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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, 2012

Christopher P. Morrell *Jeffrey R. Egan*

President

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, 2012**. 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 the 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 2014

June 10, 2013

Dear School Community,

The Fiscal Year 2014 Board of Education 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. In May 2012, The United States Department of Education approved Maryland's application for flexibility from some of the long-standing requirements of NCLB. The flexibility waiver is intended to support the education reform underway through the Race to the Top grant and the new Common Core State Standards (CCSS).

The Common Core State Standards (CCSS) Initiative is a state-led effort coordinated by the National Governor's Association and the Council of Chief State School Officers that establishes a single set of clear and rigorous educational standards for grades K-12 in reading/English/ Language Arts and mathematics that states voluntarily adopt. The standards are designed to ensure that students graduating from high school are prepared to enter credit bearing entry courses in two- or four-year college programs or enter the workforce. The new State Curriculum will be implemented in all Maryland schools, including Harford County Public Schools, beginning in the 2013-2014 school year.

Throughout the school year, each one of the more than 5,258 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. HCPS is the second largest employer in Harford County. We work to accomplish our goals as effectively and efficiently as possible. We are all committed to inspiring each of our 37,868 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. 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.

The difficult economic times of the past several years have had a significant impact on state and local funding for school systems. From fiscal year 2010 through 2014, Harford County Public Schools operating costs increased by \$55.8 million and revenue decreased by \$9.1 million, resulting in a budget shortfall of \$64.9 million. The budget shortfall was resolved through the reduction of 240 positions representing \$12.1 million, salary savings from employee turnover of \$10.9 million, other cost reductions of \$37.4 million and the use of \$4.5 million in fund balance. It is important to note that HCPS employees did not receive a wage increase during four of the five years in this period.

The fiscal year 2014 budget includes the following increased costs: \$1.3 million in teacher pension costs, other cost of doing business expenses of \$2.1 million and health/dental insurance increase of \$3.8 million. Combined with a decrease in revenue of \$5.4 million, HCPS faced a budgetary shortfall of \$12.6 million. The budgetary shortfall was absorbed via employee turnover savings of \$2.8 million, elimination of 113 positions saving \$6.4 million, \$1.0 million of operating cost reductions and the elimination of non-recurring costs of \$2.4 million. Interscholastic athletics, student activities and transportation fees were also approved as a new revenue source projected to generate \$.7 million and provide the funding equivalent to retain 12.5 positions in the budget.

The fiscal 2014 approved Unrestricted Operating, Restricted and Capital budgets are \$424.7 million, \$27.7 million and \$32.5 million, respectively.



Harford County Public Schools

Transmittal Letter and Budget in Brief for Fiscal Year 2014

Continuing to meet our 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 challenges that currently exist and provide the high quality education that our students, parents and community have come to expect.

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.

Board of Education Strategic Plan 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.**

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 tenth 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.

Nancy Reynolds,
President of the Board of Education

Barbara P. Canavan.,
Interim Superintendent of Schools



Harford County Public Schools

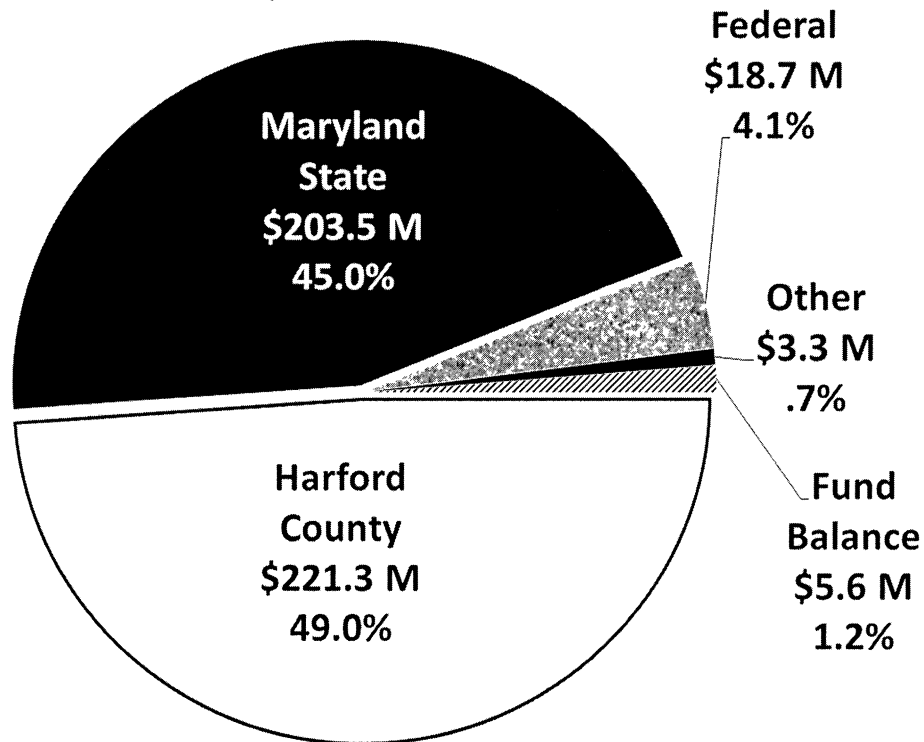
Transmittal Letter and Budget in Brief for Fiscal Year 2014

