Total assets	<u>671,222,296</u>

Deferred outflows related to pensions	<u>6,158,733</u>
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LIABILITIES

Accounts payable	8,910,351
Accrued salaries and wages	1,348,575
Payroll taxes payable	319,411
Unearned revenue	877,241
Noncurrent liabilities:	
Due within one year	5,377,367
Due in more than one year	<u>323,398,307</u>
Total liabilities	<u>340,231,252</u>

Deferred inflows related to pensions	<u>2,245,369</u>
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NET POSITION

Net investment in capital assets	614,347,364
Restricted for:	
Food services	3,071,126
Capital projects	2,128,445
Unrestricted	<u>(284,642,527)</u>
Total net position	<u><u>\$ 334,904,408</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, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Governmental Activities</u>
Governmental activities:					
Instruction:					
Regular education	\$ 274,700,796	\$ 1,467,991	\$ 61,440,859	\$ 20,473,505	\$ (191,318,441)
Special education	91,117,713	-	34,977,190	-	(56,140,523)
Total instruction	<u>365,818,509</u>	<u>1,467,991</u>	<u>96,418,049</u>	<u>20,473,505</u>	<u>(247,458,964)</u>
Support services					
Administration	15,230,640	-	1,366,851	9,749	(13,854,040)
Mid-level administration	37,941,253	-	3,151,123	-	(34,790,130)
Pupil personnel services	2,531,025	-	136,965	-	(2,394,060)
Health services	6,217,563	-	-	-	(6,217,563)
Pupil transportation	38,694,705	-	12,496,805	-	(26,197,900)
Operation of plant	42,617,841	-	78,518	13,351	(42,525,972)
Maintenance of plant and equipment	21,274,832	-	551,780	12,514,227	(8,208,825)
Community services	565,724	435,951	28,854	-	(100,919)
Food services	17,883,187	7,141,875	9,753,524	-	(987,788)
Interest on long-term debt	315,404	-	-	-	(315,404)
Depreciation - unallocated	77,168	-	-	-	(77,168)
Total support services	<u>183,349,342</u>	<u>7,577,826</u>	<u>27,564,420</u>	<u>12,537,327</u>	<u>(135,669,769)</u>
Total governmental activities	<u>\$ 549,167,851</u>	<u>\$ 9,045,817</u>	<u>\$ 123,982,469</u>	<u>\$ 33,010,832</u>	<u>(383,128,733)</u>
General revenues:					
Local appropriations					228,208,971
State aid					136,328,259
Federal aid					423,240
Miscellaneous					3,752,381
Investment earnings					55,937
Total general revenues					<u>368,768,788</u>
Change in net position					(14,359,945)
Net position - beginning of year					<u>349,264,353</u>
Net position - end of year					<u>\$ 334,904,408</u>

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

Harford County Public Schools

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 13,160,270	\$ 3,438,217	\$ -	\$ 16,598,487
Investments	12,197,430	-	-	12,197,430
Due from other units of government	2,067,230	512,486	7,526,550	10,106,266
Other receivables	8,130,974	38,464	658,000	8,827,438
Due from other funds	1,055,537	-	184,192	1,239,729
Inventory	188,772	320,240	-	509,012
Prepaid items	24,371	-	-	24,371
Total assets	<u>\$ 36,824,584</u>	<u>\$ 4,309,407</u>	<u>\$ 8,368,742</u>	<u>\$ 49,502,733</u>
LIABILITIES				
Accounts payable	\$ 2,878,981	\$ 182,744	\$ 5,848,626	\$ 8,910,351
Accrued salaries and wages	1,348,575	-	-	1,348,575
Payroll taxes payable	319,411	-	-	319,411
Due to other funds	184,192	1,055,537	-	1,239,729
Unearned revenue	485,570	-	391,671	877,241
Compensated absences payable	1,496,081	-	-	1,496,081
Total liabilities	<u>6,712,810</u>	<u>1,238,281</u>	<u>6,240,297</u>	<u>14,191,388</u>
FUND BALANCES				
Nonspendable	24,371	30,895	-	55,266
Assigned	21,783,826	3,040,231	2,128,445	26,952,502
Unassigned	8,303,577	-	-	8,303,577
Total fund balances	<u>30,111,774</u>	<u>3,071,126</u>	<u>2,128,445</u>	<u>35,311,345</u>
Total liabilities and fund balances	<u>\$ 36,824,584</u>	<u>\$ 4,309,407</u>	<u>\$ 8,368,742</u>	<u>\$ 49,502,733</u>

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

Harford County Public Schools

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2016**

Total fund balances - governmental funds (Exhibit 3)	\$ 35,311,345
Amounts reported for governmental activities in the statement of net position 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 \$838,433,348 and the accumulated depreciation is \$215,474,056.	622,959,292
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 (\$26,001,450), an obligation under capital lease (\$9,136,971), net OPEB obligation (\$265,720,929) and net pension liability (\$26,420,243).	(327,279,593)
Deferred outflows related to pensions.	6,158,733
Deferred inflows related to pensions.	<u>(2,245,369)</u>
Total net position - governmental activities (Exhibit 1)	<u><u>\$ 334,904,408</u></u>

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

Harford County Public Schools

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Intergovernmental revenues:				
Local sources	\$ 228,208,971	\$ -	\$ 22,676,418	\$ 250,885,389
State sources	220,625,733	447,479	9,514,383	230,587,595
Special state and federal programs	29,931,471	-	-	29,931,471
Federal sources	423,240	9,164,711	-	9,587,951
Earnings on investments	55,937	-	-	55,937
Charges for services	-	7,141,875	-	7,141,875
Miscellaneous revenues	5,656,323	141,334	820,031	6,617,688
Total revenues	484,901,675	16,895,399	33,010,832	534,807,906
Expenditures				
Current:				
Administrative services	10,179,492	-	-	10,179,492
Mid-level administrative services	24,909,942	-	-	24,909,942
Instructional salaries	154,869,308	-	-	154,869,308
Instructional textbooks and supplies	6,597,578	-	-	6,597,578
Other instructional costs	2,794,518	-	-	2,794,518
Special education	40,671,555	-	-	40,671,555
Student personnel services	1,691,700	-	-	1,691,700
Health services	3,271,663	-	-	3,271,663
Pupil transportation services	29,201,312	-	-	29,201,312
Operation of plant	26,773,119	-	-	26,773,119
Maintenance of plant and equipment	12,562,071	-	-	12,562,071
Fixed charges	134,132,686	-	-	134,132,686
Community services	470,002	-	-	470,002
Special state and federal programs	29,931,471	-	-	29,931,471
Costs of operation - food services	-	16,726,026	-	16,726,026
Capital outlay	511,212	-	33,285,201	33,796,413
Total expenditures	478,567,629	16,726,026	33,285,201	528,578,856
Excess (deficiency) of revenues over expenditures	6,334,046	169,373	(274,369)	6,229,050
Net change in fund balances	6,334,046	169,373	(274,369)	6,229,050
Fund balances - beginning of year	23,777,728	2,975,475	2,402,814	29,156,017
Decrease in nonspendable fund balance	-	(73,722)	-	(73,722)
Fund balances - end of year	\$ 30,111,774	\$ 3,071,126	\$ 2,128,445	\$ 35,311,345

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

Harford County Public Schools

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Total net change in fund balances - governmental funds (Exhibit 5)	\$ 6,229,050
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 (\$33,718,810) exceeds depreciation expense (\$18,605,733) and loss on disposal of (\$37,867).	15,075,210
Capital lease provides current financial resources to governmental 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 \$508,418.	508,418
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 \$110,678.	110,678
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.	(33,756,000)
Pension 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.	(2,453,579)
In the statement of activities, all inventories are charged to expense as goods are used in operations (the consumption method). However, in the governmental 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 \$73,722.	(73,722)
Change in net position of governmental activities (Exhibit 2)	\$ (14,359,945)

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, 2016

	Unrestricted			Restricted			Variance - Favorable (Unfavorable)
	Original Budget	Final Budget	Actual (non-GAAP)	Original Budget	Final Budget	Actual (non-GAAP)	
Revenues							
Intergovernmental revenues:							
Local	\$ 228,208,971	\$ 228,208,971	\$ 228,208,971	\$ -	\$ -	\$ -	\$ -
State	194,335,044	194,335,044	193,999,044	(336,000)	-	-	-
Federal	390,000	390,000	423,240	33,240	-	-	-
Special state and federal	-	-	-	31,966,861	35,951,768	29,539,443	(6,412,325)
Earnings on investments	15,000	15,000	35,579	20,579	-	-	-
Other sources	3,514,035	5,804,300	5,115,268	(689,032)	-	-	-
Fund balance at July 1, 2014 - assigned for year ended June 30, 2015	4,750,000	4,750,000	4,750,000	-	-	-	-
Total revenues	\$ 431,213,050	\$ 433,503,315	\$ 432,532,102	\$ (971,213)	\$ 35,951,768	\$ 29,539,443	\$ (6,412,325)
Expenditures							
Current:							
Administrative services	\$ 10,518,865	\$ 10,518,865	10,213,336	\$ 305,529	\$ 701,972	\$ 573,789	\$ 128,183
Mid-level administration	25,125,976	25,125,976	24,911,004	214,972	674,145	629,719	44,426
Instructional salaries	157,705,559	157,705,559	154,869,308	2,836,251	5,267,502	4,552,916	714,586
Instructional textbooks and supplies	7,203,605	7,203,605	6,739,936	463,669	970,378	757,360	213,018
Other instructional costs	2,794,907	5,159,907	4,815,482	344,425	1,841,951	1,342,807	499,144
Special education	41,286,095	41,286,095	40,688,121	597,974	20,442,650	15,807,473	4,635,177
Student personnel services	1,692,980	1,742,980	1,693,218	49,762	-	-	-
Student health services	3,287,076	3,337,076	3,250,722	86,354	-	-	-
Student transportation	30,329,248	29,429,248	29,136,157	293,091	40,394	46,058	(5,664)
Operation of plant	30,285,517	29,035,517	27,361,199	1,674,318	82,000	78,518	3,482
Maintenance of plant	12,989,265	13,189,265	13,188,091	1,174	248,061	248,079	(18)
Fixed charges	106,908,676	108,683,941	107,001,486	1,682,455	5,405,679	5,239,917	165,762
Community services	526,862	526,862	470,002	56,860	27,023	18,164	8,859
Capital outlay	558,419	558,419	557,184	1,235	250,013	244,643	5,370
Total expenditures	\$ 431,213,050	\$ 433,503,315	\$ 424,895,246	\$ 8,608,069	\$ 35,951,768	\$ 29,539,443	\$ 6,412,325
Excess of revenues over expenditures			7,636,856				
Total fund balance at July 1, 2015			13,390,110				
Assigned fund balance at July 1, 2015 (recognized as revenue above)			(4,750,000)				
Total fund balance			16,276,966				
Fund balance at June 30, 2016 - non-spendable			(24,371)				
- assigned			(7,748,912)				
Fund balance at June 30, 2016 - unassigned			\$ 8,503,683				

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

Harford County Public Schools

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STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	Retiree Health Plan Trust	Agency Funds
Assets	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 39,943,081	\$ 2,508,526
Total assets	<u>39,943,081</u>	<u>2,508,526</u>
 Liabilities		
Scholarship funds payable	-	80,533
School activity funds payable	-	2,427,993
Total liabilities	<u>-</u>	<u>2,508,526</u>
 Net position		
Held in trust for retiree health plan benefits	<u>39,943,081</u>	<u>-</u>
Total net position	<u><u>\$ 39,943,081</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 POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

	Retiree Health Plan Trust
Additions	
Contributions	\$ 1,856,723
Total additions	<u>1,856,723</u>
Deductions	
Administrative expenses	15,355
Net investment portfolio results	371,404
Total deductions	<u>386,759</u>
Change in net position	1,469,964
Net position as of July 1, 2015	<u>38,473,117</u>
Net position as of June 30, 2016	<u><u>\$ 39,943,081</u></u>

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
.....

