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Office of Civil Rights Statement for Harford County Public Schools

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



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Harford County Public Schools
Maryland**

For the Fiscal Year Beginning

July 1, 2009

A handwritten signature in black ink, appearing to be 'HR'.

President

A handwritten signature in black ink, appearing to be 'Jeffrey R. Emmer'.

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **Harford County Public Schools, Maryland** for its annual budget for the fiscal year beginning **July 1, 2009**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

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



Harford County Public Schools

Transmittal Letter and Budget in Brief for Fiscal Year 2011

August 30, 2010

Dear School Community,

The Fiscal Year 2011 Board of Education adopted Budget for Harford County Public Schools addresses the essential components of federal legislation known as *No Child Left Behind* (NCLB), state legislation known as the Bridge to Excellence Act (BTE), and continues to address the Strategic Plan and Master Plan. Meeting the educational needs of a growing and diverse community so that no child is left behind requires vision, knowledge, organization, effective planning, sufficient coordinated resources, and commitment from all stakeholders.

Tough fiscal times exist internationally, nationally, and locally. These are challenging times for the State of Maryland, Harford County Government and Harford County Public Schools. Harford County Government requested spending reductions from HCPS of \$3.9 million in fiscal 2009 and \$.5 million in fiscal 2010. Even with tough fiscal times, federal and state mandates regarding the education of our students remain. In fact, new mandates have been implemented each year. Fiscal 2011 and fiscal 2012 will be tough fiscal years for the school system.

Every effort was made to be fiscally conservative in preparing the 2011 Budget. This budget required difficult decisions in order to align projected expenditures with projected revenue. Due to a slight increase in enrollment, Harford County Maintenance of Effort funding increased \$146,989 in fiscal 2011. The County Executive also agreed to fund an additional \$3.0 million to avoid salary reductions and for the first year startup costs for the Natural Resources/Agricultural Science magnet program at North Harford High School. State and federal revenues are projected to increase slightly for fiscal 2011. The fiscal 2011 Unrestricted Operating Budget is approved at \$422.5 million. The Restricted Fund Budget is projected to increase by \$.5 million to \$34.7 million. The Adopted Capital budget has been reduced to \$34.7 Million for fiscal 2011 with no new major building projects approved.

Throughout the school year, each one of the more than 5,000 employees of the Harford County Public Schools (HCPS) takes on the challenge of working towards our common goal of connecting with our students and preparing them for success. We will work to accomplish our goals as effectively and efficiently as possible. We are all committed to inspiring each of our 38,000 students to become life-long learners and responsible citizens.

Educators in Harford County have the unique responsibility of impacting the future of thousands of students every year. After all, school-age children spend almost as much time in school or in school-related activities as they do at home. Our faculty and staff are involved in every aspect of the child's academic life, from writing curriculum, serving as advisors for extracurricular activities, mentoring at-risk youth, to providing additional tutoring, and many, many more. Everyone in HCPS shares the same ideals regarding working together to provide the best education possible to all of our students in Harford County.

In addition, HCPS employees and students worked diligently to meet rigorous federal and state education requirements, resulting in many successes over the past year. The information in this annual budget document will show you some examples of our successes, as well as our challenges. The Board will continue to work with each of our schools and staff. We are committed to ensuring every child is given the best educational opportunities possible in Harford County. It is important to provide each individual student with the knowledge and means to succeed in a diverse society and I encourage you to join us as we impact the lives of our students in Harford County Public Schools.

For fiscal 2011, HCPS faced cost of doing business increases in the Unrestricted Operating Budget totaling \$12.4 million. These expenditures which are beyond our control include benefit rate adjustments, non-public placement costs, additional inclusion helpers, utility and fuel increases, state/federal mandates and contracted service increases. With \$4.2 million in new revenue to offset these costs, HCPS implemented budget reductions totaling \$6.5 million for fiscal 2011. The remaining shortfall was offset with an \$.8 million increase in fund balance usage and \$.9 million of American Recovery and Reinvestment Act (ARRA) funds.

The fiscal situation addressed in the budget, including the reallocation of existing resources to cover new expenses, will impact our schools, our students and all employees of Harford County Public Schools.

We are a professional learning community committed to continuous learning and improvement. Fiscal 2011 will be a challenging year as a result of very limited new funding. Continuing the goals and objectives, as defined by the Board of Education of Harford County, will require commitment, planning and effective leadership. Harford County Public Schools is prepared to meet the economic challenges that currently exist and provide the high quality education that our students, parents and community have come to expect.



Harford County Public Schools

Transmittal Letter and Budget in Brief for Fiscal Year 2011

Mission Statement

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

Vision Statement

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

Strategic Plan Goals and Objectives

1. **Every child feels comfortable going to school.**
 - Maintain safe, secure, comfortable schools that meet student needs.
 - Expect personal responsibility & respect in positive learning environments.
 - Explore use of uniforms to promote social equality and focus on learning.
2. **Every child achieves personal and academic growth.**
 - Find and build on every student's motivation.
 - Develop and deliver high quality instruction that elevates each student.
 - Support the emotional, social, and physical growth of every student.
3. **Every child benefits from accountable adults.**
 - Obtain and optimize use of adequate resources.
 - Improve operational and instructional efficiency and effectiveness.
 - Earn credibility with education stakeholders and respect of colleagues.
 - Define parent involvement; reach out to parents to explain involvement opportunities.
4. **Every child connects with great employees.**
 - Recruit & retain a high quality, diverse workforce.
 - Direct utilization of resources responsively to meet individual student needs.
 - Encourage employee knowledge & creativity to advance learning.
5. **Every child graduates ready to succeed.**
 - Promote opportunities for skilled trades and advanced career choices.
 - Use business partnerships to identify & respond to emerging market trends.
 - Enable students to live in & contribute to a contemporary world.

Since the passage of *NCLB* in January 2002, and the Maryland enactment of the *BTE*, the annual update to our Master Plan has been revised for the seventh year and has received approval of the Maryland State Department of Education (MSDE). The Plan identifies the design and implementation of programs, services, and instructional strategies that will accelerate learning for all students.

Mark M. Wolkow
President of the Board of Education

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



Harford County Public Schools

Transmittal Letter and Budget in Brief for Fiscal Year 2011

Highlights of the Fiscal Year 2011 Unrestricted Budget

Fiscal 2010 Cost Reductions

- Cost reductions in the fiscal 2010 Budget of (\$3,393,942) carried over to fiscal 2011.

Wage/Fringe Benefits

- For fiscal 2011 year, HCPS faced a projected \$7.6 million increase in health insurance costs. This figure includes \$3.9 million for a 6% rate increase, \$1.7 million attributed to a projected increase in enrollees and \$2.0 million to fund post employment health benefits. To offset \$4.8 million of the total \$7.6 million increase, health plan design changes will be implemented and Restricted ARRA funds will be used. **The resulting net increase for benefits in FY 2011 is \$2.9 million.**
- Cost Avoidance measures of (\$396,000); and,
- Increased retirement costs of \$706,249.

Turnover

- Salary savings of (\$1,598,821) due to the projected retirement of 65.9 FTE teachers by June 30, 2010 based on retirement data from fiscal 2001 through fiscal 2009.

Cost of Doing Business

- Reversal of one time purchases from fiscal 2010 for a savings of (\$119,000);
- Add back of salary and benefits for fiscal 2010 delayed hiring, \$142,204;
- Special Education increases for Inclusion Helpers, Nonpublic Placements and the Infant and Toddler program totaling \$1,954,617;
- Additional transportation costs for Bus Drivers and Attendants to staff five new Special Education buses and an increase in the bus contract for a total increase of \$430,152;
- Net decrease of (\$185,259) for the administrative reorganization of staff and elimination of positions;
- Net decrease of (\$492,000) in utilities cost due to rate reduction in electricity;
- Start up costs or Natural Resources/Agricultural Science magnet program, \$361,383;
- Hardware/Software increase in maintenance contracts and agreements, \$247,930;
- Worker compensation, property and liability insurance increases totaling \$465,925; and,
- Other Cost of Doing Business adjustments totaling \$288,690.

Operating Impact of Capital Projects

- Additional utility costs associated with Deerfield Elementary construction, \$194,000; and,
- Principal and Lead Secretary hired midyear for Red Pump Elementary, \$84,346.



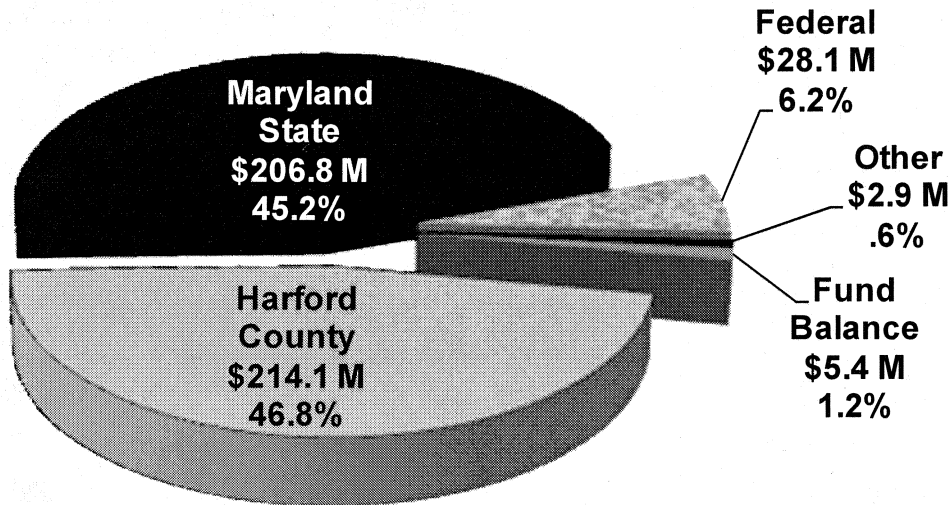
Harford County Public Schools

Transmittal Letter and Budget in Brief for Fiscal Year 2011

<i>Operating Budget</i>	FY 2010 Budget	Change	FY 2011 Budget
UnRestricted	\$ 417,525,509	\$ 5,003,213	\$ 422,528,722
Restricted Fund	34,267,658	454,440	34,722,098
Current Expense Fund	\$ 451,793,167	\$ 5,457,653	\$ 457,250,820

Where the money comes from...