Revenue - Current Expense Fund							
Sources	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2013 Budget	FY 2014 Budget	Change FY13 - FY14	% Change
Unrestricted Fund	\$ 416,290,452	\$ 435,605,566	\$ 429,811,597	\$ 430,108,097	\$ 424,737,271	\$ (5,370,826)	-1.2%
Restricted Fund	\$ 41,571,808	\$ 28,787,162	\$ 30,645,648	\$ 29,302,413	\$ 27,697,222	\$ (1,605,191)	-5.5%
Current Expense Fund	\$ 457,862,260	\$ 464,392,728	\$ 460,457,245	\$ 459,410,510	\$ 452,434,493	\$ (6,976,017)	-1.5%

Where the money comes from...

FY 2014 Current Expense Fund - by Source

\$452.4 Million



Maryland State Aid – Includes Unrestricted funds and Restricted funds (grants).

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

Federal Aid – includes Impact Aid, 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 prior fiscal years to support ongoing operations and one time expenditures.



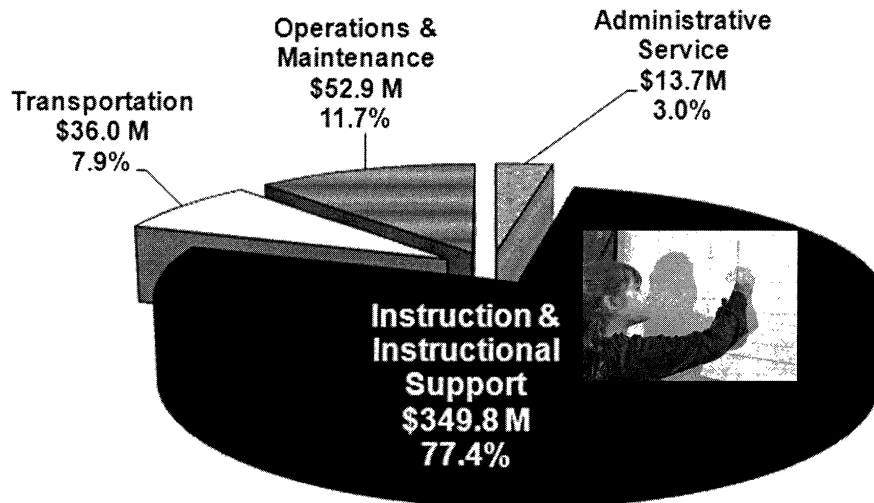
Harford County Public Schools

Transmittal Letter and Budget in Brief for Fiscal Year 2014

Expenditures - Current Expense Fund						
	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2013 Budget	FY 2014 Budget	FY13 - FY14 Budget Chg.
Unrestricted Fund	408,767,830	427,412,633	424,347,633	430,108,097	424,737,271	(5,370,826)
Restricted Fund	41,571,808	28,787,162	30,645,648	29,302,413	27,697,222	(1,605,191)
Current Expense Fund	\$ 450,339,638	\$ 456,199,795	\$ 454,993,281	\$ 459,410,510	\$ 452,434,493	\$ (6,976,017)

Where the money goes...