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 (the County) by virtue of the County’s responsibility for levying taxes and incurring debt for the benefit of the Board, as well as its budgetary control over the Board. Accordingly, the financial statements of the Board are included in the financial statements of the County. The Board itself has no component units.

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. The following is a summary of significant accounting policies employed by the Board.

Government-Wide and Fund Financial Statements

The Statement of Net Position 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 inter-fund 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 governmental fund financial statements. The Board has no proprietary funds.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Local appropriations and state and federal aid associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if 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.

Inter-fund 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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

A substantial portion of its revenues are derived from other governments and it is not intended to be self-sustaining from food sales. The Board exercises the appropriate budgetary and accounting control through use of an annual budget prepared by the Department of Food and Nutrition and the Budget Office, which is reviewed and monitored by management during the fiscal year. There is no legal requirement for an approved budget.

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.

Fiduciary Funds

Scholarship and School Funds (Agency Funds) - 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 but have not yet been awarded. The school funds account for student activities such as student organizations, yearbooks and field trips. School 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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position or Equity

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 as of June 30, 2016. 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. As inventory is consumed, the cost is charged to expenditures.

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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position or Equity (continued)

Compensated Absences

As of June 30, 2016, annual and sick leave earned, applicable to governmental fund types, but not taken by Board employees, was \$27,497,531. This amount is based on vested accumulated leave as of June 30, 2016, 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 300 days. An accrual in the amount of \$1,496,081 was made in the General Fund for the year ended June 30, 2016. This amount was an estimate of the accumulated annual and sick leave which is due and payable as of June 30, 2016 as it will be paid to retirees during the first month of the fiscal year ending June 30, 2017. The remaining liability for accumulated annual and sick leave earned in the amount of \$26,001,450 is reported as a noncurrent liability in the government-wide financial statements.

Pensions

Certain employees of the Board are members of the Maryland State Retirement and Pension System. Employees are members of either the Teachers Pension System of the State of Maryland (TPS) or the Employees Retirement System of the State of Maryland (ERS). TPS and ERS are part of the Maryland State Retirement and Pension System that is considered a single, multiple-employer cost-sharing plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of TPS and ERS and additions to/deductions from TPS and ERS' fiduciary net position have been determined on the same basis as they are reported by TPS and ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position or Equity (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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.

Net Position and Fund Balance

The difference between fund assets and deferred outflows and liabilities and deferred inflows is “Net Position” on the government-wide and fiduciary fund statements and “Fund Balance” on governmental fund statements. Net Position is classified as “Net investment in capital assets,” 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. Assigned fund balance represents the portion of fund balance that reflects the Board’s intended use of resources.

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 disclosures 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, 2016
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NOTE 2 – 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.

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 reservations of the fund balance, portions of the prior year's fund balance are included as revenues and retirement payments made on the Board's behalf by the State of Maryland are excluded from revenues and expenditures. 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 state-mandated categories of expenditures include Administration, Mid-level Administration, Instructional Salaries, Textbooks and Instructional Supplies, Other Instructional Costs, Special Education, Pupil Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, Community Services and Capital Outlay.

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

Operating Budget (General Fund)

- 1) Early each fiscal year, 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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
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NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (continued)

Operating Budget (General Fund) (continued)

- 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 major category level.
- 9) Requests for transfers between major categories must be submitted to the County Council for approval or denial. No action within thirty (30) days of submission constitutes approval.

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

Food 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 of the Food Services Fund Budget to actual revenues and expenditures is presented as a supplementary schedule to these financial statements. Revenue from Federal sources in the Food Service Fund includes \$1,188,268 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.

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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (continued)

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)	\$ 462,071,545
Fund balance at June 30, 2015 assigned to current year expenditures	(4,750,000)
Revenues adjusted by restricted encumbrances of expenditure driven grants	392,028
Pension contributions made directly by the State of Maryland	26,626,689
Interest earned on rate stabilization deposit	20,358
Changes in value of rate stabilization fund	<u>541,055</u>
Revenues (GAAP basis)	<u><u>\$ 484,901,675</u></u>
Expenditures (non-GAAP budgetary basis - unrestricted and restricted)	\$ 454,434,689
Net effect of encumbrances	(2,998,260)
Pension contributions made directly by the State of Maryland	26,626,689
Contribution for OPEB	<u>504,511</u>
Expenditures (GAAP basis)	<u><u>\$ 478,567,629</u></u>

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

Unassigned Fund Balance (non-GAAP budgetary basis)	\$ 8,503,683
Cumulative effect of:	
Revenues adjusted by encumbrances of expenditure driven grants	<u>(200,106)</u>
Unassigned fund balance (GAAP basis)	<u><u>\$ 8,303,577</u></u>

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

Assigned Fund Balance (non-GAAP budgetary basis)	\$ 7,748,912
Encumbrances	5,898,401
Rate stabilization fund balance	<u>8,136,513</u>
Assigned Fund Balance (GAAP basis)	<u><u>\$ 21,783,826</u></u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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NOTE 3 – CASH AND INVESTMENTS

Cash on Hand

At year end, cash on hand for petty cash and change funds was \$840.

Deposits

As of June 30, 2016, the carrying amount of the Board’s deposits was \$19,106,173 and the bank balance was \$20,481,529. The Board’s deposits were not exposed to custodial credit risk as of June 30, 2016, as the deposits are covered by FDIC insurance or collateral held by the financial institution in the Board’s name.

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 Board has no unfunded commitments nor significant terms or conditions for redemption. 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.

As of June 30, 2016, the Board's investment balances were as follows:

	Fair Value
Maryland Local Government Investment Pool	<u>\$ 12,197,430</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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NOTE 3 – CASH AND INVESTMENTS (continued)

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 as of June 30, 2016, complied with the Board’s investment policy as of that date.

Investment income includes the following for the year ended June 30, 2016:

Net interest and dividends	\$ 55,937
Less: Restricted net investment income	-
Total Net Investment Income Per Statement of Activities	<u><u>\$ 55,937</u></u>

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 U.S. Treasury securities, repurchase agreements, U.S. 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. The Board’s investment policy states that all investments must be fully collateralized. As of June 30, 2016, all of the Board’s investments were insured or registered, were held by the custodian in the Board’s name or were invested in MLGIP. As of June 30, 2016, the Board’s investments were not exposed to custodial credit risk.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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NOTE 3 – CASH AND INVESTMENTS (continued)

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

Cash on hand	\$ 840
Carrying amount of deposits	59,049,254
Carrying amount of investments	<u>12,197,430</u>
Total cash and investments	71,247,524
Less: Amounts in fiduciary funds	<u>42,451,607</u>
Total Cash and Investments per Statement of Net Position	<u><u>\$28,795,917</u></u>
Cash and cash equivalents	\$ 16,598,487
Investments	<u>12,197,430</u>
Total Cash and Investments per Statement of Net Position	<u><u>\$28,795,917</u></u>

Investment in External Investment Pool

The Board has funds designated for Other Postemployment Benefits (OPEB) that are held by Maryland Association of Boards of Education (MABE). As of June 30, 2016, MABE held \$39,943,081 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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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NOTE 4 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2016, were as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>June 30, 2016</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 9,672,942	\$ 645,552	\$ -	\$ 10,318,494
Construction in progress	30,273,637	31,254,987	(1,948,292)	59,580,332
Total nondepreciable capital assets	<u>39,946,579</u>	<u>31,900,539</u>	<u>(1,948,292)</u>	<u>69,898,826</u>
Depreciable capital assets:				
Land improvements	17,696,719	-	-	17,696,719
Buildings	702,653,167	756,740	1,948,292	705,358,199
Furniture and equipment	44,503,618	1,061,531	(85,545)	45,479,604
Total depreciable capital assets	<u>764,853,504</u>	<u>1,818,271</u>	<u>1,862,747</u>	<u>768,534,522</u>
Less accumulated depreciation for:				
Land improvements	6,343,405	793,624	-	7,137,029
Buildings	161,240,156	14,408,295	-	175,648,451
Furniture and equipment	29,332,440	3,403,814	(47,678)	32,688,576
Total accumulated depreciation	<u>196,916,001</u>	<u>18,605,733</u>	<u>(47,678)</u>	<u>215,474,056</u>
Total depreciable capital assets, net	<u>567,937,503</u>	<u>(16,787,462)</u>	<u>1,910,425</u>	<u>553,060,466</u>
Governmental activities, capital assets, net	<u>\$ 607,884,082</u>	<u>\$ 15,113,077</u>	<u>\$ (37,867)</u>	<u>\$ 622,959,292</u>

Depreciation expense for the year ended June 30, 2016, was charged to governmental functions on the Statement of Activities as follows:

Depreciation not allocated to specific functions	\$ 77,168
Administration	261,846
Mid-level administration	1,140
Instruction	10,191,992
Special Education	3,786
Transportation	492,306
Operations	4,185,195
Maintenance	3,163,619
Food Service	228,681
Total	<u>\$ 18,605,733</u>

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

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NOTE 4 - CAPITAL ASSETS (continued)

The Board has active school construction projects as of June 30, 2016, as follows:

Project:	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Center for Educational Opportunity Air Conditioning	\$ 2,616,312	\$ 1,790,905
Churchville Elementary Roof	9,458	734,240
Darlington Elementary HVAC	539,354	441,596
Dublin Elementary HVAC	3,607,119	8,741
Fallston High HVAC	15,747,612	9,816
Havre de Grace High School	2,548,176	988,833
Hickory Annex Receiving Building	65,569	65,569
John Archer	83,045	-
Joppatowne High	169,450	-
Norrisville Elementary HVAC	3,010,909	18,262
Prospect Mill Elementary HVAC	1,300,804	3,212,296
Ring Factory Elementary HVAC Equipment	1,173,480	38,605
Youth's Benefit Elementary Modernization	28,709,044	15,907,696
Total	<u>\$ 59,580,332</u>	<u>\$ 23,216,559</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, 2016