Current Expense Fund - \$457.3 Million



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

Harford County Government Aid – includes County allocation that represents Maintenance of Effort level of funding under State Law and an additional three million to avoid salary decreases and for the startup costs of the new Natural Resources/Agricultural Science magnet program.

Federal Aid – includes Impact Aid, ISEA, and categorical grants. (Federal stimulus funding included as a source).

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

Fund Balance – includes funds set aside from fiscal 2010 to support ongoing operations and one time expenditures.



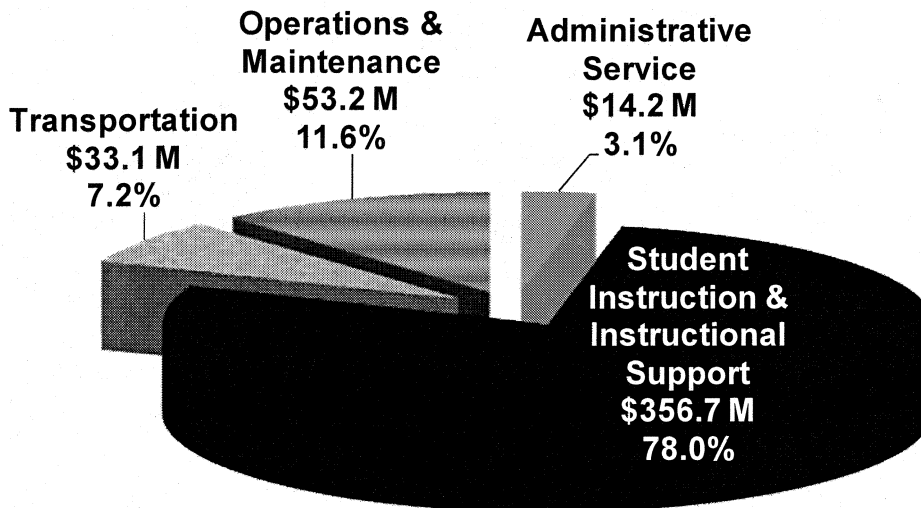
Harford County Public Schools

Transmittal Letter and Budget in Brief for Fiscal Year 2011

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Where the money goes...

Current Expense Fund - \$457.3 Million



All expenditure accounts include a share of fringe benefit costs based on FTE count which includes health, dental, & life insurance, taxes, workers compensation and unemployment compensation charges.

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

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

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

Operations and Maintenance – includes Facilities management of buildings and grounds, management of the cost of all utilities and Planning and Construction expenditures for management of capital projects including planning and contract management.



Harford County Public Schools

Transmittal Letter and Budget in Brief for Fiscal Year 2011

Other Funds Expenditures

Food Services Fund - \$14,801,234; a self supporting fund.

Pension Fund - \$34,323,976; the amount paid by the State of Maryland on behalf of HCPS employees who are members of the Teachers Retirement and Pension Systems.

Debt Service Fund - \$25,522,328; the amount paid for the financing of capital projects by Harford County Government for the Board of Education.

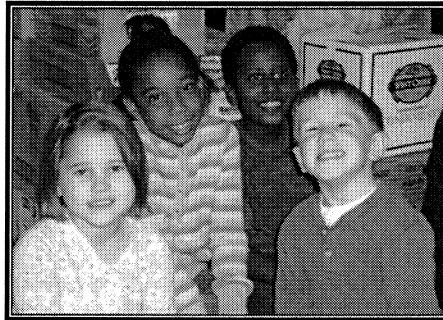
Capital Project Fund - \$33,699,534; represents the adopted capital budget for construction and major repairs and assets for the school system. Projects are funded by state and county sources of revenues.

For additional information the Board of Education's FY 2011 Budget is posted on the Web Site for Harford County Public Schools at www.hcps.org

Overview of the School System

Public schools were authorized by the State Constitution of 1864 and 1867 and placed upon the Legislature the obligation of establishing "a thorough and efficient system of free public school"¹. The Harford County Public Schools System was founded in 1865. At that time, there were 3,230 children enrolled in 69 one room schools with one teacher per school. The first Superintendent of Schools was appointed in 1902. There have only been ten Superintendents of Schools since 1902.

Harford County Public Schools (HCPS) is a fiscally dependent school system with an actual enrollment of 38,637 students in fiscal 2010. HCPS is the 135th largest school system² of the 17,817 regular school districts in the country³ when ranked by enrollment. There are 24 school districts in the State of Maryland. This places HCPS in the top one percent of school districts by size. The student body will be served by a projected 5,478.3 FTE faculty and staff positions for fiscal 2011.



Currently Harford County has 53 public schools along with 48 non public schools⁴ located within the County. Citizens in the County have a choice of public or private schools. Approximately 39,000 students attend public schools. The number of students attending private schools is unknown. The estimated population (as of June 30, 2009) from the County Office of Planning and Zoning was 246,100. According to the Bureau of Census, the school age population in 2000 was 45,189 of which 39,540 or 87.5% attended public schools. School enrollment was 35,963 in 1994 and reached a peak in 2002 of 40,264 and has declined slightly to 38,637. Through the recent military Base Realignment and Closure (BRAC) process, the County workforce and population is estimated to increase in excess of 10%, which will result in increased population for the public school system. In the next several years, the Capital Budget proposes one new elementary school and various other renovation/modernization projects.

Considerable construction and renovation funding has been approved for the enhancement and upgrading of the school system buildings. The new Edgewood High School is under construction along with Deerfield Elementary. Both will be complete for the 2010-2011 school year. The new Red Pump Elementary School will be the 54th school slated to open in August, 2011.

Economic Climate of Harford County, Maryland

Harford County is located 20 miles north of the City of Baltimore and adjacent to the Chesapeake Bay to the east, is bordered by the south and west by Baltimore County, to the northeast by Cecil County, and to the north by the State of Pennsylvania. The convenient location on the I-95 corridor in northeastern Maryland has made it one of Maryland's most desirable business locations. Harford County, Maryland was formed in 1773, and since 1972 has operated with a charter form of government with home rule. The County is governed by a full time County Executive and legislative power is vested in an elected seven member County Council, one member of which is elected as the President of the County Council. The demography of Harford County has changed over the last two decades from a predominantly rural area to a suburban rural mix. The County's land area of 448 square miles is the 11th largest in the State of Maryland. The County serves a population of 246,100 as of June 30, 2009. The economic condition and outlook of the County has substantially improved during the past decade. Since 1999 the population of Harford County as increased 12.1 percent, which has triggered significant construction activity and growth in the tax base⁵. Construction activity has slowed in the past several years.

¹ From "Our Harford Heritage" by C. Milton Wright, copyright 1967.

² Characteristics of the 100 Largest Public Elementary and Secondary Schools Districts in the United States: 2007-2008, *Common Core of Data Survey*, U.S. Department of Education, National Center for Education Statistics, July 2010.

³ Characteristics of the 100 Largest Public Elementary and Secondary Schools Districts in the United States: 2007-2008", *Common Core of Data Survey*, U.S. Department of Education, National Center for Education Statistics, July 2010.

⁴ Data is from Maryland State Department of Education Fact Book for the Fiscal Year 2006-2007.

⁵ "Harford County Maryland Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2009", Table 15.

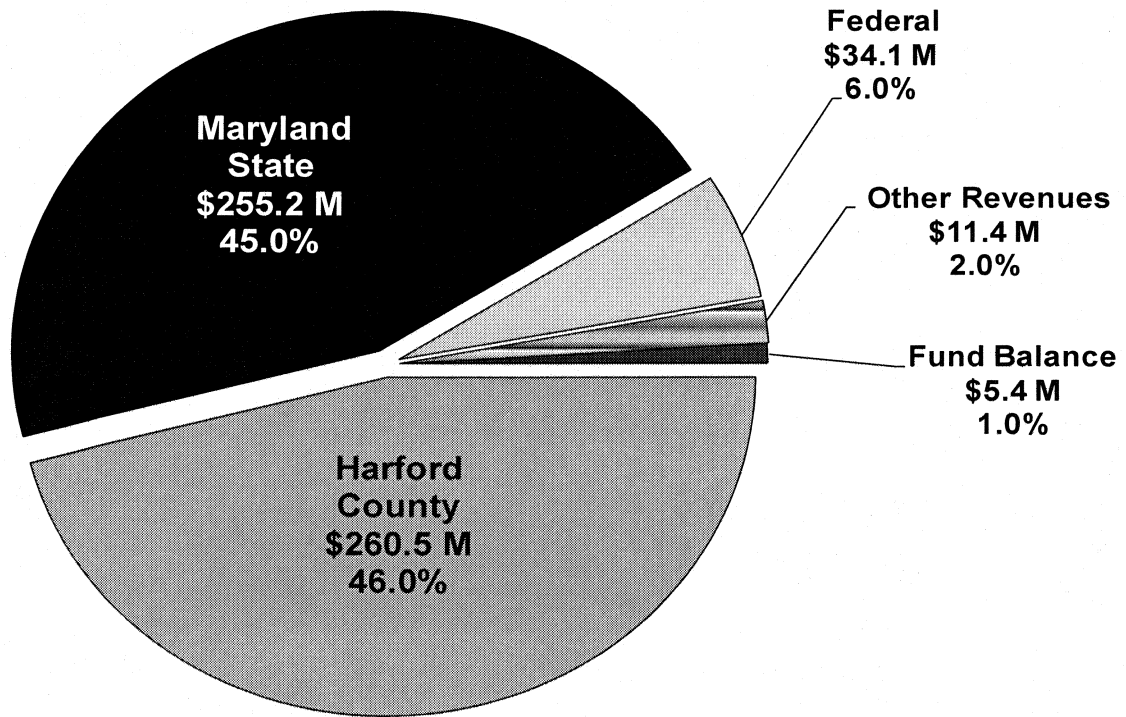
Overview of the School System

The following information reflects revenues for all funds for the Approved FY 2011 Budget:

FY 2011 Revenue - All Funds							
Sources	Actual FY 2008	Actual FY 2009	Actual FY 2010	Budget FY 2010	Budget FY 2011	Change FY10 to FY11	% Change
Unrestricted Fund	\$406,342,669	\$415,169,293	\$418,841,604	\$417,525,509	\$422,528,722	\$5,003,213	1.2%
Restricted Fund	\$24,282,064	\$24,357,891	\$33,693,057	\$34,267,658	\$34,722,098	\$454,440	1.3%
Current Expense Fund	\$430,624,733	\$439,527,184	\$452,534,661	\$451,793,167	\$457,250,820	\$5,457,653	1.2%
Food Service	\$14,362,248	\$14,130,413	\$14,501,801	\$14,385,525	\$14,801,234	\$415,709	2.9%
Pension*	\$23,870,733	\$26,419,617	\$31,578,248	\$31,578,248	\$34,323,976	\$2,745,728	8.7%
Debt Service	\$11,196,145	\$13,357,222	\$15,861,041	\$16,259,253	\$25,552,328	\$9,293,075	57.2%
Capital**	\$104,188,601	\$109,254,845	\$85,054,404	\$76,183,528	\$34,699,534	(\$41,483,994)	-54.5%
Total - All Funds	\$584,242,460	\$602,689,281	\$599,530,155	\$590,199,721	\$566,627,892	(\$23,571,829)	-4.0%

*Represents the Maryland State contribution. Local contribution is included in the Unrestricted, Restricted and Food Service Funds.
 **Capital is GAAP Basis for actual numbers.

FY 2011 All Funds - by Source \$566.6 Million



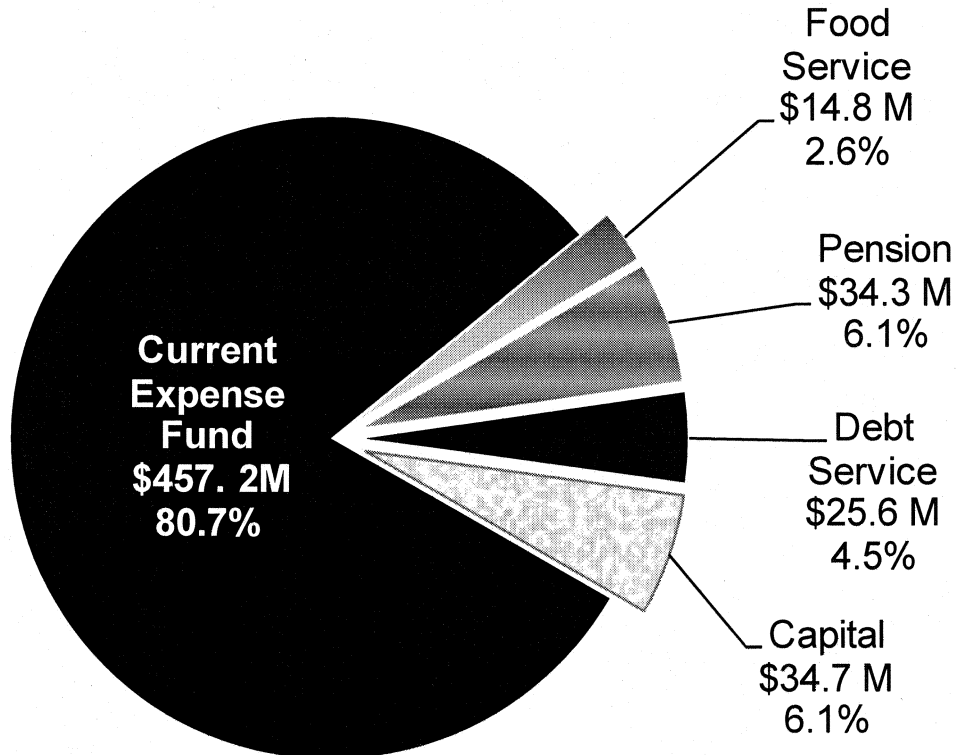
Overview of the School System

The following information reflects the expenditures for all funds:

Expenditures - All Funds							
	FY08 Actual	FY09 Actual	FY10 Actual	FY10 Budget	FY11 Base Budget	Change 10 - 11	FY11 Budget
UNRESTRICTED PROGRAMS	\$ 400,707,870	\$ 408,788,212	\$ 409,201,965	\$ 417,525,509	\$ 417,525,509	\$ 5,003,213	\$ 422,528,722
RESTRICTED PROGRAMS	24,282,064	24,357,891	33,693,057	34,267,658	34,267,658	454,440	34,722,098
TOTAL CURRENT EXPENSE FUND	\$ 424,989,934	\$ 433,146,103	\$ 442,895,022	\$ 451,793,167	\$ 451,793,167	\$ 5,457,653	\$ 457,250,820
FOOD SERVICE	13,769,788	14,461,087	14,301,327	14,385,525	14,385,525	415,709	14,801,234
PENSION*	23,870,733	26,419,617	31,578,248	31,578,248	31,578,248	2,745,728	34,323,976
DEBT SERVICE	11,196,145	13,357,222	15,861,041	16,259,253	16,259,253	9,293,075	25,552,328
CAPITAL	96,141,847	111,524,256	83,305,397	76,183,528	76,183,528	(41,483,994)	34,699,534
GRAND TOTAL - ALL FUNDS	\$ 569,968,447	\$ 598,908,285	\$ 587,941,035	\$ 590,199,721	\$ 590,199,721	\$ (23,571,829)	\$ 566,627,892

*Represents the Maryland State contribution. Local contribution is included in the Unrestricted, Restricted and Food Service Funds.

FY 2011 Expenditures - All Funds \$566.6 Million



Overview of the School System

Consolidated Statement of Revenue, Expenditures, and Changes in Fund Balance Includes Restricted, Unrestricted, and Food Service Funds

	Actual FY 2007	Actual FY 2008	Actual FY 2009	Actual FY 2010	Budget FY 2011
Revenues					
Harford County Govt.	\$ 189,419,173	\$ 199,615,501	\$ 206,979,062	\$ 210,414,800	\$ 214,061,789
State Of Maryland	187,981,201	208,341,971	211,591,190	205,875,754	207,086,093
Federal Government	22,386,494	21,965,715	22,174,001	32,972,985	34,064,915
Other Sources	11,936,972	12,560,250	11,615,944	12,984,936	11,406,543
Appropriated Fund Balance	2,321,418	2,503,539	1,297,400	4,787,987	5,432,714
Total Revenues	\$ 414,045,258	\$ 444,986,976	\$ 453,657,597	\$ 467,036,462	\$ 472,052,054
Expenditures					
Administrative Services	\$ 10,128,389	\$ 10,930,810	\$ 11,316,662	\$ 11,224,244	\$ 11,897,992
Mid-Level Administration	24,074,246	25,680,559	25,854,047	25,783,857	26,135,326
Instructional Salaries	162,586,942	172,346,974	173,167,027	170,366,512	171,508,691
Textbooks & Classroom Supplies	10,730,589	10,233,948	8,824,372	8,192,400	8,745,021
Other Instructional Costs	4,336,755	4,261,825	4,882,348	4,780,608	5,235,741
Special Education	44,964,122	47,846,408	50,734,810	56,322,087	57,124,300
Student Personnel Services	1,522,541	1,606,266	1,614,399	1,615,160	1,654,612
Health Services	3,049,125	3,250,895	3,373,483	3,242,916	3,334,606
Student Transportation	22,636,418	26,893,563	27,345,138	27,970,464	29,315,330
Operation of Plant	26,054,591	28,381,605	29,069,510	29,288,406	31,545,767
Maintenance of Plant	9,894,531	11,208,864	10,663,679	11,341,017	11,697,674
Fixed Charges	74,548,193	81,214,560	85,142,845	91,087,103	97,612,194
Community Services	455,147	450,417	428,816	352,180	520,473
Capital Outlay	1,164,052	683,235	728,966	1,328,068	923,093
Operating Expenditures	\$ 396,145,641	\$ 424,989,929	\$ 433,146,102	\$ 442,895,022	\$ 457,250,820
Food Service	13,547,123	13,769,787	14,461,087	14,301,327	14,801,234
Total Expenditures*	\$ 409,692,764	\$ 438,759,716	\$ 447,607,189	\$ 457,196,349	\$ 472,052,054
Excess of revenues over expenditures	\$ 4,352,494	\$ 6,227,260	\$ 6,050,408	\$ 9,840,113	\$ -
Beginning Fund Balance	10,582,926	12,415,246	13,065,553	13,498,926	18,643,374
Less:					
Fund Balance Designated as Revenue Above	(2,321,418)	(2,503,539)	(1,297,400)	(4,787,987)	(5,432,714)
Transfer to Capital Project	(120,000)	(3,035,184)	(4,384,000)	-	-
Increase (decrease) in reserve for inventory	(78,756)	(38,230)	64,365	92,322	-
Total Fund Balance	\$ 12,415,246	\$ 13,065,553	\$ 13,498,926	\$ 18,643,374	\$ 13,210,660
Less:					
Designated Fund Balance for Next Fiscal Year	\$ (4,521,285)	\$ (5,381,400)	\$ (4,787,987)	\$ (5,432,714)	\$ -
Designated Health Insurance Call	(1,225,166)	(1,225,166)	(1,225,166)	(1,225,166)	(1,225,166)
Designated For Emergency Fuel Reserve	-	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Reserve for Inventory - end of year	(159,977)	(121,747)	(186,112)	(278,434)	-
Undesignated Fund Balance	\$ 6,508,818	\$ 5,337,240	\$ 6,299,661	\$ 10,707,060	\$ 10,985,494

The Pension and Debt Service Funds are not included in the above table as they are managed entirely by the County Government and State Government.