FY 2014 Current Expense Fund \$452.4 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 - includes fuel for vehicles, system operated buses for special education and contracted bus services for regular students.

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



Harford County Public Schools

Transmittal Letter and Budget in Brief for Fiscal Year 2014

Highlights of the Fiscal Year 2014 Unrestricted Budget

Wage – No Increase

The Board of Education's Proposed Budget for fiscal year 2014, released in January 2013, included a salary/wage package increase of \$7.7 million for Harford County Public School employees. The proposed wage package reflected the Board of Education's goal of maintaining a competitive salary structure within the market, especially with our neighboring counties. However, new funding was not adequate to cover the proposed wage increase. The proposed wage package was subsequently removed from the final budget approved by the Board of Education for fiscal year 2014. Even with the removal of the wage package, 112.6 positions were eliminated in order to redirect available funding to balance the fiscal year 2014 Unrestricted Budget. For the 2011 – 2012 school year, the beginning salary for Harford County teachers ranked 21st of Maryland's 24 Local Education Authorities (LEAs)¹.

State Teacher Pension Shift - \$1.3 million

For fiscal year 2014, HCPS will be required to absorb an additional \$1.5 million of teacher pension costs previously funded by the State of Maryland. In accordance with Maryland law passed in 2012, Harford County Government fully funded this pension increase. HCPS's costs of non-teaching pension costs decreased by \$.2 million in FY 2014.

Fringe Benefits – \$3.8 million

Health care and dental costs for fiscal year 2014 increased by \$3.8 million due to a 3.5% rate increase and projected changes in utilization and enrollment.

Cost of Doing Business - \$2.1 million

Increases classified as cost of doing business are limited to costs necessary to maintain existing level of services and other contractual, mandated or previously authorized programs or projects. Cost of doing business increases included in the proposed budget for fiscal year 2014 have been summarized below:

- Instructional Programs & Special Education - \$.6 million;
- Insurance - \$.4 million;
- Transportation - \$.7 million; and,
- Operations and Administration - \$.4 million.

Cost Savings Measures – Savings of \$7.4 million

- Reduction of 113 positions saving \$6.3 million
- Transportation savings \$.9 million
- Other reductions \$.7 million

Other Funds

Food Services Fund – \$15,615,568; a self-supporting fund.

Pension Fund – \$27,319,963; the amount to be paid by the State of Maryland on behalf of HCPS employees who are members of the Teachers Retirement and Pension System.

Debt Service Fund - \$30,628,653; the amount paid for the financing of capital projects by Harford County Government for the Board of Education.

Capital Project Fund - \$32,471,846; represents the capital budget for construction and major repairs and assets for the school system. Projects are funded by state and county sources of revenues.

¹ MSDE 2012 Fact Book

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 nine Superintendents of Schools since 1902.

The Harford County Board of Education was established under the Education Article of the Annotated Code of Maryland to have perpetual existence and be a body politic and corporate of the State of Maryland. It is empowered and required to maintain a reasonably uniform system of public schools designed to provide quality education and equal educational opportunities for all youth. Per Senate Bill 629, effective July 1, 2009, the Board of Education was changed from a fully appointed Board to an elected-appointed Board consisting of six elected members and three members appointed by the Governor of the State of Maryland for four-year terms to be phased in over a period of time. There is also a student representative to the Board who serves a one-year term while a high school senior. This student is elected by the Harford County Regional Association of Student Councils. The Board of Education appoints the Superintendent of Schools for a four year term. The Superintendent acts as the Executive Officer of the Board as well as Secretary and Treasurer. The Superintendent is responsible for the Administration of the Harford County Public School System which consists of fifty-four schools, thirty-three elementary, nine middle, nine comprehensive high, one technical high, a special education school serving students with disabilities, and an Alternative Education Program. There is also a 245 acre Harford Glen Outdoor Education Center.

Harford County Public Schools (HCPS) is a fiscally dependent school system with an actual enrollment of 37,868 students in fiscal 2013. HCPS is the 147th largest school system of the 13,629 regular school districts in the country when ranked by enrollment². This places HCPS in the top one percent of school districts by size. HCPS is ranked 8th of the 24 school districts in the State of Maryland. The student body will be served by a projected 5,258.0 FTE faculty and staff positions for fiscal 2014.