NOTE 5 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance as of July 1, 2015	Increases	Reductions	Balance as of June 30, 2016	Due Within One Year
Capital lease	\$ 9,645,389	\$ -	\$ 508,418	\$ 9,136,971	\$ 525,043
Compensated absences	27,663,827	4,859,049	5,025,345	27,497,531	4,852,324
OPEB obligation	231,964,929	59,695,000	25,939,000	265,720,929	-
Net pension liability	20,760,817	5,659,426	-	26,420,243	-
Total Governmental Activities	<u>\$ 290,034,962</u>	<u>\$ 70,213,475</u>	<u>\$ 31,472,763</u>	<u>\$ 328,775,674</u>	<u>\$5,377,367</u>

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 2006. 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	<u>2,279,003</u>
Net Book Value	<u><u>\$ 8,573,392</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 823,822
2018	823,822
2019	823,822
2020	823,822
2021	823,822
2022 - 2026	4,119,110
2027 - 2030	<u>3,295,288</u>
Total minimum lease payments	11,533,508
Less: Amount representing interest	<u>2,396,537</u>
Present value of minimum lease payments	<u><u>\$ 9,136,971</u></u>

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

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NOTE 6 - FUND BALANCE

Fund balance as of June 30, 2016, consisted of the following:

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Capital Projects Fund</u>
Non-spendable for:			
Inventory - U.S.D.A.	\$ -	\$ 30,895	\$ -
Prepaid items	24,371	-	-
Total non-spendable	<u>24,371</u>	<u>30,895</u>	<u>-</u>
Assigned to:			
Encumbrances:			
Contracted Services	1,334,293	-	750,598
Supplies and materials	656,938	12,313	93,525
Equipment and other	<u>3,907,170</u>	<u>36,886</u>	<u>1,284,322</u>
Total encumbrances	5,898,401	49,199	2,128,445
Fiscal year 2017 expenditures	5,523,746	-	-
Rate stabilization receivable	8,136,513	-	-
Future health insurance call	1,225,166	-	-
Emergency fuel reserve	1,000,000	-	-
Cost of Operation - Food Services	-	<u>2,991,032</u>	-
Total assigned	<u>21,783,826</u>	<u>3,040,231</u>	<u>2,128,445</u>
Unassigned	8,303,577	-	-
Total fund balances	<u>\$ 30,111,774</u>	<u>\$ 3,071,126</u>	<u>\$ 2,128,445</u>

Non-spendable fund balance reports resources that 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, 2016. Assigned fund balance records the portion of fund balance that reflects the Board's intended use of resources. For assigned fund balance, the Board's upper-level management is authorized to assign amounts to a specific purpose and is the highest level of decision-making for assigned fund balance. Unlike committed fund balance, formal action is not required to impose, remove, or modify assigned fund balance. However, the current practice is to obtain Board approval to impose, remove, or modify assigned fund balance. 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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
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NOTE 6 – FUND BALANCE (continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Board considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Board considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

NOTE 7 - PENSION PLANS

General Information about the Pension Plan

Plan description

Teachers employed by the Board are provided with pensions through the Teachers Pension System of the State of Maryland (TPS)—a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). Certain employees of the Board are provided with pensions through the Employees Retirement System of the State of Maryland (ERS)—a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of TPS and ERS to the MSRPS Board of Trustees. MSRPS issues a publicly available financial report that can be obtained at www.sra.state.md.us/Agency/Downloads/CAFR/.

Benefits provided

A member of either the TPS or ERS is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's Average Final Compensation (AFC) multiplied by the number of years of accumulated creditable service.

An individual who is a member of either the TPS or ERS on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the TPS or ERS on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from either the TPS or ERS on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the TPS or ERS on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied

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NOTES TO FINANCIAL STATEMENTS
June 30, 2016
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NOTE 7 - PENSION PLANS (continued)

General Information about the Pension Plan (continued)

by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the TPS or ERS shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the TPS or ERS.

Exceptions to these benefit formulas apply to members of the ERS, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

Early Service Retirement

A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a Teachers' or Employees' Retirement System member is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
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NOTE 7 - PENSION PLANS (continued)

General Information about the Pension Plan (continued)

Contributions (ERS)

The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The Board's contractually required contribution rate for ERS for the year ended June 30, 2016, was approximately \$2.7 million, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to ERS from the Board were approximately \$2.7 million for the year ended June 30, 2016.

Contributions (TPS)

The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The State of Maryland is responsible for the net pension liability of TPS. The Board's required contribution is for the normal cost and does not include any contribution for past service cost. As such, the State of Maryland is responsible for 100% of the net pension liability related to TPS and qualifies as a special funding situation. The State of Maryland's contribution on behalf of the Board for the year ended June 30, 2016 was approximately \$26.6 million. The Board's contractually required contribution rate for TPS for the year ended June 30, 2016, was approximately \$10.3 million, actuarially determined as an amount that, when combined with the State of Maryland and employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (State only).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2016, the Board reported a liability of approximately \$26.4 million for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the ERS net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. As of June 30, 2016, the Board's proportion for ERS was 0.13 percent, which was substantially the same as its proportion measured as of June 30, 2015. For the year ended June 30, 2016, the Board recognized pension expense for ERS of approximately \$2.6 million. As of June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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NOTE 7 - PENSION PLANS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
2016 Contributions	\$2,283,877	\$ -
Changes in actuarial assumptions	1,547,783	-
Differences in expected vs. actual experience	-	541,064
Net difference between projected and actual earnings on pension plan investments	<u>2,327,073</u>	<u>1,704,305</u>
Total	<u><u>\$6,158,733</u></u>	<u><u>\$2,245,369</u></u>

\$2,283,877 reported as deferred outflows of resources related to ERS resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the ERS net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows as of June 30, 2016:

Year Ending June 30,	Deferred Outflows	Deferred Inflows
2017	\$ 987,484	\$ (703,368)
2018	987,484	(703,368)
2019	987,485	(703,367)
2020	<u>912,403</u>	<u>(135,266)</u>
Total	<u><u>\$3,874,856</u></u>	<u><u>\$(2,245,369)</u></u>

As of June 30, 2016, the State of Maryland's proportionate share of the TPS net pension liability associated with the Board is approximately \$377,628,809. The TPS net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. State of Maryland's proportionate share of the TPS net pension liability associated with the Board was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
.....

NOTE 7 - PENSION PLANS (continued)

Information Included in the MSRPS Financial Statements

Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at: www.sra.state.md.us/Agency/Downloads/CAFR/.

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate.

The Board's proportionate share of the ERS net pension liability calculated using the discount rate of 7.55 percent is \$26,420,243. Additionally, the Board's proportionate share of the ERS net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) is \$37,302,139 or 1-percentage-point higher (8.55 percent) is \$17,346,737.

NOTE 8 - 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%, 90% or 95% 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, 2016 was \$22,561,493. As of June 30, 2016, 2,427 of approximately 2,653 eligible retirees were receiving benefits.

Dental Benefits - The Board pays 90% of dental insurance premiums for retirees with at least 10 years of service. The dental benefits paid by the Board for the year ended June 30, 2016 was \$1,146,754. As of June 30, 2016, 2,483 of approximately 2,653 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, 2016 was \$61,058. As of June 30, 2016, 2,311 of approximately 2,653 eligible retirees were receiving benefits.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

.....

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

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.

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, 2016, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation:

Annual required contribution	\$ 61,556,000
Interest on net OPEB obligation	10,438,000
Amortization of net OPEB obligation	<u>(12,299,000)</u>
Annual OPEB cost (expense)	59,695,000
Contributions made	<u>25,939,000</u>
Increase in net OPEB obligation	33,756,000
Net OPEB obligation - beginning of year	<u>231,964,929</u>
Net OPEB obligation - end of year	<u><u>\$ 265,720,929</u></u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 59,695,000	43.45%	\$ 265,720,929
6/30/2015	56,570,000	43.40%	231,964,929
6/30/2014	59,125,000	37.12%	199,962,929

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

.....

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

Funded Status and Funding Progress

As of July 1, 2015, the plan was 5.33% funded. The actuarial accrued liability for benefits was \$707,472,000, and the actuarial value of assets was \$37,725,685, resulting in an unfunded actuarial accrued liability (UAAL) of \$669,746,315. The covered payroll (annual payroll of active employees covered by the plan) was \$265,888,092, and the ratio of the UAAL to the covered payroll was 251.89%.

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

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, 2014
Actuarial Cost Method	Projected Unit Credit method
Amortization Method	Closed, level percent of payroll over 24 years (as of 7/1/14)
Asset Valuation Method	Market value of Assets
Actuarial Assumptions:	
Discount Rate	4.50%
Investment Rate of Return	7.00% per year compounded annually
Payroll Growth Rate	3.00%
Inflation Rate	2.80%
Healthcare Cost Trend Rates:	
Medical and prescription	8.00% initial year of valuation (not applicable to Life) 4.30% 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 7% interest and contributions are assumed to be made in the middle of the year.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

.....

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

Actuarial Methods and Assumptions (continued)

The unfunded liability was amortized over a closed period of 24 years using level percentage of pay for the fiscal year ended June 30, 2016.

Schedule of Funding Progress

	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2008	\$ 12,136,368	\$ 361,962,000	\$ 349,825,632	3.35%	\$ 274,153,946	127.60%
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%
July 1, 2012	23,541,000	660,933,000	637,392,000	3.56%	273,638,115	232.93%
July 1, 2013	28,024,880	696,905,000	668,880,120	4.02%	265,952,457	251.50%
July 1, 2014	31,986,622	673,727,000	641,740,378	4.75%	262,514,165	244.46%
July 1, 2015	37,725,685	707,472,000	669,746,315	5.33%	265,888,092	251.89%

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

NOTE 9 - 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 the Board 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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
.....

NOTE 10 - 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.