Overview of the School System

Capital Projects Fund Statement of Revenue, Expenditures, and Changes in Fund Balance

	Actual FY 2007	Actual FY 2008	Actual FY 2009	Actual FY 2010	Budget FY 2011
Revenues					
Harford County Govt.	\$ 39,514,944	\$ 79,119,796	\$ 92,470,793	\$ 64,798,532	\$ 20,865,000
State Of Maryland	7,648,277	20,625,823	11,830,181	17,377,596	13,834,534
Federal Government	0	0	0	0	0
Other Sources	779,615	1,407,797	569,871	2,878,276	0
Transfer to Capital Project	151,851	3,035,185	4,384,000	0	0
Appropriated Fund Balance	0	0	0	0	0
Total Revenues	\$ 48,094,687	\$ 104,188,601	\$ 109,254,845	\$ 85,054,404	\$ 34,699,534
Capital Construction	48,069,687	96,141,847	111,524,256	83,305,397	34,699,534
Total Expenditures	\$ 48,069,687	\$ 96,141,847	\$ 111,524,256	\$ 83,305,397	\$ 34,699,534
Excess of revenues over expenditures	\$25,000	\$8,046,754	(\$2,269,411)	\$1,749,007	\$0
Beginning Fund Balance		25,000	8,071,754	5,802,343	0
Total Fund Balance	\$25,000	\$8,071,754	\$5,802,343	\$7,551,350	\$0
Less:					
Designated for capital projects				\$7,551,350	
Undesignated Fund Balance	\$25,000	\$8,071,754	\$5,802,343	\$0	\$0

Long Term Budgetary Issue Facing HCPS

The extraordinary economic times that the nation, state and county are currently experiencing provide additional challenges that reach years into the future in regard to sustainability of current spending when revenue sources show no signs of additional growth. Reduction of ongoing expenditures is critical in the absence of increased revenues. The following table reflects the financial difficulty that Harford County Public Schools will face in the future with continued use of one time funds/measures to cover ongoing expenses.

Structural Deficit – Ongoing expenditures exceed revenue; Use of one time money to fund ongoing expenditures.

Operating Budget:		
Fund Balance Used to fund Ongoing Operating Expenditures in FY11	3,082,604	
Restricted ARRA Funds (Ongoing Health Ins \$2.8M & Non-Public \$1.3M)	4,140,603	
One Time Cost Savings Measures In FY11 Budget	369,000	
Operating Structural Deficit Entering FY 2012		\$ 7,592,207
Restricted Budget		
AARA - IDEA (Special Education)	38.0 fte 3,691,530	
AARA - Title I	9.4 fte 1,282,629	
AARA - Other	<u>18,691</u>	4,992,850
Title II - Part A (chg from formula basis to competitive award)	17.0 fte	1,252,014
Restricted Funding Expiring 6/30/2011		\$ 6,244,864
Total Funding Shortfall Entering FY 2012	64.4 FTE	\$ 13,837,071

The long term structural deficit issue can only be addressed by:

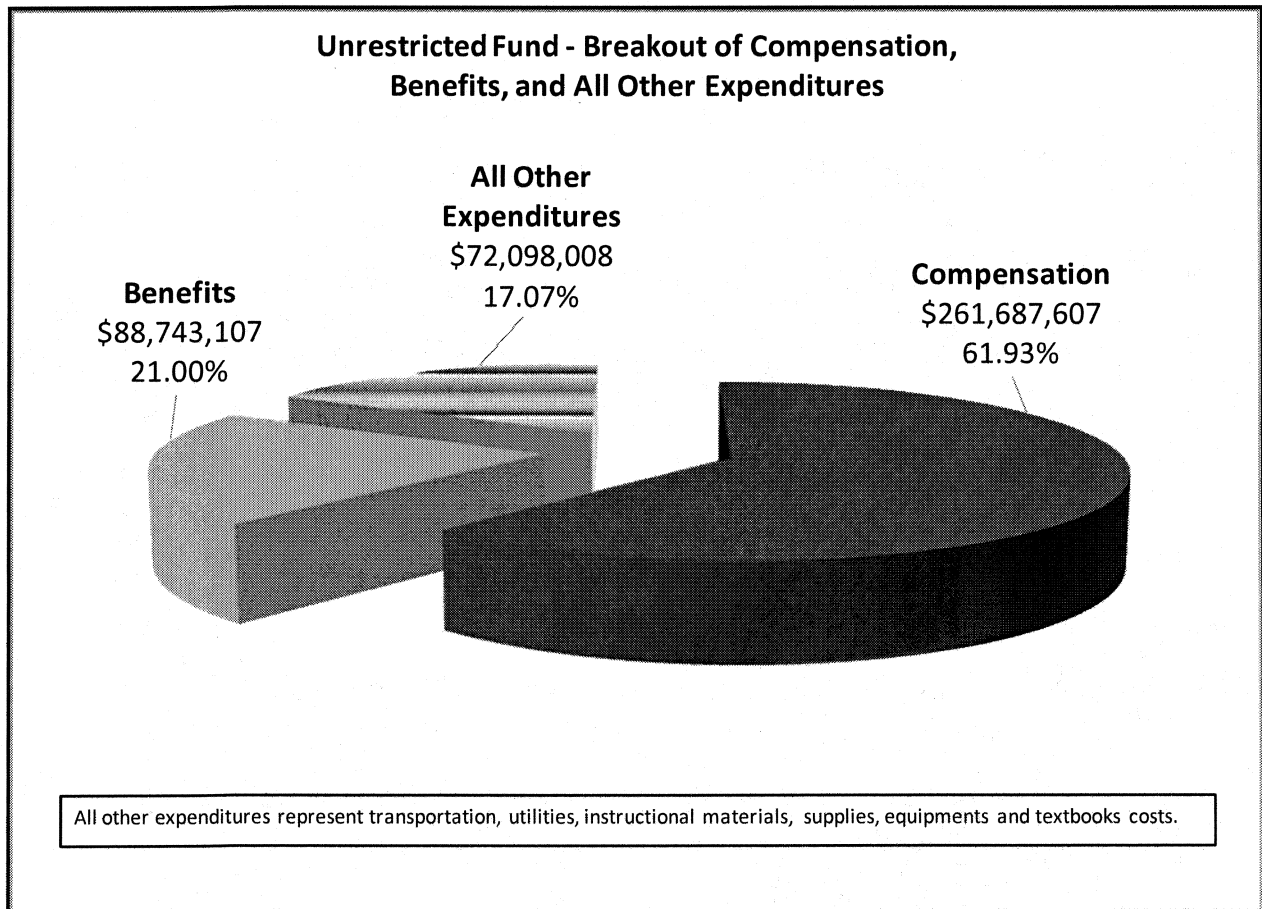
- Increase Revenues, and/or
- Permanent Reductions to Ongoing Expenditures

Overview of the School System

Schools are Labor Intensive

Compensation related expenditures represent \$350,430,714 or 82.93% of the total fiscal 2011 Unrestricted Operating Budget, a typical pattern for a human capital-intensive enterprise such as a school system. These expenditures include all salary and wages, health and dental benefits, life insurance, retirement costs, social security, workers' compensation, and tuition reimbursement. Clearly, the operation of the public school system is an investment in human capital assets. In addition and not reflected in the above numbers is a contribution in the State Budget for retirement costs for certificated positions. The State of Maryland is projected to contribute \$34,324,000 on behalf of Harford County Public Schools employees. If the pension contribution from the State is added into the totals, the compensation related expenditures would total \$384,754,714 or 84.22%.