Harford County has 54 public schools and 46 non-public schools³ located within the County. Citizens in the County have a choice of public or private schools. Approximately 38,000 students attend public schools. The number of students attending private schools is unknown. The April 1, 2010 Census reported 244,826 as the population for Harford County. The 2012 population of Harford County was 244,700⁴ and is projected to increase to 252,447 by 2015⁵. According to the Bureau of Census, the school age population in 2010 was 52,171 of which 38,637 or 74% attended public schools. School enrollment was 35,963 in 1994 and reached a peak in 2002 of 40,264 and has declined to 37,868 in 2013.

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. Harford 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. As of June 30, 2012, Harford County reported a population of 246,700⁶. The economic condition and outlook of the County has substantially improved during the past decade. Since 2003 the population of Harford County increased 6.6 percent, which has triggered growth in the tax base⁷. Construction activity has slowed in the past several years

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

² U.S. Department of Education, National Center for Education Statistics, Common Core of Data(CCD), "Public Elementary/ Secondary School Universe Survey," 2009-10, Table 92, .

³ Maryland State Department of Education Fact Book, 2011 – 2012, page 7.

⁴ 2010 U.S. Census, <http://census.maryland.gov>.

⁵ www.harfordbusiness.org, Demographic & Income Profile for Harford County, 4/18/11

⁶ Harford County Maryland Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2012", page 138.

⁷ Harford County Maryland Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2012", Table 15.

Overview of the School System

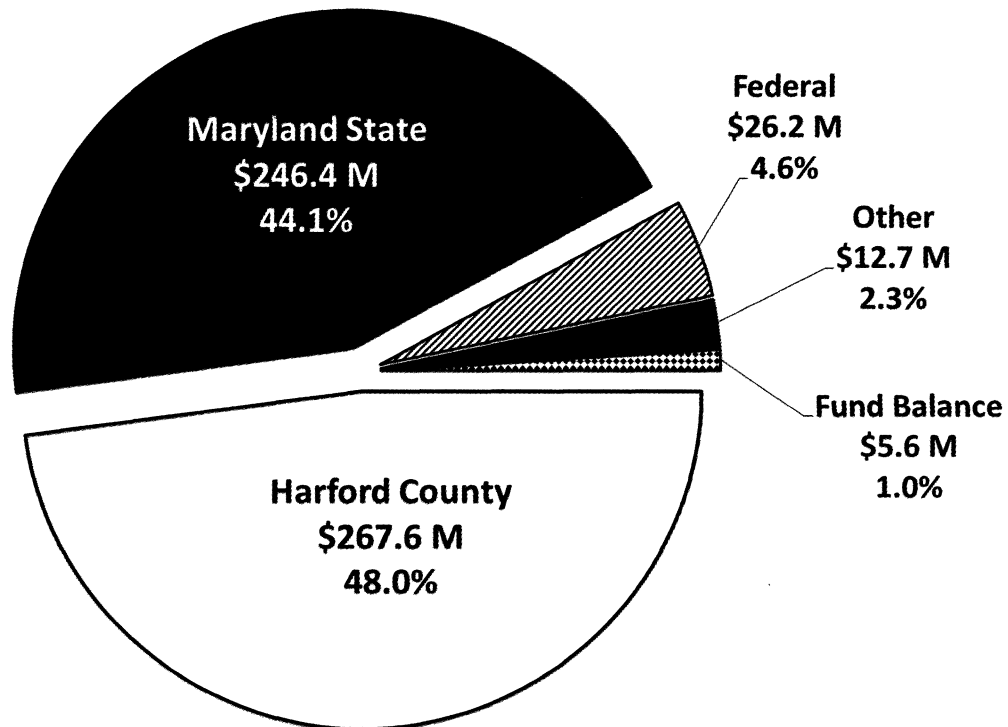
The following information reflects revenues for all funds for the Approved FY 2014 Budget:

Revenue - All Funds							
Sources	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2013 Budget	FY 2014 Budget	Change FY13 - FY14	% Change
Unrestricted Fund	\$ 416,290,452	\$ 435,605,566	\$ 429,811,597	\$ 430,108,097	\$ 424,737,271	\$ (5,370,826)	-1.2%
Restricted Fund	\$ 41,571,808	\$ 28,787,162	\$ 30,645,648	\$ 29,302,413	\$ 27,697,222	\$ (1,605,191)	-5.5%
Current Expense Fund	\$ 457,862,260	\$ 464,392,728	\$ 460,457,245	\$ 459,410,510	\$ 452,434,493	\$ (6,976,017)	-1.5%
Food Service	15,108,477	15,678,413	15,538,309	15,147,627	15,615,568	467,941	3.1%
Pension*	34,323,976	33,360,568	26,284,223	30,575,369	27,319,963	(3,255,406)	-10.6%
Debt Service	22,576,521	30,155,642	29,736,815	30,355,614	30,628,653	273,039	0.9%
Capital**	47,666,945	28,383,194	35,158,834	14,911,610	32,471,846	17,560,236	117.8%
Total - All Funds	\$ 577,538,179	\$ 571,970,545	\$ 567,175,426	\$ 550,400,730	\$ 558,470,523	\$ 8,069,793	1.5%

*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 2014 Revenue - All Funds By Source \$558.5 Million



Overview of the School System

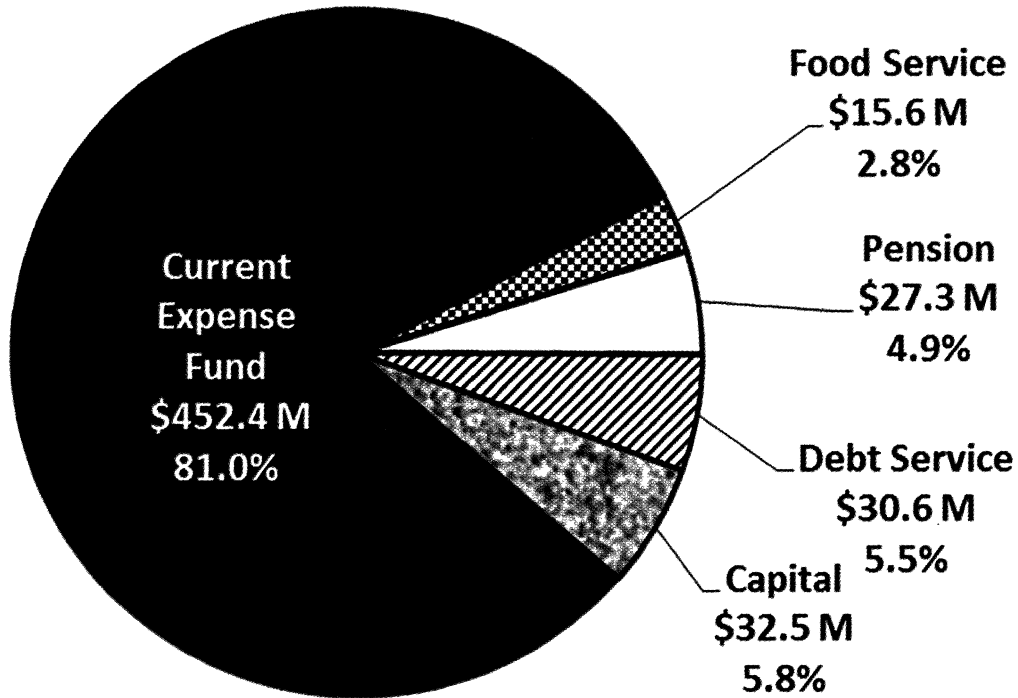
The following information reflects the expenditures for all funds:

Expenditures - All Funds							
Sources	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2013 Budget	FY 2014 Budget	Change FY13 - FY14	% Change
Unrestricted Fund	\$ 408,767,830	\$ 427,412,633	\$ 424,347,633	\$ 430,108,097	\$ 424,737,271	\$ (5,370,826)	-1.2%
Restricted Fund	\$ 41,571,808	\$ 28,787,162	\$ 30,645,648	\$ 29,302,413	\$ 27,697,222	\$ (1,605,191)	-5.5%
Current Expense Fund	\$ 450,339,638	\$ 456,199,795	\$ 454,993,281	\$ 459,410,510	\$ 452,434,493	\$ (6,976,017)	-1.5%
Food Service	15,002,160	15,201,306	15,413,941	15,147,627	15,615,568	467,941	3.1%
Pension*	34,323,976	33,360,568	26,284,223	30,575,369	27,319,936	(3,255,433)	-10.6%
Debt Service	22,576,521	30,155,642	29,736,815	30,355,614	30,628,653	273,039	0.9%
Capital**	47,763,925	26,758,294	37,191,795	14,911,610	32,471,846	17,560,236	117.8%
Total - All Funds	\$ 570,006,220	\$ 561,675,605	\$ 563,620,055	\$ 550,400,730	\$ 558,470,496	\$ 8,069,766	1.5%