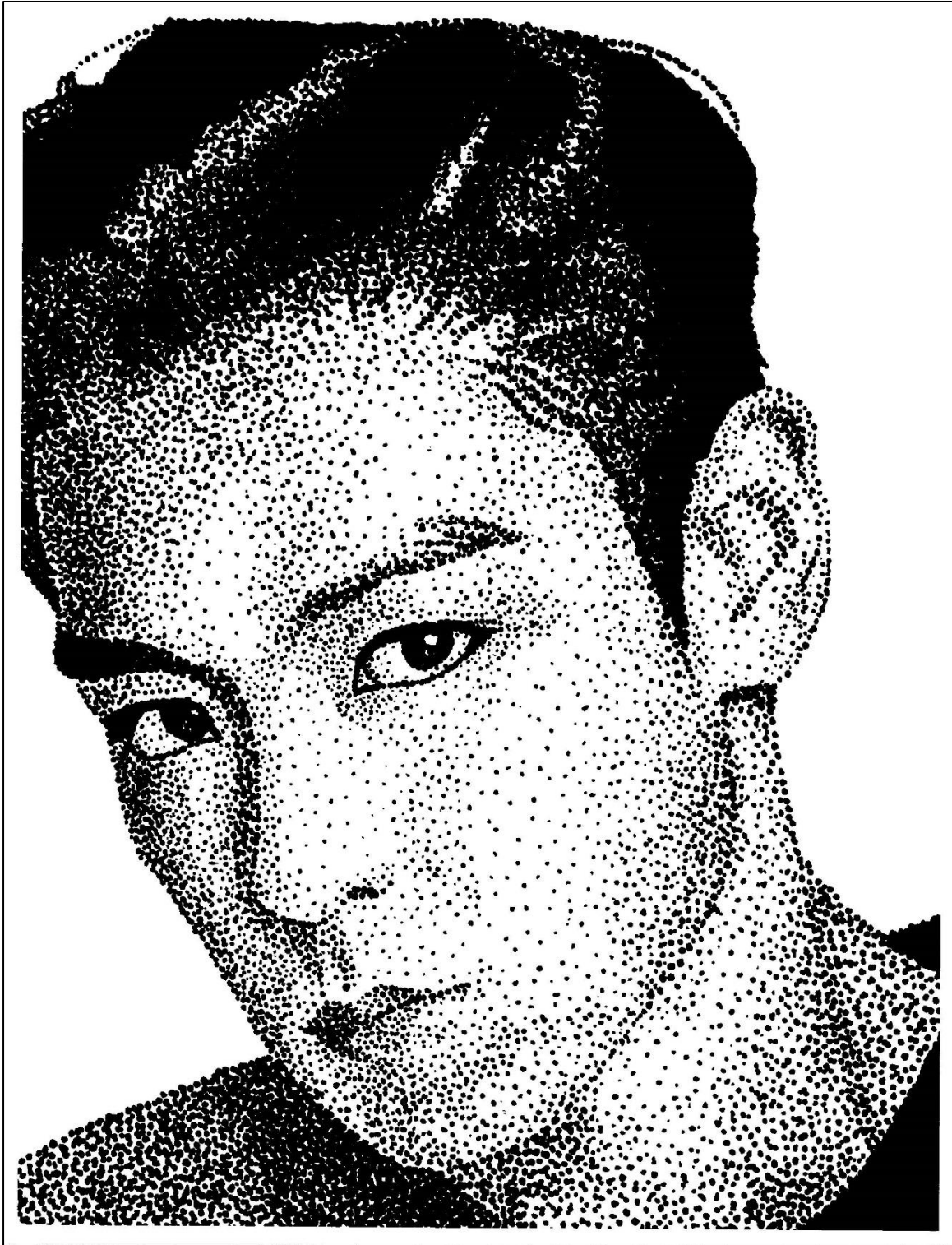
The Board leases certain equipment and properties for storage and other uses under long-term operating leases. Expenditures under operating leases amounted to approximately \$2,111,829 for the year ended June 30, 2016.

NOTE 11- IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

The Board adopted Governmental Accounting Standard Board (GASB) Statement No. 72, entitled Fair Value Measurement and Application, Statement No. 76 entitled, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, and Statement No. 82 entitled, Pension Issues. Adoption of these statements did not have a material effect on the financial statements.

As of the year ended June 30, 2016, GASB issued Statement No. 73, entitled Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68; GASB Statement No. 74 entitled, Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans; GASB Statement No. 75 entitled, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; and GASB Statement No. 81 Irrevocable Split-Interest Agreements. These statements may have a material effect on the Board's financial statements once implemented. The Board will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

Required Supplemental Information



Bryan Baligod, Grade 12, Harford Technical High School
Teacher: Judy Demond

**HARFORD COUNTY PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
FOR OTHER POSTEMPLOYMENT BENEFIT PLAN
June 30, 2016**

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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
June 30, 2008	\$ 12,136,368	\$ 361,962,000	\$ 349,825,632	3.35%	\$ 274,153,946	127.60%
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%
July 1, 2012	23,541,000	660,933,000	637,392,000	3.56%	273,638,115	232.93%
July 1, 2013	28,024,880	696,905,000	668,880,120	4.02%	265,952,457	251.50%
July 1, 2014	31,986,622	673,727,000	641,740,378	4.75%	262,514,165	244.46%
July 1, 2015	37,725,685	707,472,000	669,746,315	5.33%	265,888,092	251.89%

**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR PENSIONS
 June 30, 2016**

Schedule of Proportionate Share of Net Pension Liability

	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>
Board's proportion of the ERS net pension liability (asset)	0.117%	0.127%
Board's proportionate share of the ERS net pension liability (asset)	\$ 20,760,817	\$ 26,420,243
State's proportionate share of the TPS net pension liability (asset) associated with the Board	<u>275,650,000</u>	<u>377,628,809</u>
Total	<u>\$ 296,410,817</u>	<u>\$ 404,049,052</u>
Board's covered-employee payroll	\$ 262,514,165	\$ 265,888,092
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.00%	6.54%
Plan fiduciary net position as a percentage of the total pension liability	71.87%	68.78%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR PENSIONS
 June 30, 2016**

Schedule of Contributions

	<u>Fiscal Year</u> 2015	<u>Fiscal Year</u> 2016
Contractually required contribution (ERS)	\$ 2,726,147	\$ 2,679,603
Contributions in relation to the contractually required contribution	<u>(2,726,147)</u>	<u>(2,679,603)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$262,514,165	\$265,888,092
Contributions as a percentage of covered-employee payroll	1.04%	1.01%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

Other Supplemental Information



Caitlyn Bova, Grade 9, Fallston High School
Teacher: Andrea Sauer

Harford County Public Schools

**FOOD SERVICES 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, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Cafeteria sales	\$ 7,115,734	\$ 7,141,875	\$ 26,141
<u>Federal Aid</u>			
School Lunch Program	5,840,000	5,461,003	(378,997)
School Breakfast Program	1,850,000	2,074,030	224,030
Summer Food Program	201,403	198,892	(2,511)
Fresh Fruits and Vegetables Program	25,000	25,838	838
Child and Adult Care Food Program	-	216,680	216,680
U.S.D.A. Commodities	950,000	1,188,268	238,268
Total federal aid	8,866,403	9,164,711	298,308
<u>State Aid</u>			
Child Feeding Program	447,020	447,479	459
<u>Local Aid</u>			
Local revenue	-	-	-
Interest earned	-	-	-
Miscellaneous revenue	-	141,334	141,334
Total revenues	<u>\$ 16,429,157</u>	16,895,399	466,242
Expenditures			
Salaries and wages	5,684,982	5,412,034	272,948
Contracted services	335,761	385,811	(50,050)
Supplies and materials	6,701,968	6,911,941	(209,973)
Other charges	2,581,446	2,546,126	35,320
Furniture and equipment	175,000	243,848	(68,848)
U.S.D.A. commodities	950,000	1,261,990	(311,990)
Total expenditures	<u>\$ 16,429,157</u>	16,761,750	(332,593)
Excess of revenues over expenditures		133,649	
Total fund balance at July 1, 2015		2,961,999	
Increase (decrease) in non-spendable fund balance - U.S.D.A. inventory		(73,722)	
Total fund balance		3,021,926	
Non-spendable fund balance - U.S.D.A. inventory - end of year		(30,895)	
Fund balance at June 30, 2016 - assigned		<u>\$ 2,991,031</u>	

Harford County Public Schools

**SCHOOL CONSTRUCTION FUND
(CAPITAL PROJECTS FUND)
SCHEDULE OF EXPENDITURES BY PROJECT
FOR THE YEAR ENDED JUNE 30, 2016**

Aberdeen High stadium and weight room upgrades	\$ 5,459
ADA improvements	8,822
Alarms	1,674
Bel Air High modernization	4,629
Center for Educational Opportunity air conditioning	2,634,385
Church Creek Elementary playground	227,003
Churchville Elementary roof	9,983
Darlington Elementary HVAC	417,049
Dublin Elementary HVAC	2,928,144
Edgewood High modernization	10,048
Fallston High autism renovations	249,602
Fallston High HVAC	3,746,564
Forest Hill Elementary playground	75,796
Havre de Grace High modernization	70,991
HVAC major repairs	444,481
Integrated business systems	9,749
Joppatowne High weight room upgrades	114,067
Lockers	13,080
Magnolia Middle HVAC	(56,236)
Milestone	10,660
Norrisville Elementary HVAC	78,430
North Harford Elementary HVAC	(21,264)
North Harford High modernization	9,923
North Harford Middle	9,273
Patterson Mill Middle/High	30,427
Prospect Mill Elementary HVAC	1,315,553
Red Pump Elementary	64,960
Ring Factory Elementary HVAC equipment	983,950
Roofing projects	46,188
Security cameras	4,529
Septic pretreatment facilities	41,892
Special education facilities	10,757
Swimming pools	18,141
Technology education lab refresh	159,785
Technology refresh	276,840
Youth's Benefit Elementary Replacement	19,329,867
	<u>\$ 33,285,201</u>

Harford County Public Schools

AGENCY FUNDS
SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

School Activity Funds

	Balance <u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2016</u>
<u>Elementary Schools</u>				
Abingdon	\$ 26,509	\$ 54,430	\$ 59,634	\$ 21,305
Bakerfield	7,096	35,464	36,562	5,998
Bel Air	14,331	31,846	34,123	12,054
Church Creek	23,012	47,856	49,911	20,957
Churchville	15,271	39,498	39,096	15,673
Darlington	5,994	15,502	15,362	6,134
Deerfield	38,585	34,309	35,366	37,528
Dublin	43,521	19,566	42,219	20,868
Edgewood	11,150	34,427	29,889	15,688
Emmorton	16,268	40,240	34,597	21,911
Forest Hill	11,386	36,591	35,798	12,179
Forest Lakes	38,762	40,303	51,708	27,357
Fountain Green	21,284	35,686	37,377	19,593
George D. Lisby at Hillsdale	22,051	28,372	34,076	16,347
Hall's Cross Roads	7,588	26,981	26,344	8,225
Harford Glen	3,107	1,753	1,278	3,582
Havre de Grace	21,657	33,732	39,373	16,016
Hickory	46,260	89,600	78,950	56,910
Homestead-Wakefield	5,767	64,895	45,340	25,322
Jarrettsville	21,359	51,361	38,005	34,715
John Archer	67,256	42,997	38,529	71,724
Joppatowne	27,263	30,191	34,673	22,781
Magnolia	6,826	10,719	13,654	3,891
Meadowvale	7,498	48,939	47,142	9,295
Norrisville	10,085	13,875	13,956	10,004
North Bend	17,885	27,090	28,594	16,381
North Harford	24,703	37,938	32,570	30,071
Prospect Mill	14,310	59,370	53,532	20,148
Red Pump	19,068	58,336	60,117	17,287
Ring Factory	6,273	49,430	44,828	10,875
Riverside	9,463	15,185	20,432	4,216
Roye-Williams	22,576	16,396	29,393	9,579
William S. James	17,375	52,704	40,735	29,344
William Paca - Old Post Rd	11,747	15,118	19,649	7,216
Youth's Benefit	14,213	54,339	52,607	15,945
Total elementary schools	677,499	1,295,039	1,295,419	677,119