The following chart depicts the FY 2011 Approved Budget portion of compensation and benefits versus other expenditures:



Overview of the School System

The following table identifies all position changes for school based and support areas for the Current Expense Fund:

Harford County Public Schools Position Changes FY2011		Reorganization	Cost of Doing Business	Transfer (to)/from Restricted
Position	FTE			
Teachers-Natural Resources/Ag Science Magnet	3.0		3.0	
Special Education Teachers transferred to MA Grant	(8.8)			(8.8)
SE Paraeducators transferred from MA Grant	5.6			5.6
Reading Teachers transferred from EIS Grant	10.0			10.0
Special Education Teachers transferred to restricted	(10.0)			(10.0)
Regular Program Paraeducators - Alternative Ed	3.2		3.2	
SE Clerical transferred from MA Grant	1.0			1.0
Clerical - 10 Month Alternative Education	0.8		0.8	
Inclusion Helper - Special Education	43.0		36.0	7.0
Principal - Red Pump Elementary	0.5		0.5	
Lead Secretary - Red Pump Elementary	0.5		0.5	
Total Instructional Support Positions	48.8	-	44.0	4.8
Special Education Bus Attendant	5.0		5.0	
Special Education Bus Driver	5.0		5.0	
Net Administrative reorganization	(2.0)	(2.0)		
Total Other Positions	8.0	(2.0)	10.0	-
Total Unrestricted	56.8	(2.0)	54.0	4.8
Restricted Programs	4.40			
Total Current Expense Fund	61.2			
Food Service Fund	0.2			
HCPS - TOTAL CHANGE	61.4			

Overview of the School System

The following table represents the approved Capital Improvement Program for FY 2011:

CAPITAL IMPROVEMENT PROGRAM - FISCAL YEAR 2011							
	HCPS Priority	State Request	State Approved	Local Request	Local Approved	Other Sources* *	Total Capital Funding
Bel Air HS Replacement	0		\$11,450,000	\$0	\$0	-\$11,450,000	\$0
Relocatable Classrooms	1	\$0	\$0	\$1,000,000	\$0	\$300,000	\$300,000
Deerfield ES Replacement	2	\$4,281,859	\$2,384,534	\$5,795,000	\$5,795,000	\$0	\$8,179,534
Edgewood HS Replacement	3	\$6,660,500	\$0	\$7,000,000	\$7,000,000	\$0	\$7,000,000
Red Pump Elementary School	4	\$4,826,507	\$0	\$8,575,000	\$8,070,000	\$507,400	\$8,577,400
Ring Factory ES Roof Replacement	5	\$638,820	\$0	\$501,180	\$0	\$632,600	\$632,600
Bel Air Elementary Chiller Replacement	6	\$193,520	\$0	\$166,480	\$0	\$360,000	\$360,000
Dublin Elementary Boiler Replacement	7	\$134,225	\$0	\$115,775	\$0	\$250,000	\$250,000
Campus Hills Elementary School	8	LP *	\$0	\$0	\$0	\$0	\$0
Youth's Benefit ES Replacement	9	LP *	\$0	\$0	\$0	\$0	\$0
Homestead / Wakefield ES Project	10	\$0	\$0	\$0	\$0	\$0	\$0
John Archer School at Bel Air MS	11	\$0	\$0	\$0	\$0	\$0	\$0
WP/OPR ES Replacement	12	\$0	\$0	\$0	\$0	\$0	\$0
ADA Improvements and Survey	N/A	\$0	\$0	\$100,000	\$0	\$0	\$0
Athletic Fields Repair & Restoration	N/A	\$0	\$0	\$70,000	\$0	\$70,000	\$70,000
Backflow Prevention	N/A	\$0	\$0	\$100,000	\$0	\$0	\$0
Bleacher Replacement	N/A	\$0	\$0	\$100,000	\$0	\$100,000	\$100,000
Building Envelope Improvements	N/A	\$0	\$0	\$200,000	\$0	\$200,000	\$200,000
Career & Technology Education Equipment	N/A	\$0	\$0	\$100,000	\$0	\$100,000	\$100,000
Energy Conservation Measures	N/A	\$0	\$0	\$250,000	\$0	\$250,000	\$250,000
Environmental Compliance	N/A	\$0	\$0	\$100,000	\$0	\$100,000	\$100,000
Equipment & Furniture Replacement	N/A	\$0	\$0	\$100,000	\$0	\$100,000	\$100,000
Fire Alarm & ER Communications	N/A	\$0	\$0	\$75,000	\$0	\$75,000	\$75,000
Floor Covering Replacement	N/A	\$0	\$0	\$100,000	\$0	\$0	\$0
Locker Replacement	N/A	\$0	\$0	\$115,000	\$0	\$0	\$0
Major HVAC Repairs	N/A	\$0	\$0	\$250,000	\$0	\$450,000	\$450,000
Milestone Project	N/A	\$0	\$0	\$3,576,130	\$0	\$0	\$0
Music Equipment Refresh	N/A	\$0	\$0	\$50,000	\$0	\$50,000	\$50,000
Music Technology Labs	N/A	\$0	\$0	\$65,000	\$0	\$65,000	\$65,000
Outdoor Track Reconditioning	N/A	\$0	\$0	\$25,000	\$0	\$25,000	\$25,000
Paving - New Parking Areas	N/A	\$0	\$0	\$100,000	\$0	\$0	\$0
Paving - Overlay and Maintenance	N/A	\$0	\$0	\$100,000	\$0	\$1,000,000	\$1,000,000
Playground Equipment	N/A	\$0	\$0	\$350,000	\$0	\$350,000	\$350,000
Replacement Buses	N/A	\$0	\$0	\$490,000	\$0	\$490,000	\$490,000
Replacement Vehicles	N/A	\$0	\$0	\$945,000	\$0	\$945,000	\$945,000
Security Cameras	N/A	\$0	\$0	\$225,000	\$0	\$225,000	\$225,000
Septic Facility Code Upgrades	N/A	\$0	\$0	\$2,000,000	\$0	\$2,000,000	\$2,000,000
Special Education Facility Improvements	N/A	\$0	\$0	\$100,000	\$0	\$0	\$0
Swimming Pool Renovations	N/A	\$0	\$0	\$100,000	\$0	\$100,000	\$100,000
Storm Water Management	N/A	\$0	\$0	\$75,000	\$0	\$75,000	\$75,000
Technology Education Lab Refresh	N/A	\$0	\$0	\$250,000	\$0	\$250,000	\$250,000
Technology Infrastructure	N/A	\$0	\$0	\$7,844,500	\$0	\$2,080,000	\$2,080,000
Textbook/Supplemental Refresh	N/A	\$0	\$0	\$300,000	\$0	\$300,000	\$300,000
Total		\$16,735,431	\$13,834,534	\$41,409,065	\$20,865,000	\$0	\$34,699,534

For additional information a summary version of the Board of Education's FY 2010 Budget is posted on the Web Site for Harford County Public Schools at www.hcps.org

Understanding the Budget

Welcome to Harford County Public Schools' Program-based Budget

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

- Board of Education Services
- Executive Administration
- Education Services
- Special Education
- Extra-curricular Activities
- Safety and Security
- Guidance Services
- Psychological Services
- Pupil Services
- Health Services
- Curriculum and Instruction
- Operations and Maintenance
- Business Services
- Human Resources
- Information and Technology Systems

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

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

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

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

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James M. Jewell, Budget Director
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Jeannine M. Ravenscraft
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Mary L. Edmunds
Position Control Analyst

Michele D. Sledge
Budget Analyst

Understanding the Budget

Fiscal 2011 Budget Submission Framework

The budget represents the operational plan, stated in financial terms, for carrying out the goals of the school system. Unfortunately with the economic constraints for fiscal 2011, very few new items were funded. Budget requests were to be made under the following classifications:

- **Benefit Adjustments** – There are no wage increases included in the budget. Plan design changes for health and dental insurance are included for fiscal 2011.
- **Cost of Doing Business** – This includes the reversal of expenditures for purchases during fiscal 2010 which were of a one-time nature. Funding for these items does not need to be repeated in fiscal 2011. Prior year cost reductions totaling \$3.4 million have been carried forward as cost reductions in fiscal 2011. The cost of doing business addresses price increases for on-going services and supplies and funds urgent needs associated with the maintenance of the service infrastructure (Fuel, HVAC, etc.) and the operating impact of new construction. Included are 10.0 FTE new positions for Bus Drivers/Attendants for new special education buses. Also, 36.0 FTE additional Inclusion Helpers and an increase in nonpublic placement costs have been proposed. The Board of Education has added the start up costs for the new Natural Resources/Agricultural Science Magnet Program at North Harford High School which includes 3.0 FTE teachers.
- **Cost Avoidance** - Various cost saving measures are proposed in order to balance the budget with projected revenues.

Budget Planning and Adoption Process

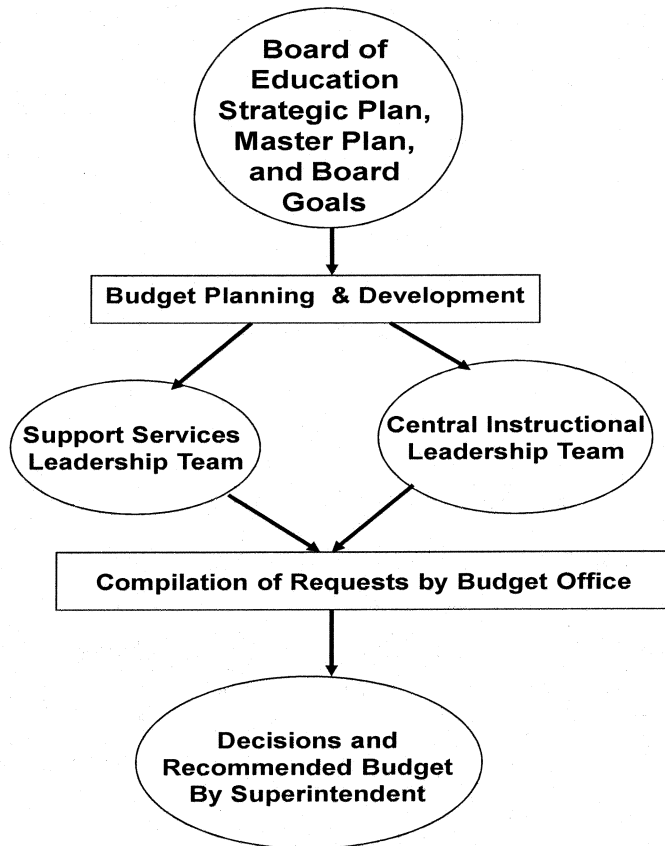
Maryland school systems are revenue dependent upon the state and local governments. The Board of Education has no taxing authority¹. State funding is primarily established during the annual legislative session of the Maryland General Assembly during January through April each year. State funds are administered through the Maryland State Department of Education.