*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 2014 Expenditures - All Funds \$558.5 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 2011	Actual FY 2012	Actual FY 2013	Budget FY 2014
Revenues				
Harford County Govt.	\$ 211,067,388	\$ 217,972,155	\$ 219,821,368	\$ 221,300,729
State Of Maryland	201,082,846	211,149,242	207,733,752	\$ 203,818,233
Federal Government	41,604,912	28,149,325	28,175,577	\$ 26,088,327
Other Sources	13,782,877	14,246,976	12,284,857	\$ 11,242,772
Appropriated Fund Balance	5,432,714	8,553,443	7,800,000	\$ 5,600,000
Total Revenues	\$ 472,970,737	\$ 480,071,141	\$ 475,815,554	\$ 468,050,061
Expenditures				
Administrative Services	\$ 11,049,350	\$ 11,554,353	\$ 11,021,422	\$ 11,140,308
Mid-Level Administration	25,566,961	25,594,493	25,410,918	\$ 25,297,175
Instructional Salaries	170,102,133	168,670,068	166,356,292	\$ 162,351,757
Textbooks & Classroom Supplies	8,477,986	8,641,737	7,746,777	\$ 7,650,019
Other Instructional Costs	4,937,929	4,849,337	4,358,076	\$ 3,947,299
Special Education	56,525,383	56,244,922	57,034,371	\$ 55,974,072
Student Personnel Services	1,608,766	1,613,772	1,623,005	\$ 1,665,167
Health Services	3,193,276	3,295,627	3,283,239	\$ 3,360,035
Student Transportation	29,584,155	30,940,714	31,172,285	\$ 31,315,615
Operation of Plant	28,984,446	29,361,842	28,332,388	\$ 29,467,584
Maintenance of Plant	11,902,488	12,675,618	12,514,080	\$ 12,678,317
Fixed Charges	96,625,996	101,688,309	104,279,000	\$ 106,889,416
Community Services	403,017	373,088	440,428	\$ 530,550
Capital Outlay	1,377,752	695,916	1,420,997	\$ 167,179
Current Expense Fund Expenditures	\$ 450,339,638	\$ 456,199,796	\$ 454,993,278	\$ 452,434,493
Food Service	15,002,160	15,201,306	15,413,941	15,615,568
Total Expenditures	\$ 465,341,798	\$ 471,401,102	\$ 470,407,219	\$ 468,050,061
Excess of revenues over expenditures	\$ 7,628,939	\$ 8,670,039	\$ 5,408,335	\$ -
Beginning Fund Balance	18,643,374	19,077,377	18,786,616	15,716,905
Less:				-
Fund Balance Designated as Revenue Above	(5,432,714)	(8,553,443)	(7,800,000)	(5,600,000)
Transfer to Capital Project	-	-	(628,451)	-
Increase (decrease) in reserve for inventory	15,551	(407,357)	(49,595)	-
Transfer to Rate Stabilization Fund	(1,777,773)			-
Total Fund Balance	\$ 19,077,377	\$ 18,786,616	\$ 15,716,905	\$ 10,116,905
Less:				
Designated Fund Balance for Next Fiscal Year	\$ (8,294,472)	\$ (7,800,000)	\$ (5,600,000)	\$ -
Designated Health Insurance Call	(1,225,166)	(1,225,166)	(1,225,166)	\$ (1,225,166)
Designated For Emergency Fuel Reserve	(915,000)	(915,000)	(915,000)	\$ (915,000)
Reserve for Inventory - end of year	(293,985)	(236,627)	(187,033)	
Assigned for OPEB contribution	(258,971)	-	-	\$ -
Undesignated Fund Balance	\$ 8,089,783	\$ 8,609,823	\$ 7,789,706	\$ 7,976,739