Harford County Public Schools

AGENCY FUNDS
SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

School Activity Funds

	Balance <u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2016</u>
<u>Middle Schools</u>				
Aberdeen	94,076	159,703	160,011	93,768
Bel Air	44,845	161,021	156,302	49,564
Edgewood	46,328	179,645	173,395	52,578
Fallston	46,703	149,341	158,289	37,755
Havre de Grace	30,684	77,880	86,449	22,115
Magnolia	24,158	50,880	47,531	27,507
North Harford	48,357	92,172	91,739	48,790
Patterson Mill	42,497	126,745	118,835	50,407
Southampton	32,106	178,790	179,110	31,786
Total middle schools	<u>409,754</u>	<u>1,176,177</u>	<u>1,171,661</u>	<u>414,270</u>
<u>High Schools</u>				
Aberdeen	129,443	335,654	327,392	137,705
Alternative Education	10,602	4,110	8,887	5,825
Bel Air	209,756	431,797	440,533	201,020
C. Milton Wright	149,502	496,864	480,968	165,398
Edgewood	111,978	292,041	298,297	105,722
Fallston	133,822	419,093	424,187	128,728
Harford Technical	130,509	567,500	568,578	129,431
Havre de Grace	137,879	415,242	415,931	137,190
Joppatowne	59,461	168,005	180,079	47,387
North Harford	176,834	420,537	423,828	173,543
Patterson Mill	131,374	374,209	400,928	104,655
Total high schools	<u>1,381,160</u>	<u>3,925,052</u>	<u>3,969,608</u>	<u>1,336,604</u>
Total - all School Activity Funds	<u>2,468,413</u>	<u>6,396,268</u>	<u>6,436,688</u>	<u>2,427,993</u>
Scholarship Funds	<u>80,454</u>	<u>79</u>	<u>-</u>	<u>80,533</u>
Total - Agency Funds	<u>\$ 2,548,867</u>	<u>\$ 6,396,347</u>	<u>\$ 6,436,688</u>	<u>\$ 2,508,526</u>

Harford County Public Schools

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AGENCY FUNDS COMBINING STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2016

	<u>Scholarship Funds</u>	<u>School Activity Funds</u>	<u>Total Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 80,533	\$ 2,427,993	\$ 2,508,526
Total assets	<u>\$ 80,533</u>	<u>\$ 2,427,993</u>	<u>\$ 2,508,526</u>
Liabilities			
Scholarship funds payable	\$ 80,533	\$ -	\$ 80,533
School activity funds payable	-	2,427,993	2,427,993
Total liabilities	<u>\$ 80,533</u>	<u>\$ 2,427,993</u>	<u>\$ 2,508,526</u>

Harford County Public Schools

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
JUNE 30, 2016

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
SCHOLARSHIP FUNDS				
ASSETS				
Cash and cash equivalents	\$ 80,454	\$ 79	\$ -	\$ 80,533
LIABILITIES				
Scholarship funds payable	\$ 80,454	\$ 79	\$ -	\$ 80,533
SCHOOL ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,468,413	\$ 6,396,268	\$ 6,436,688	\$ 2,427,993
LIABILITIES				
Student activity funds payable	\$ 2,468,413	\$ 6,396,268	\$ 6,436,688	\$ 2,427,993
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,548,867	\$ 6,396,347	\$ 6,436,688	\$ 2,508,526
LIABILITIES				
Scholarship funds payable	\$ 80,454	\$ 79	\$ -	\$ 80,533
Student activity funds payable	2,468,413	6,396,268	6,436,688	2,427,993
Total liabilities	\$ 2,548,867	\$ 6,396,347	\$ 6,436,688	\$ 2,508,526



Ava DiCasagrande, Grade 5, Prospect Mill Elementary School
Teacher: Sherry Rowe



Sidney Stewart, Grade 5, Joppatowne Elementary School
Teacher: Sharon Pardew

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 Board's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the Board's financial performance and well-being have changed over time.</i>	78 - 81
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Board's financial activities take place.</i>	82 - 83
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Board's financial report relates to the services it provides and activities it performs.</i>	84 - 93

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year after June 30, 2007 and from the Independent Auditors' Report, Financial Statements and Supplemental Information for the relevant year prior to that.

Harford County Public Schools

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Invested in capital assets, net of related debt	\$297,606	\$379,249	\$472,628	\$533,572	\$560,834	\$568,870	\$577,748	\$584,119	\$598,747	\$614,347
Restricted for food services	2,699	2,456	2,066	2,196	2,408	2,755	2,624	2,802	2,975	3,071
Restricted for capital projects	25	8,072	5,802	7,551	7,454	9,079	7,675	3,778	2,403	2,128
Unrestricted	1,827	(16,540)	(51,542)	(84,761)	(110,678)	(128,086)	(166,286)	(205,029)	(254,861)	(284,642)
Total governmental activities net position	\$302,157	\$373,237	\$428,954	\$458,558	\$460,018	\$452,618	\$421,761	\$385,670	\$349,264	\$334,904

Harford County Public Schools

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Functions/Programs										
Expenses										
Governmental activities:										
Instruction:										
Regular education	\$247,876	\$277,212	\$290,266	\$294,136	\$289,527	\$285,182	\$296,379	\$283,661	\$277,887	\$274,701
Special education	60,048	69,664	77,461	89,247	94,112	86,373	89,896	90,529	88,484	91,118
Total Instruction	307,924	346,876	367,727	383,383	383,639	371,555	386,275	374,190	366,371	365,819
Support services:										
Administration	13,474	15,093	15,934	15,989	15,341	16,114	15,682	15,626	15,195	15,231
Mid-level administration	31,195	35,358	36,855	37,516	36,621	37,070	37,698	37,467	38,139	37,941
Pupil personnel services	1,948	2,198	2,312	2,338	2,223	2,322	2,353	2,501	2,424	2,531
Health services	4,106	4,740	5,103	5,069	4,850	5,255	5,915	5,843	6,292	6,218
Pupil transportation	25,716	31,197	32,724	33,647	35,424	37,332	39,754	39,504	38,827	38,695
Operation of plant	31,282	36,304	37,614	39,310	38,716	40,267	43,245	47,158	45,870	42,618
Maintenance of plant and equipment	12,742	14,528	14,522	15,130	15,789	16,989	18,211	19,022	19,509	21,275
Community services	498	499	480	399	451	421	497	530	532	565
Food services	13,519	14,179	15,144	15,391	14,848	15,829	16,515	16,731	16,719	17,883
Interest on long - term debt	567	554	541	527	512	615	246	328	328	315
Depreciation - unallocated	94	89	89	89	87	86	84	81	77	77
Total Support Services	135,141	154,739	161,318	165,405	164,862	172,300	180,200	184,791	183,912	183,349
Total governmental activities	443,065	501,615	529,045	548,788	548,501	543,855	566,475	558,981	550,283	549,168
Program revenues										
Charges for services:										
Regular education	1,500	1,730	1,688	1,648	1,471	1,214	1,135	1,327	1,450	1,468
Community services	466	488	415	338	348	348	422	414	428	436
Food services	8,132	8,348	8,059	7,839	7,875	7,858	7,254	6,928	7,103	7,142
Operating grants and contributions	89,364	102,132	106,729	122,436	136,196	128,527	124,751	124,007	125,875	123,982
Capital grants and contributions	47,943	101,153	104,871	85,054	47,667	28,383	35,159	25,115	32,295	33,011
Total governmental activities program revenues	147,405	213,851	221,762	217,315	193,557	166,330	168,721	157,791	167,151	166,039
Total governmental net expense	(295,660)	(287,764)	(307,283)	(331,473)	(354,944)	(377,525)	(397,754)	(401,190)	(383,132)	(383,129)
General Revenues and Other Changes in Net Position										
General revenues:										
Local appropriations	189,415	199,615	206,979	210,415	211,067	217,782	219,821	221,301	223,667	228,209
State Aid	138,061	152,542	153,313	147,510	140,638	143,456	140,879	137,722	137,404	136,328
Federal Aid	443	340	279	625	696	1,345	449	336	434	423
Miscellaneous	4,525	5,083	2,204	2,487	3,960	7,508	5,717	5,723	5,370	3,753
Unrestricted investment earnings	1,371	1,264	226	40	43	33	31	18	13	56
Total general revenues	333,815	358,844	363,001	361,077	356,404	370,124	366,897	365,100	366,888	368,769
Change in Net Position	38,155	71,080	55,718	29,604	1,460	(7,401)	(30,857)	(36,090)	(16,244)	(14,360)
Net position - beginning of year	264,002	302,157	373,237	428,955	458,559	460,019	452,618	421,761	385,671	349,264
Adjustment to Restate Beginning Net Position	-	-	-	-	-	-	-	-	(20,163)	-
Net position - beginning of year	264,002	302,157	373,237	428,955	458,559	460,019	452,618	421,761	365,508	349,264
Net position - end of year	\$302,157	\$373,237	\$428,955	\$458,559	\$460,019	\$452,618	\$421,761	\$385,671	\$349,264	\$334,904

Harford County Public Schools

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

	Fiscal Year										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund											
Assigned	\$4,230	\$5,338	\$2,937	\$2,261	\$2,405	\$12,976	\$12,628	\$18,650	\$18,320	\$17,370	\$21,784
Unassigned	16,188	22,128	16,152	18,113	22,626	13,143	13,169	4,330	3,072	6,408	8,328
Total general fund	\$20,418	\$27,466	\$19,089	\$20,374	\$25,031	\$26,119	\$25,797	\$22,980	\$21,392	\$23,778	\$30,112
All other governmental funds											
Non Spendable -											
Special Revenue Fund	\$239	\$160	\$122	\$186	\$278	\$294	\$237	\$187	\$142	\$105	\$31
Assigned - reported in:											
Special revenue fund	2,737	2,539	2,334	1,880	1,918	2,115	2,518	2,437	2,660	2,871	3,040
Capital projects fund	-	25	8,072	5,802	7,551	7,454	9,079	10,322	11,577	2,403	2,128
Unassigned - Capital projects fund	-	-	-	-	-	-	-	(2,647)	(7,799)	-	-
Total all other governmental funds	\$2,976	\$2,724	\$10,528	\$7,868	\$9,747	\$9,863	\$11,834	\$10,299	\$6,580	\$5,379	\$5,199