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

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

Understanding the Budget

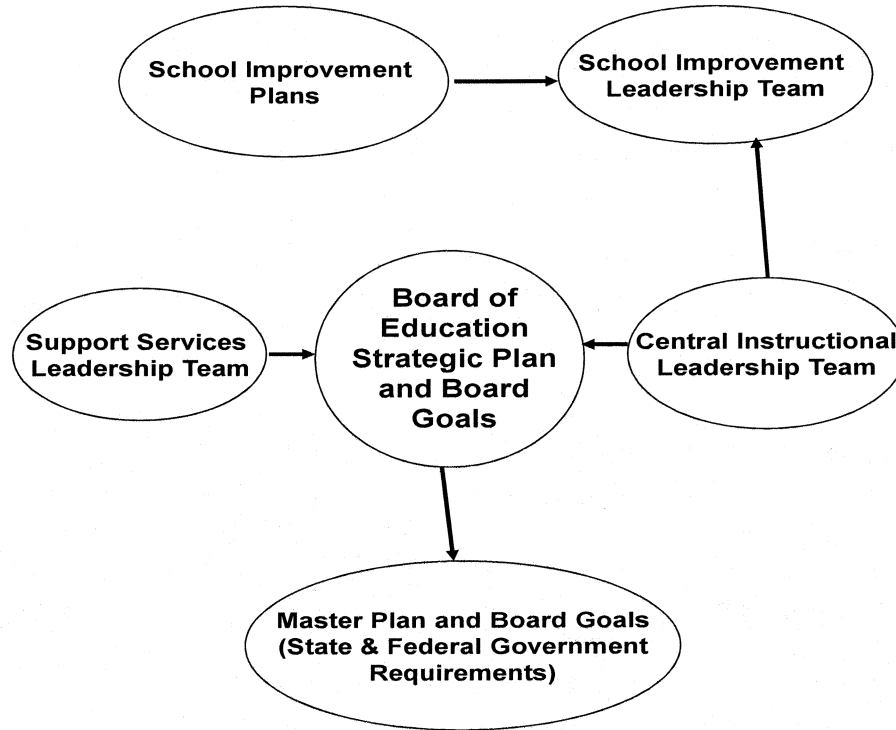
The following chart reflects the interconnectivity of the budget planning and development process.



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

Understanding the Budget

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



The Superintendent submits the Recommended Budget to the Board of Education during a school board meeting in December (see calendar on subsequent pages). The Board holds public hearings for stakeholders and work sessions during January to consider modifying the budget prior to submittal of the Board's Proposed Budget to the County Executive by January 31. The County Executive has until April 1 to establish funding levels for the next fiscal year. Once the Board receives the funding level from the County Executive, the operating budget is modified for submittal to the County Council in line with the projected state and county funding levels. The County Council receives the County budget on April 1st and holds public hearings and work sessions during April and May. The Council may add to the County Executive's funding level only by reducing the funds for other functions of the County government, or having the County Treasurer revise projected revenues upward indicating that additional funds will be available for the next fiscal year.

The Board of Education submits the revised proposed budget to the County Council in mid-April and the County Council has until May 31 to determine final funding levels for the County allocation. The County Council adopts the County Budget by May 31st. At that point the County government funding is fixed for the School System. Once this allocation is approved, the Board of Education will revise the budgeted expenditures to equal the total approved revenues. The Board approves the final budget by the end of June, prior to the start of the next fiscal year, July 1. The Board approved budget then goes back to the County for final approval certification, required by State law, which often occurs in July. This completes the budget development and approval process.

Understanding the Budget

Budget Calendar

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

Fiscal Year 2011 Budget Planning Calendar	
October 5, 2009	Budget Office distributes budget packages to budget managers.
October 16, 2009	Budget managers submit base budget and cost of doing business adjustments.
October 23, 2009	Budget managers submit program narratives and performance measures.
November 2009	Superintendent reviews budget submissions, goals and issues.
December 21, 2009	Superintendent releases FY 2011 Recommended Budget.
January 11, 2010	Board of Education conducts budget work session and accepts public comment.
January 16, 2010	Board of Education conducts budget work session and accepts public comment.
January 19, 2010	Board of Education adopts FY 2011 BOE Recommended Budget.
February 8, 2010	Board presents budget to Harford County Executive.
Late March 2010	County Executive releases proposed funding levels for FY 2011.
April 1, 2010	Board of Education conducts budget work session to align and approve FY 2011 Recommended Budget.
Late April 2010	Board presents revised budget to Harford County Council.
Late May 2010	Harford County Council approves final funding for FY 2011.
June 2010	Board of Education conducts final budget work session and approves HCPS Budget for FY 2011.
July 2010	HCPS receives final certification of the FY 2011 Budget from the County Executive and County Council.

The Budget Office provides on-going support to the County Administration during their review of the Budget. The Budget Office will continue on-going account analysis to look for additional realignments.

School System Planning

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

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

An energy management system through the use of computerized sensors and controls, monitors heat and coolness in buildings and adjusts temperatures accordingly for efficient use of energy resources. A Facilities Management Plan is adopted reflecting needed repairs, maintenance, and upgrades to buildings and grounds for

Understanding the Budget

maintenance and capital construction projections. The Capital Improvement Plan is reviewed annually with projections into the next decade for additional new capacity, modernizations, renovations, and equipment replacements.

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

Summary of Accounting Policies

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

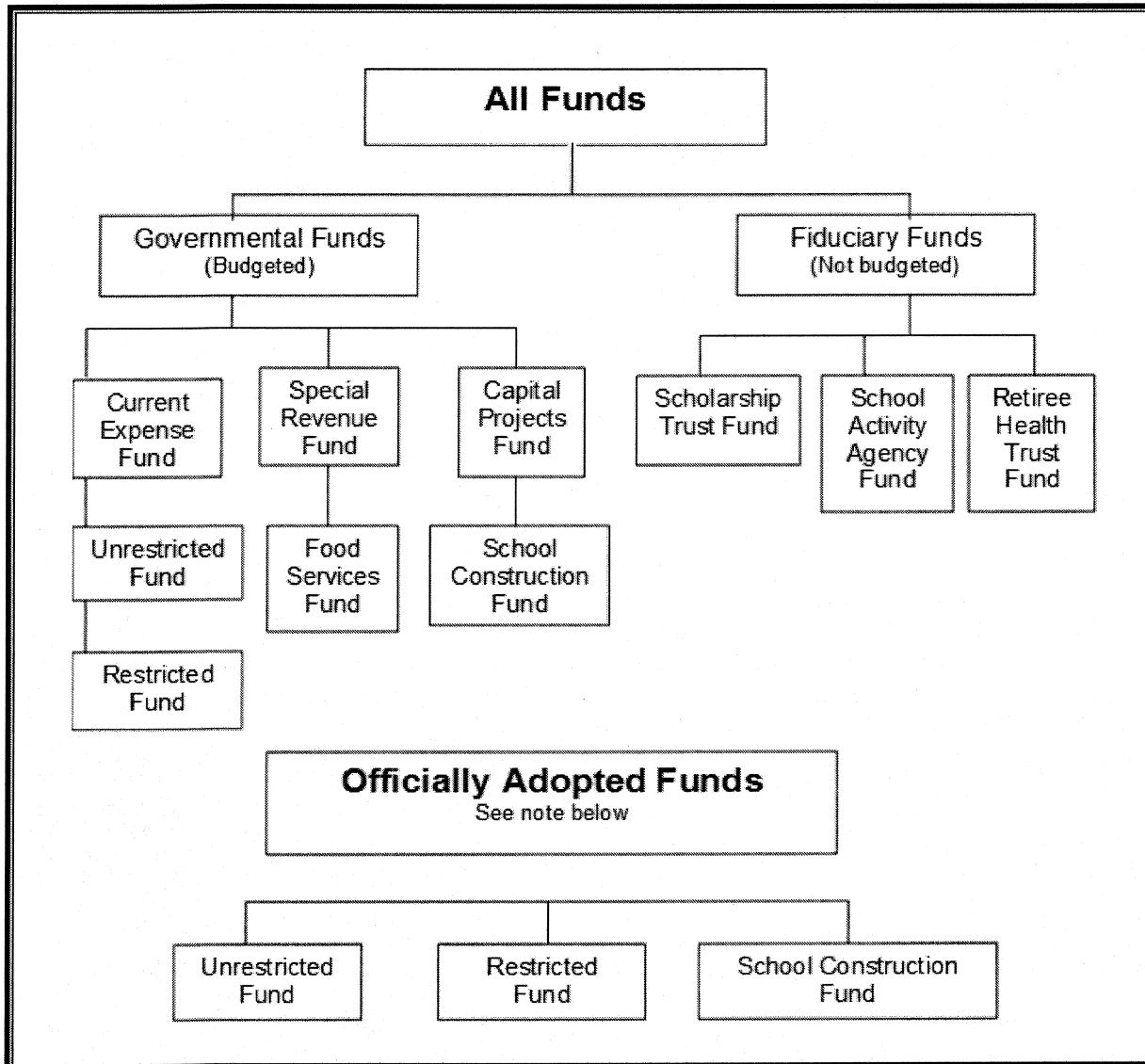
Government Wide and Fund Financial Statements

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

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

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

Understanding the Budget



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

Understanding the Budget

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

Governmental Funds

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

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

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

Fiduciary Funds

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

Use of Estimates

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

Understanding the Budget

Basis of Budgeting

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

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

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

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

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

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

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

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

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

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

Financial Policies

The fiscal year for the school system shall begin on the first day of July and shall end on the thirtieth day of June of the succeeding year. The School System shall annually adopt a balanced budget for the Unrestricted Funds, where expected operating revenues are equal to expected operating expenditures. Any increase in expenses, decreases in revenues, or combination of the two that would result in a budget imbalance will require budget revision, rather than spending unappropriated surpluses or designated reserves to support ongoing operations. Any year end operating surpluses will revert to unappropriated balances for use in maintaining reserve levels set by policy and the balance will be available for capital projects and/or "one-time only" Unrestricted Fund expenditures. Budgetary control is maintained at the category level as defined by the Maryland State Department

Understanding the Budget

of Education and in accordance with the Education Article of the Annotated Code of Maryland. The Chief Financial Officer or their designee may invest reserve funds in a manner which will assure the safety of the investment and which is consistent with sound financial management practices. The School System adheres to Harford County Government's legislatively adopted Investment Policy.

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

Balanced Budget

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

Revenue Policies

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

Expenditure Policies

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

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

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

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

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

Understanding the Budget

Investment Policy

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

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

Debt Policy

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

Fund Balance

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

The Board of Education has established a policy designed to maintain a designated fund balance between 0.1% and 0.25% but not less than \$500,000 to deal with unbudgeted events that may arise in managing in excess of a \$668.7 million dollar public service. Since the budget is a spending plan based on a series of assumptions and estimates developed upwards of two years prior to actual use, during the course of the fiscal year, adjustments are necessary. It is important to note that even though the fund balance may exist, controls exist on the transfer of funds to ensure that expenditures do not exceed available resources. A transfer of any portion of the fund balance to an operating budget category would require the approval of the Board of Education, the County Executive, and the County Council. The Board will also consider the use of a designated fund balance as a resource to replenish the health insurance Rate Stabilization Fund should the fund be used to cover health costs incurred that exceed premium payments. Utilization of the Rate Stabilization Fund requires the fund be replenished in a timely manner. With the Board of Education covering upwards of 90 percent of health insurance costs, the Board would cover 90 percent of the Rate Stabilization Fund requirements. The remaining portion would be covered through participant contributions. In fiscal 2008, the Board also designated a portion of fund balance to be used as an Emergency Fuel Reserve based on the uncertainty that exists in estimating future fuel costs.

Current Expense Fund Undesignated Fund Balance

Policy Statement

The Current Expense Fund budgetary basis undesignated fund balance target is to range between one-tenth percent (0.1%) and one-quarter percent (0.25%) of the ensuing year's expenditures but not less than \$500,000. Amounts in excess of the targeted one-quarter percent (0.25%) of the ensuing year's expenditures are to be used for one-time expenditures in the ensuing year (e.g., transfer to capital projects accounts, equipment purchases, and new program start-up costs).

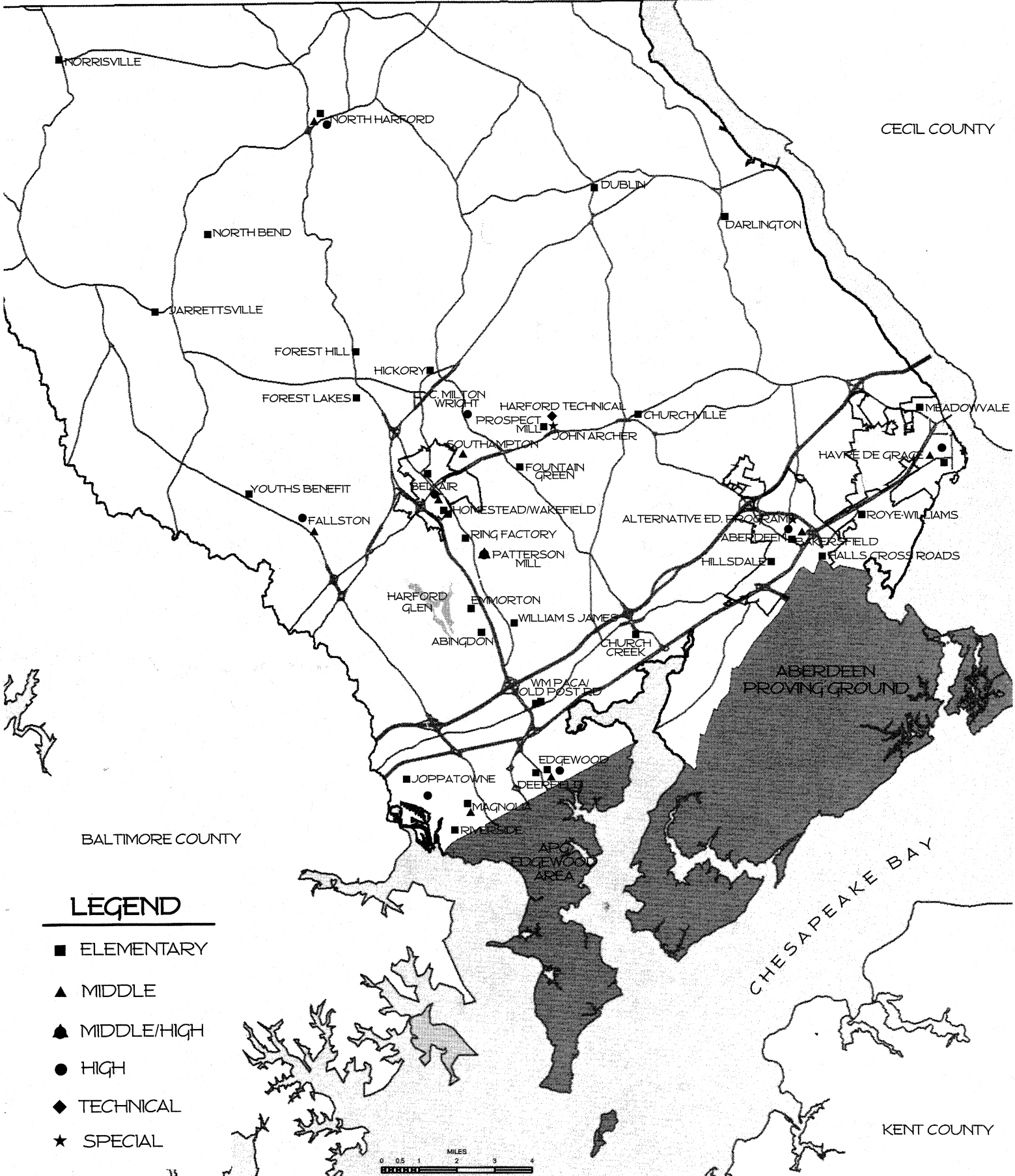
Adopted May 22, 2001 by the Board of Education for Harford County

Due to the current economic conditions, we have included in the budget the use of fund balance (one time funding) to support ongoing expenses of the Unrestricted Fund for fiscal 2011. The Board of Education has approved this change in their policy based on the economic challenges we currently face.