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Intergovernmental revenues	\$228,930	\$278,735	\$299,449	\$275,213	\$241,501	\$230,041	\$231,802	\$229,680	\$240,351	\$250,885
Local										
State	205,345	245,316	241,878	247,758	242,653	251,283	241,824	233,251	238,723	230,588
Special state and federal programs	24,835	24,881	24,357	33,330	41,992	28,817	29,938	30,562	31,020	29,931
Federal	5,177	5,358	5,907	6,860	7,629	8,485	8,122	8,483	8,942	9,588
Earnings on investments	1,530	1,348	235	40	43	33	31	18	13	56
Charges for services	8,132	8,348	8,059	7,839	7,875	7,858	7,254	6,929	7,103	7,142
Donation of land from county	-	-	-	-	-	-	-	-	-	-
Miscellaneous revenues	7,271	8,709	4,878	7,352	8,268	9,937	16,647	13,968	7,887	6,618
Total revenues	481,220	572,695	584,763	578,392	549,961	536,454	535,618	522,891	534,039	534,808
Expenditures										
Current										
Administrative services	9,906	10,732	11,044	10,708	10,473	10,776	10,678	9,775	9,464	9,356
Mid-level administrative services	23,592	25,282	25,556	25,417	25,182	24,959	24,805	24,356	24,569	24,910
Instructional salaries	158,371	167,938	168,953	166,084	165,998	165,118	162,658	156,873	153,388	154,869
Instructional textbooks and supplies	9,885	9,962	8,405	7,758	7,316	8,067	6,689	6,849	7,101	6,598
Other instructional costs	2,103	2,848	3,406	2,904	3,173	2,839	2,446	2,392	3,340	2,795
Special education	31,751	35,782	38,054	39,030	39,674	40,322	39,951	40,088	40,714	40,672
Student personnel services	1,524	1,621	1,629	1,615	1,610	1,614	1,621	1,642	1,645	1,692
Health services	3,047	3,222	3,400	3,255	3,200	3,292	3,295	3,207	3,359	3,272
Pupil transportation services	22,617	26,889	27,321	27,655	29,522	30,917	31,151	30,300	30,113	29,201
Operation of plant	26,036	28,859	29,063	29,129	28,913	28,974	28,595	30,273	28,128	26,773
Maintenance of plant and equipment	10,096	11,269	10,701	11,014	11,757	12,607	12,249	12,110	12,707	12,562
Fixed charges	87,680	112,302	107,064	115,194	116,016	133,275	132,463	134,256	136,099	134,133
Community services	455	450	429	352	403	373	440	456	444	470
Special state and federal programs	24,835	24,880	24,357	33,330	41,992	28,817	29,938	30,562	31,020	29,931
Costs of operations - food services	13,517	13,977	14,435	14,315	14,911	15,275	15,440	15,431	15,968	16,726
Capital outlay	48,138	96,394	111,561	83,365	47,809	26,759	37,255	29,255	34,059	33,796
Debt service										
Principal	257	269	283	297	312	327	-	-	371	508
Interest	567	554	541	527	512	615	246	328	328	315
Total expenditures	474,377	573,230	586,202	571,949	548,773	534,926	539,920	528,153	532,817	528,579
Excess (deficit) of revenues over expenditures	6,843	(535)	(1,439)	6,443	1,188	1,528	(4,302)	(5,262)	1,222	6,229
Other financing sources (uses)										
Proceeds from capital lease	32	-	-	-	-	178	-	-	-	-
Increase (decrease) in non-spendable fund balance	-	(38)	-	92	16	-	(50)	(45)	(38)	(74)
Net change in fund balances	\$6,875	(\$573)	(\$1,439)	\$6,535	\$1,204	\$1,706	(\$4,352)	(\$5,307)	\$1,184	\$6,155

Harford County Public Schools

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Capacity #'s	Capacity %
Abingdon Elementary	751	769	795	766	798	893	882	836	845	809	864	93.63%
Bakerfield Elementary	447	463	477	457	444	366	409	396	429	415	500	83.00%
Bel Air Elementary	505	487	512	508	505	488	484	516	496	477	500	95.40%
Church Creek Elementary	755	736	743	774	781	699	745	785	786	798	793	100.63%
Churchville Elementary	371	359	363	371	376	375	395	378	382	373	388	96.13%
Darlington Elementary	130	126	125	123	123	124	115	131	133	122	157	77.71%
Deerfield Elementary	569	545	520	514	633	797	793	805	787	797	816	97.67%
Dublin Elementary	250	246	247	247	246	289	299	301	288	266	295	90.17%
Edgewood Elementary	422	419	393	434	422	451	426	421	447	391	511	76.52%
Emmorton Elementary	653	667	676	704	732	539	505	551	547	550	549	100.18%
Forest Hill Elementary	585	575	564	579	550	557	507	493	470	474	581	81.58%
Forest Lakes Elementary	707	695	664	682	681	511	483	482	462	460	546	84.25%
Fountain Green Elementary	643	662	651	604	567	562	513	521	477	492	571	86.16%
George D. Lisby Elementary at Hillsdale	333	311	350	333	347	427	434	428	408	437	455	96.04%
Halls Cross Roads Elementary	415	437	430	446	492	475	463	507	491	519	562	92.35%
Havre de Grace Elementary	368	373	393	416	424	443	421	405	431	450	566	79.51%
Hickory Elementary	664	693	702	687	720	653	681	687	706	677	655	103.36%
Homestead-Wakefield Elementary	934	919	905	937	937	892	897	901	938	949	907	104.63%
Jarrettsville Elementary	423	443	414	416	434	470	480	460	452	441	548	80.47%
Joppatowne Elementary	522	515	546	548	581	667	629	597	573	558	653	85.45%
Magnolia Elementary	512	526	536	563	466	385	470	495	476	500	518	96.53%
Meadowvale Elementary	571	549	545	538	512	532	535	554	522	524	568	92.25%
Norrisville Elementary	221	206	192	170	181	199	186	182	185	183	252	72.62%
North Bend Elementary	428	399	402	389	401	377	378	360	338	324	500	64.80%
North Harford Elementary	518	502	469	490	453	442	432	421	407	405	500	81.00%
Prospect Mill Elementary	1,008	980	951	931	902	651	612	557	580	587	680	86.32%
Red Pump Elementary	-	-	-	-	-	596	669	688	676	675	696	96.98%
Ring Factory Elementary	530	527	500	513	511	542	549	557	546	538	548	98.18%
Riverside Elementary	568	547	504	502	523	501	505	520	477	458	522	87.74%
Roye-Williams Elementary	546	493	426	440	388	440	474	543	533	549	683	80.38%
William Paca/Old Post Road Elementary	1,044	1,010	1,020	1,005	845	663	766	806	827	837	954	87.74%
William S. James Elementary	496	501	487	481	521	514	451	421	403	423	522	81.03%
Youths Benefit Elementary	1,044	1,067	1,072	1,041	1,029	998	973	962	990	997	958	104.07%
Total Elementary Schools	17,933	17,747	17,574	17,609	17,525	17,518	17,561	17,667	17,508	17,455	19,318	90.36%
Aberdeen Middle	1,207	1,095	1,120	1,095	1,087	1,043	1,034	1,113	1,108	1,184	1,444	81.99%
Bel Air Middle	1,403	1,244	1,249	1,267	1,291	1,296	1,271	1,287	1,251	1,257	1,318	95.37%
Edgewood Middle	1,164	1,151	1,028	1,046	1,022	1,073	1,046	1,109	1,066	1,062	1,370	77.52%
Fallston Middle	1,180	925	905	892	887	929	879	875	856	879	1,105	79.55%
Havre de Grace Middle	599	609	613	584	530	529	532	545	544	567	775	73.16%
Magnolia Middle	869	874	785	795	735	710	688	717	756	761	1,073	70.92%
North Harford Middle	1,085	1,153	1,134	1,113	1,056	1,019	974	974	958	966	1,243	77.72%
Patterson Mill Middle	-	735	763	775	753	732	700	685	665	698	711	98.17%
Southampton Middle	1,549	1,252	1,295	1,256	1,270	1,276	1,235	1,260	1,213	1,251	1,540	81.23%
Total Middle Schools	9,056	9,038	8,892	8,823	8,631	8,607	8,359	8,565	8,417	8,625	10,579	81.53%
Aberdeen High	1,589	1,569	1,504	1,464	1,459	1,411	1,411	1,420	1,444	1,453	1,679	86.54%
Bel Air High	1,683	1,403	1,380	1,431	1,574	1,633	1,647	1,656	1,670	1,581	1,668	94.78%
C. Milton Wright High	1,850	1,746	1,587	1,591	1,555	1,491	1,494	1,403	1,425	1,447	1,678	86.23%
Edgewood High	1,261	1,177	1,123	1,194	1,226	1,211	1,236	1,291	1,322	1,310	1,743	75.16%
Fallston High	1,606	1,453	1,365	1,209	1,113	1,090	1,064	1,074	1,076	1,056	1,529	69.06%
Harford Technical High	1,056	1,056	1,040	1,026	1,024	1,019	1,010	1,013	1,022	1,018	920	110.65%
Havre de Grace High	717	769	764	775	745	691	674	585	582	605	850	71.18%
Joppatowne High	1,063	1,004	969	952	940	872	840	762	696	666	1,126	59.15%
North Harford High	1,437	1,385	1,367	1,393	1,383	1,447	1,420	1,358	1,298	1,219	1,603	76.04%
Patterson Mill High	-	436	701	949	964	991	941	922	871	833	924	90.15%
Total High Schools	12,262	11,998	11,800	11,984	11,983	11,856	11,737	11,484	11,406	11,188	13,720	81.55%
Total Secondary Schools	21,318	21,036	20,692	20,807	20,614	20,463	20,096	20,049	19,823	19,813	24,299	81.54%
Center for Educational Opportunity	139	155	106	76	112	86	86	84	93	53	250	21.20%
Restoration Academy (Charter)	21	78	79	-	-	-	-	-	-	-	-	-
John Archer	160	159	159	147	143	128	125	113	119	127	210	60.48%
Total Special Schools	320	392	344	223	255	214	211	197	212	180	460	39.13%
Total All Schools	39,571	39,175	38,610	38,639	38,394	38,222	37,868	37,913	37,543	37,448	44,077	84.96%
Teachers & Therapists Staff (1)	2,589	2,809	2,835	2,778	2,831	2,819	2,774	2,884	2,670	2,636		
Student/Teacher Ratio*	15.28	13.95	13.62	13.91	13.56	13.56	13.65	13.15	14.06	14.21		

Source: Monthly Report on Enrollment at September 30.

Source (1): Maryland State Department of Education Fact Book for relevant year, estimated for 2015

*Definition of teaching position includes those that do not have core classroom responsibilities. Their inclusion deflates the ratio. (eg. Therapists, Special Education and Special Area Teachers)

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Elementary School:										
Prekindergarten	896	866	874	898	773	776	753	768	763	809
Kindergarten	2,611	2,823	2,704	2,734	2,681	2,792	2,740	2,819	2,648	2,587
Grade 1	2,849	2,603	2,836	2,736	2,808	2,715	2,820	2,787	2,831	2,704
2	2,756	2,848	2,643	2,873	2,757	2,809	2,703	2,830	2,788	2,875
3	2,894	2,761	2,862	2,670	2,904	2,796	2,809	2,751	2,829	2,822
4	2,947	2,906	2,762	2,925	2,691	2,919	2,815	2,851	2,775	2,859
5	<u>2,980</u>	<u>2,940</u>	<u>2,893</u>	<u>2,773</u>	<u>2,911</u>	<u>2,711</u>	<u>2,921</u>	<u>2,861</u>	<u>2,874</u>	<u>2,799</u>
Total Elementary School	<u>17,933</u>	<u>17,747</u>	<u>17,574</u>	<u>17,609</u>	<u>17,525</u>	<u>17,518</u>	<u>17,561</u>	<u>17,667</u>	<u>17,508</u>	<u>17,455</u>
Middle School:										
Grade 6	2,995	2,948	2,904	2,912	2,791	2,905	2,691	2,892	2,807	2,875
7	3,052	3,042	2,967	2,927	2,928	2,777	2,902	2,752	2,910	2,813
8	<u>3,040</u>	<u>3,090</u>	<u>3,069</u>	<u>2,991</u>	<u>2,923</u>	<u>2,941</u>	<u>2,775</u>	<u>2,930</u>	<u>2,711</u>	<u>2,948</u>
Total Middle School	<u>9,087</u>	<u>9,080</u>	<u>8,940</u>	<u>8,830</u>	<u>8,642</u>	<u>8,623</u>	<u>8,368</u>	<u>8,574</u>	<u>8,428</u>	<u>8,636</u>
High School:										
Grade 9	3,402	3,340	3,285	3,380	3,241	3,164	3,118	3,030	3,196	2,974
10	3,107	3,029	3,005	3,041	3,145	3,038	2,948	2,896	2,755	2,918
11	2,995	2,869	2,841	2,856	2,934	2,973	2,909	2,812	2,800	2,638
12	<u>2,887</u>	<u>2,951</u>	<u>2,806</u>	<u>2,776</u>	<u>2,764</u>	<u>2,778</u>	<u>2,839</u>	<u>2,821</u>	<u>2,737</u>	<u>2,700</u>
Total High School	<u>12,391</u>	<u>12,189</u>	<u>11,937</u>	<u>12,053</u>	<u>12,084</u>	<u>11,953</u>	<u>11,814</u>	<u>11,559</u>	<u>11,488</u>	<u>11,230</u>
Special Education	<u>160</u>	<u>159</u>	<u>159</u>	<u>147</u>	<u>143</u>	<u>128</u>	<u>125</u>	<u>113</u>	<u>119</u>	<u>127</u>
Total Enrollment	<u>39,571</u>	<u>39,175</u>	<u>38,610</u>	<u>38,639</u>	<u>38,394</u>	<u>38,222</u>	<u>37,868</u>	<u>37,913</u>	<u>37,543</u>	<u>37,448</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