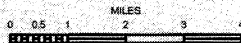
Harford County Public Schools

P E N N S Y L V A N I A



LEGEND

- ELEMENTARY
- ▲ MIDDLE
- ▲ MIDDLE/HIGH
- HIGH
- ◆ TECHNICAL
- ★ SPECIAL

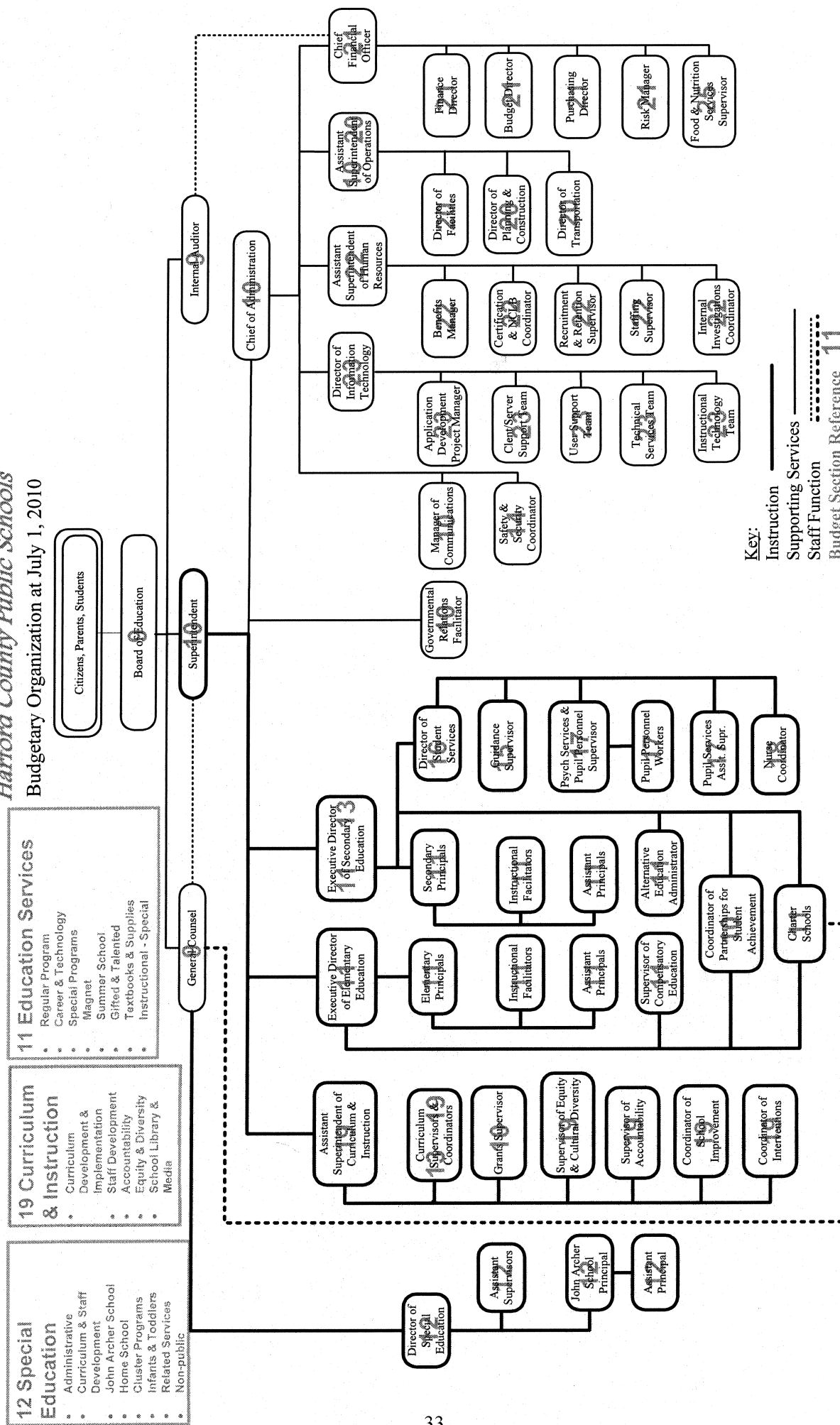


Budget Manager to Organization Crosswalk

Program	Budget Section	Manager
BOARD OF EDUCATION	9	Chief of Administration
Board of Education Services	9	Chief of Administration
Legal Services	9	General Counsel
Internal Audit	9	Internal Auditor
EXECUTIVE ADMINISTRATION	10	Chief of Administration
Executive Administration Office	10	Chief of Administration
Public Information and Communications	10	Manager of Communications
EDUCATION SERVICES	11	Director of Elementary/Secondary Education Services
Office of Education Services	11	Director of Elementary/Secondary Education Services
REGULAR PROGRAM	11	Director of Elementary/Secondary Education Services
Office of the Principal	11	Director of Elementary/Secondary Education Services
Textbooks & Supplies - Regular Program	11	Director of Elementary/Secondary Education Services
Instructional - Regular	11	Director of Elementary/Secondary Education Services
CAREER & TECHNOLOGY	11	Supervisor of Career and Art Programs
Office of the Principal - C & T	11	Supervisor of Career and Art Programs
Textbooks & Supplies - C & T	11	Supervisor of Career and Art Programs
Instructional - C & T	11	Supervisor of Career and Art Programs
SPECIAL PROGRAMS	11	Director of Elementary/Secondary Education Services
Other Magnet Programs	11	Coordinator of Magnet Programs
Summer School	11	Director of Elementary/Secondary Education Services
Science and Math Academy	11	Supervisor of Science
Gifted and Talented	11	Coordinator of Accelerated Programs
Textbooks & Supplies - Special Program	11	Director of Elementary/Secondary Education Services
Instructional - Special	11	Director of Elementary/Secondary Education Services
SPECIAL EDUCATION	12	Director of Special Education
Special Education Administrative Services	12	Director of Special Education
Special Education Curriculum & Staff Dev.	12	Director of Special Education
Special Education - John Archer School	12	Director of Special Education
Special Education - Home School	12	Director of Special Education
Special Education - Cluster Programs	12	Director of Special Education
Special Education - Infants and Toddlers	12	Director of Special Education
Special Education - Related Services	12	Director of Special Education
Special Education - Non-Public School	12	Director of Special Education
EXTRA-CURRICULAR ACTIVITIES	13	Director of Elementary/Secondary Education Services
Student Activities	13	Director of Secondary Education Services
Interscholastics Athletics	13	Supervisor of Physical Education & Interscholastic Athletics
SAFETY AND SECURITY	14	Coordinator of Safety and Security
SCHOOL COUNSELING	15	Supervisor of School Counseling
PSYCHOLOGICAL SERVICES	16	Supervisor of Psychological Services
PUPIL SERVICES	17	Director of Student Services
HEALTH SERVICES	18	Nurse Coordinator
CURRICULUM AND INSTRUCTION	19	Assistant Superintendent for Curriculum & Instruction
Curriculum Dev. and Implementation	19	Assistant Superintendent for Curriculum and Instruction
Staff Development	19	Coordinator of Professional Development
Office of Accountability	19	Supervisor of Research and Accountability
Office of Equity and Proficiency	19	Supervisor of Equity and Cultural Proficiency
School Library Media Program	19	Supervisor of Library/Media Services
OPERATIONS AND MAINTENANCE	20	Assistant Superintendent for Operations
Transportation	20	Director of Transportation
Facilities Management	20	Director of Facilities Management
Utility Resource Management	20	Assistant Superintendent of Energy and ABS
Planning and Construction	20	Director of Planning and Construction
BUSINESS SERVICES	21	Chief Financial Officer
Fiscal Services	21	Chief Financial Officer
Purchasing	21	Director of Purchasing
Food Services	25	Supervisor of Food Services
HUMAN RESOURCES	22	Assistant Superintendent for Human Resources
OFFICE OF TECHNOLOGY & INFO.	23	Director of Information Systems and Technology

Harford County Public Schools

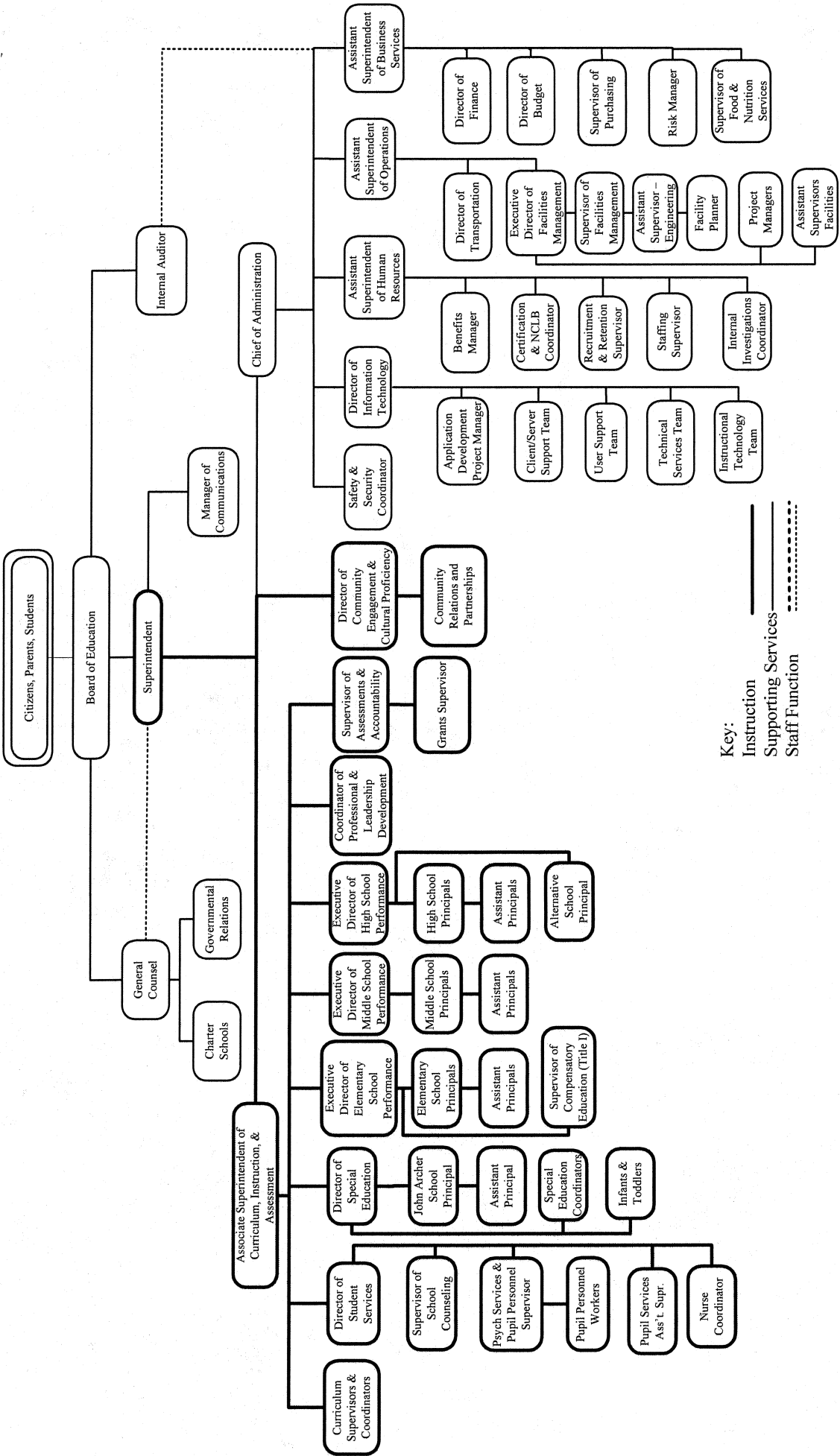
Budgetary Organization at July 1, 2010



Key:
 Instruction _____
 Supporting Services _____
 Staff Function
 Budget Section Reference **11**

Harford County Public Schools

Administration Organization as of July 1, 2010



Key:
 ————— Instruction
 ————— Supporting Services
 - - - - - Staff Function