Operating Indicators by Function

Fiscal Year	Per Pupil Expenditures ¹		Number of School Bus Riders ³	Food Services ⁴	
	Dollars	State Rank ²		Breakfasts Served	Lunches Served
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	12,504	15	33,992	1,064,341	3,667,354
2012	12,520	14	33,873	1,237,425	3,622,066
2013	12,534	17	33,716	1,303,755	3,504,788
2014	12,443	19	32,760	1,346,713	3,381,641
2015	not available		32,944	1,484,007	3,385,988
2016	not available		32,535	1,517,703	3,296,515

¹ Source: Maryland State Department of Education, "The Fact Book"

² Ranking of the State's 24 school systems

³ Source: HCPS Department of Transportation

⁴ Source: HCPS Department of Food and Nutrition Services

Harford County Public Schools

Capital Asset Statistics by Function

	Fiscal Year										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Instructional Buildings											
Elementary Schools	32	32	32	32	33	33	33	33	33	33	33
Middle Schools ¹	9	9	9	9	9	9	9	9	9	9	9
High Schools ¹	10	10	10	10	10	10	10	10	10	10	10
Special Needs School	1	1	1	1	1	1	1	1	1	1	1
Alternative Education Ctr/Staff Training Ctr	1	1	1	1	1	1	1	1	1	1	1
Charter School	1	1	-	-	-	-	-	-	-	-	-
Harford Glen Environmental Center	1	1	1	1	1	1	1	1	1	1	1
Total	55	55	54	54	55	55	55	55	55	55	55
Support Buildings											
Central Administration Building	1	1	1	1	1	1	1	1	1	1	1
Transportation/Facilities Operations Ctr	1	1	1	1	1	1	1	1	1	1	1
Food Services/Warehouse Facility	1	1	1	1	1	1	1	1	1	1	1
Total	3	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.

Source: HCPS Planning and Construction Office

Harford County Public Schools

Student Academic Performance 2015 Test Results

SAT

	<u>Harford</u>	<u>State</u>	<u>Nation</u>
	<u>Average Score</u>		
Mathematics	528	493	511
Critical Reading	513	491	495
Writing	492	478	484

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>
	<u>Percent Passing</u>		<u>Percent Passing</u>		<u>Percent Passing</u>	
Algebra	93.3%	81.5%	93.4%	86.6%	94.8%	87.4%
Biology	91.0%	82.3%	94.0%	87.5%	93.8%	87.6%
English ¹	n/a	n/a	84.8%	81.6%	88.6%	83.9%
Government ²	94.1%	85.1%	81.5%	80.5%	n/a	n/a

Partnership for Assessment of Readiness for College & Careers (PARCC)

	<u>Harford</u>	<u>State</u>	<u>Harford</u>	<u>State</u>
	<u>Math</u>		<u>English Language Arts / Literacy</u>	
Met and Exceeded Expectations				
Grade 3	51.0%	36.4%	56.5%	38.1%
Grade 4	41.9%	30.6%	58.0%	40.1%
Grade 5	41.6%	29.9%	55.3%	40.1%
Grade 6	43.7%	29.5%	53.0%	36.2%
Grade 7*	24.1%	21.3%	55.7%	38.7%
Grade 8*	45.0%	23.2%	56.5%	40.4%
Grade 10	n/a	n/a	56.1%	39.7%
Algebra 1	46.7%	31.2%	n/a	n/a

*Middle school students enrolled in Algebra I during the 2014-2015 school year participated in PARCC Algebra I and not the Mathematics grade level assessment.

Maryland School Assessment (MSA) - Science

	<u>Harford</u>	<u>State</u>
	<u>Percent Passing</u>	
	Proficient and Advanced	
Grade 5	70.7%	63.3%
Grade 8	79.5%	68.1%

¹Grade 10 students participated in the PARCC English 10 assessment.

²This assessment was not a requirement for seniors during this school year.

Source: Maryland Department of Education, Maryland Report Card, 2015 data

Harford County Public Schools
Insurance Summary FY 2017

Type of Coverage	Name of Company	Policy Number	Policy Period	Limits
Workers Compensation	MABE Group Self-Insurance Fund	N/A	7/1/16-6/30/17	Statutory up to \$500,000
Excess Workers Compensation	Safety National	SP 4055303	7/1/16-6/30/17	Statutory excess of \$500,000
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/1/16-9/30/17 10/1/16-6/30/17	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated \$400,000 per occurrence
Personal Injury Liability	MABE Group Insurance Pool	N/A	7/1/16-9/30/16 10/1/16-6/30/17	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated \$400,000 per occurrence
Automobile Liability	MABE Group Insurance Pool	N/A	7/1/16-9/30/16 10/1/16-6/30/17	\$100,000 combined single limit \$1 million combined single limit for Bus Contractors \$400,000 per occurrence
Personal Injury Protection	MABE Group Insurance Pool	N/A	7/1/16-6/30/17	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/1/16-6/30/17	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	N/A	7/1/16-9/30/16 10/1/16-6/30/17	\$100,000 per loss \$400,000 per loss
Criminal Proceeding and Intentional Conduct Defense Reimbursement	MABE Group Insurance Pool	N/A	7/1/16-6/30/17	\$50,000 per covered person \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/1/16-6/30/17	\$500,000 per occurrence
Excess Property	Alliant Property Insurance Program (APIP)	017471590/03	7/1/16-6/30/17	\$1 billion per occurrence excess of \$500,000
Excess Boiler and Machinery	Federal Insurance Company	76431229	7/1/16-6/30/17	\$100 million per occurrence excess of \$100,000
Crime	MABE Group Insurance Pool Travelers Casualty and Surety Axis Insurance Company	N/A 105957875 MNN781566/01/2016	7/1/16-6/30/17 7/1/16-6/30/17 7/1/16-6/30/17	\$25,000 per loss \$2,500,000 per loss, excess of \$25,000 \$2,500,000 excess of Travelers
School Board Legal Liability	MABE Group Insurance Pool	N/A	7/1/16-6/30/17	\$250,000 per occurrence \$5 million per occurrence
School Board Legal Liability Reinsurance	United Educators Insurance	RCN20160430701	7/1/16-6/30/17	\$5,000,000 per occurrence excess of \$250,000
Catastrophic Student Accident	AIG	SRG 0009100979-E	8/1/16-8/1/17	\$6,000,000 Medical Expense \$1,000,000 Catastrophic Cash
Cyber	AIG	03-881-08-42	1/1/16-7/1/17	\$1,000,000 per occurrence

Source: HCPS Risk Management Office

Harford County Public Schools

Facilities Information as of June 30, 2016

	Gross Square Feet	Acres	Year Constructed	Age in Years
Central Offices				
102 S. Hickory	73,122	0.77	2005	11
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	n/a
John Archer	63,984	15.00	1971	45
Center for Educational Opportunity	107,087	3.04	1965	51
High Schools				
1 Aberdeen High	229,000	20.42	2004	12
2 Bel Air High	262,454	53.17	2009	7
3 C. Milton Wright High	220,910	60.00	1980	36
4 Edgewood High	268,354	44.35	2010	6
5 Fallston High	233,500	62.00	1977	39
6 Harford Technical High	218,225	55.00	1978	38
7 Havre de Grace High	144,815	35.00	1955	61
8 Joppatowne High	184,070	65.16	1972	44
9 North Harford High	245,238	73.00	2007	9
10 Patterson Mill High & Middle	132,500	39.92	2007	9
Middle Schools				
11 Aberdeen Middle	196,800	43.83	1973	43
12 Bel Air Middle	164,900	25.84	1961	55
13 Edgewood Middle	166,530	34.86	1965	51
14 Fallston Middle	130,284	34.59	1993	23
15 Havre de Grace Middle	102,000	37.34	1967	49
16 Magnolia Middle	149,100	69.33	1979	37
Patterson Mill Middle	132,500	39.92	2007	9
17 North Harford Middle	173,728	40.00	1976	40
18 Southampton Middle	188,134	35.99	1970	46
Elementary Schools				
19 Abingdon Elementary	91,229	28.49	1992	24
20 Bakerfield Elementary	65,691	10.00	1961	55
21 Bel Air Elementary	49,748	6.31	1984	32
22 Church Creek Elementary	85,801	20.51	1994	22
23 Churchville Elementary	52,360	6.46	1931	85
24 Darlington Elementary	24,237	7.89	1938	78
25 Deerfield Elementary	103,200	20.76	2010	6
26 Dublin Elementary	44,385	24.69	1941	75
27 Edgewood Elementary	67,341	36.95	1969	47
28 Emmorton Elementary	63,000	22.04	1994	22
29 Forest Hill Elementary	64,722	8.44	2000	16
30 Forest Lakes Elementary	68,971	20.03	1997	19
31 Fountain Green Elementary	60,000	23.87	1993	23
32 George D. Lisby Elementary	56,295	20.01	1968	48
33 Hall's Cross Roads Elementary	63,082	12.73	1943	73
34 Havre de Grace Elementary	65,085	10.25	1949	67
35 Hickory Elementary	77,958	33.11	1950	66
36 Homestead-Wakefield Elementary	115,458	36.53	1958	58
37 Jarrettsville Elementary	61,275	27.44	1962	54
38 Joppatowne Elementary	89,985	17.19	1965	51
39 Magnolia Elementary	59,900	17.00	1975	41
40 Meadowvale Elementary	69,000	13.26	1959	57
41 Norrisville Elementary	37,417	11.54	1967	49
42 North Bend Elementary	60,221	18.23	1991	25
43 North Harford Elementary	49,703	20.00	1984	32
44 Prospect Mill Elementary	75,538	15.00	1973	43
45 Red Pump Elementary	100,573	23.67	2011	5
46 Ring Factory Elementary	59,132	34.26	1990	26
47 Riverside Elementary	55,711	13.18	1968	48
48 Roye Williams Elementary	78,126	28.00	1953	63
49 William Paca/Old Post Rd. Elementary	112,417	46.00	1964	52
50 William S. James Elementary	58,500	15.00	1976	40
51 Youths Benefit Elementary	96,616	26.18	1953	63
Total	6,175,384	1,890.93		

Source: Educational Facilities Master Plan 2016

Harford County Public Schools

Principal Employers in Harford County

	2015 ¹			2007		
	<u>Employees²</u>	<u>Rank</u>	<u>% of Total Jobs in Harford County</u>	<u>Employees³</u>	<u>Rank</u>	<u>% of Total Jobs in Harford County</u>
Government Sector:						
Aberdeen Proving Ground	22,797	1	24.4%	12,486	1	14.7%
Harford County Public Schools	4,997 ⁴	2	53.6%	4,910 ⁴	2	57.9%
Harford County Government	1,938 ⁵	4	20.8%	1,545	4	1.8%
Private Sector:						
Upper Chesapeake Health Systems	3,129	3	3.4%	2,464	3	2.9%
Rite Aid Mid-Atlantic Customer Distrib Ctr	1,300	5	1.4%	1,270	5	1.5%
Kohl's	1,255	6	1.3%	-	-	-
Harford Community College	1,016 ⁶	7	10.9%	921 ⁷	6	10.9%
Kleins Shoprite	1,000	8	1.1%	-	-	-
Walmart	900	9	1.0%	597	9	0.7%
Jacobs Technology, Inc.	874	10	0.9%	-	-	-
SAIC				740	7	0.9%
Sverdrup Technology				656	8	0.8%
Saks Fifth Avenue				495	10	0.6%
Top Employers' Jobs	31,255		33.5%	21,458		25.3%
Total Jobs in Harford County⁸	93,273		100.0%	84,771		100.0%

Sources:

¹2015 data is the most current yearly information available

²Data from the Harford County Office of Economic Development; Harford County Brief Economic Fact Sheet 2015

³Data from the Harford County, Maryland Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007; Table 15, pg 139

⁴Data from the Harford County Public Schools Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015; Table 14, pg 91

⁵Data from the Harford County, Maryland Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015; Table 15, pg 158

⁶Quick Facts, Harford Community College, 2015.

⁷Quick Facts, Harford Community College, 2007.

⁸Maryland Department of Labor, Licensing & Regulation, 4th quarter data

Harford County Public Schools

**Outstanding Capital Lease
Direct Debt
as of June 30, 2016**

Fiscal Year	Principal	Interest	Total Debt Service
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	797,738	26,084	823,822
	<u>\$ 9,136,971</u>	<u>\$ 2,396,537</u>	<u>\$ 11,533,508</u>

Capital lease is for the 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 2007 - 2016

State Category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administration	122	124	124	123	124	126	123	120	120	120
Mid-Level - Office of the Principal	269	275	277	282	281	306	298	294	294	289
Mid-Level - Admin & Supervision	74	80	79	74	76	54	54	56	56	62
Instructional Salaries	2,881	2,912	2,868	2,848	2,868	2,835	2,781	2,696	2,705	2,675
Special Education	876	936	941	1,028	1,124	1,085	1,070	1,046	1,040	1,044
Student Services	20	20	20	20	20	20	20	21	20	25
Health Services	66	71	71	71	71	72	72	72	73	73
Transportation	159	171	183	193	203	211	217	217	217	217
Operation of Plant	315	332	333	333	334	342	345	345	345	337
Maintenance of Plant	128	128	126	126	124	125	126	126	126	125
Community Services	1	1	1	1	1	1	1	1	1	1
Totals¹	4,910	5,049	5,022	5,097	5,225	5,177	5,107	4,994	4,997	4,968

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.

¹FTE equivalents by state category are rounded to the whole number; totals by year represent the number of FTEs in total and may not equal the sum of each category due to rounding.

Harford County Public Schools

**Schedule of ratio of Total Debt Service to Non Capital Expenditures
(accrual basis of accounting)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Principal & Interest	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 246,568	\$ 327,544	\$ 698,803	\$ 823,822
Total Expenditures	474,376,581	573,229,967	586,201,560	571,948,961	548,772,658	534,926,033	539,920,427	528,153,229	532,816,898	528,578,856
Less capitalized Expenditures	32,292,167	81,373,305	93,096,620	60,646,936	26,950,319	8,080,063	8,878,160	6,370,716	13,748,105	15,075,210
Net expenditures	<u>\$442,084,414</u>	<u>\$491,856,662</u>	<u>\$493,104,940</u>	<u>\$511,302,025</u>	<u>\$521,822,339</u>	<u>\$526,845,970</u>	<u>\$531,042,267</u>	<u>\$521,782,513</u>	<u>\$519,068,793</u>	<u>\$513,503,646</u>
Ratio of Principal & Interest to Net Expenditures	0.19%	0.17%	0.17%	0.16%	0.16%	0.16%	0.05%	0.06%	0.13%	0.16%

Harford County Public Schools

**Schedule of Total Debt Service to Student Enrollment
(accrual basis of accounting)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Principal & Interest	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 246,568	\$327,544	\$698,803	\$823,822
Student Enrollment	39,571	39,175	38,610	38,639	38,394	38,222	37,868	37,913	37,543	37,448
Ratio of debt to Student Enrollment	\$ 20.82	\$ 21.03	\$ 21.34	\$ 21.32	\$ 21.46	\$ 21.55	\$ 6.51	\$ 8.64	\$ 18.61	\$ 22.00

Compliance Section



Patra Tamaris, Grade 7, Southampton Middle School
Teacher: Sue Ellen North



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Report of Independent Public Accountants 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, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools (HCPS) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise HCPS' basic financial statements, and have issued our report thereon dated September 22, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HCPS' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HCPS' internal control. Accordingly, we do not express an opinion on the effectiveness of HCPS' internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other Matters

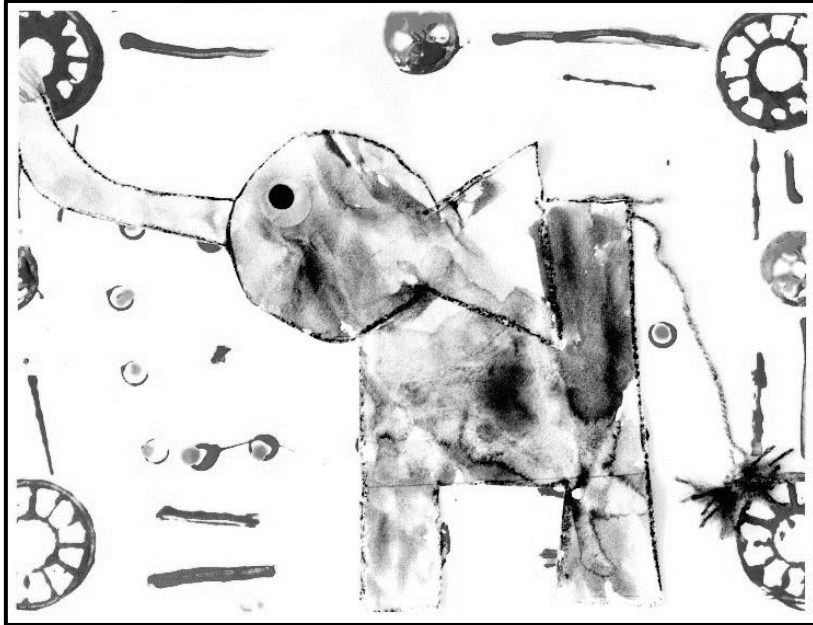
As part of obtaining reasonable assurance about whether HCPS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

Purpose of this Report

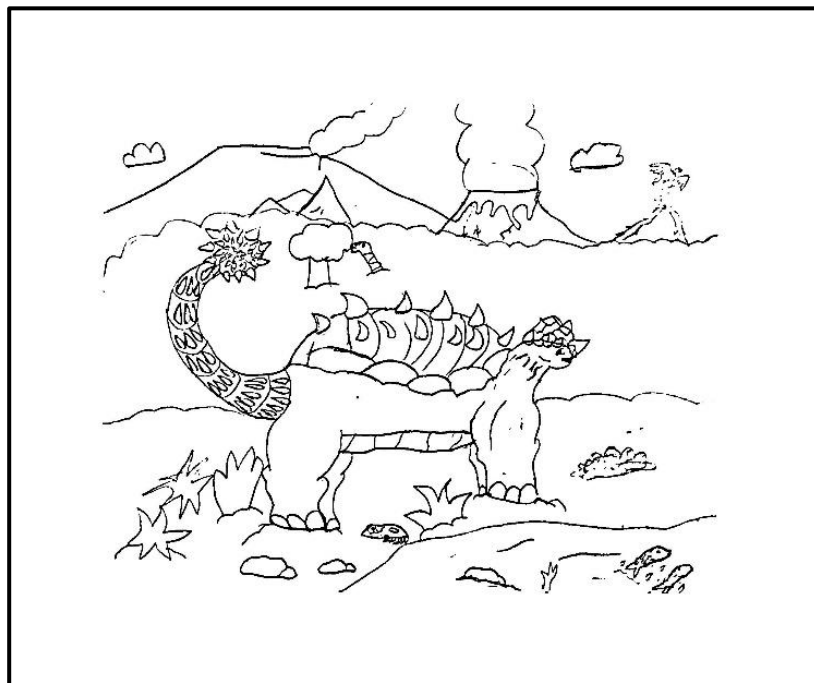
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hunt Valley, Maryland
September 22, 2016

A handwritten signature in black ink that reads "SB & Company, LLC". The signature is written in a cursive, flowing style.



Carson Clinton, Grade 1,
Prospect Mill Elementary School
Teacher: Sherry Rowe



Mohamed Abouelmagd, Grade 2,
William Paca / Old Post Road Elementary School
Teacher: Katia Baskina



HCPS Faculty and Staff Noteworthy Accomplishments

FROM TOP, LEFT TO RIGHT: Lisa Sundquist, principal of North Harford Elementary School, receives honors from County Executive Barry Glassman during the North Harford Elementary School 2016 Maryland Blue Ribbon School assembly; Tammy Ficca and her team of teachers from Edgewood Middle School received the 32nd Annual Governor's Service Award for the "Direct Service at Perry Point VA Medical Center" service-learning project; Laura Potter, 2015 Harford County Public Schools Teacher of the Year and mathematics teacher at C. Milton Wright High School, was awarded \$3,011.62 for her 2015 AFCEA Aberdeen Chapter - Science Teacher Toolkit Award nomination; Sharalyn Heinly, seventh grade mathematics teacher at North Harford Middle School, celebrates with her school following the announcement that she is the 2016 Harford County Public Schools Teacher of the Year; Linda Michel, of Prospect Mill Elementary School, named the 2016 Harford County Public Schools Nurse of the Year at the annual HSHSA banquet on May 10, 2016.