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

Overview of the School System

Capital Projects Fund				
Statement of Revenue, Expenditures, and Changes in Fund Balance				
	Actual FY 2011	Actual FY 2012	Actual FY 2013	Budget FY 2014
Revenues				
Harford County Govt.	\$ 30,433,302	\$ 12,068,710	\$ 11,980,732	\$ 15,711,981
State Of Maryland	14,750,023	15,605,906	13,892,937	15,275,090
Federal Government	0	0	0	0
Other Sources	2,483,620	708,578	9,285,165	1,484,775
Total Revenues	\$ 47,666,945	\$ 28,383,194	\$ 35,158,834	\$ 32,471,846
Capital Construction	47,763,925	26,758,294	37,191,795	32,471,846
Total Expenditures	\$ 47,763,925	\$ 26,758,294	\$ 37,191,795	\$ 32,471,846
Excess of revenues over expenditures	\$ (96,980)	\$ 1,624,900	\$ (2,032,961)	\$ -
Beginning Fund Balance	7,551,350	7,454,370	9,079,270	7,674,760
Total Fund Balance	\$ 7,454,370	\$ 9,079,270	\$ 7,046,309	\$ 7,674,760
Less:				
Other Financing Sources			628,451	
Undesignated Fund Balance	\$ 7,454,370	\$ 9,079,270	\$ 7,674,760	\$ 7,674,760

Long Term Budgetary Issue Facing HCPS

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

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. The proposed fiscal year 2014 Operating Budget utilizes \$5,600,000 of one time money to fund ongoing operating budget expenditures.

We are optimistic that Harford County government's revenue will show improvement in the next fiscal year to address the increases in the HCPS budget for healthcare and transportation costs. Otherwise, we will need to determine a one to three year process to incrementally decrease this fiscal exigency.

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 over \$353.7 million or 83.3% of the total fiscal 2014 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 \$30.6 million 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 \$381.0 million or 84.3%.

In the HCPS Unrestricted Budget for fiscal year 2014, almost \$.83 cents of every dollar is devoted to employee compensation and benefits for current employees and retirees.



*All other expenditures, including, but not limited to, utilities for sixty-one buildings, contracted bus service, fuel for special education bus service, non-public placement tuition costs, maintenance supplies/equipment and instructional supplies, furniture and equipment.

Overview of the School System

The following table identifies total positions by program:

Position Summary by Program/Fund				
Summary by Program	FTE FY 12	FTE FY 13	FTE FY 14	13 - 14 Change
BOARD OF EDUCATION	5.0	5.0	5.0	0.0
Board of Education Services	1.0	1.0	1.0	0.0
Internal Audit Services	2.0	2.0	2.0	0.0
Legal Services	2.0	2.0	2.0	0.0
BUSINESS SERVICES	36.0	35.0	34.0	(1.0)
Fiscal Services	19.0	19.0	19.0	0.0
Purchasing	17.0	16.0	15.0	(1.0)
CURRICULUM AND INSTRUCTION	38.0	37.0	38.3	1.3
Curriculum Dev. and Implementation	30.0	29.0	30.3	1.3
Office of Accountability	5.0	5.0	5.0	0.0
Professional Development	3.0	3.0	3.0	0.0
EDUCATION SERVICES	2,951.5	2,890.1	2,796.1	(94.0)
Career and Technology Programs	138.4	135.4	135.4	0.0
Gifted and Talented Program	20.9	20.5	20.5	0.0
Intervention Services	33.3	22.8	22.8	0.0
Magnet and Signature Programs	30.9	30.0	29.0	(1.0)
Office of Elem, Mid & High Sch Performance	8.0	8.0	7.0	(1.0)
Other Special Programs	54.0	54.0	54.0	0.0
Regular Programs	2,547.7	2,501.6	2,411.6	(90.0)
School Library Media Program	118.3	117.8	115.8	(2.0)
EXECUTIVE ADMINISTRATION	18.7	17.0	16.0	(1.0)
Communications	5.7	5.0	5.0	0.0
Community Engagement	2.0	2.0	2.0	0.0
Executive Administration Office	11.0	10.0	9.0	(1.0)
HUMAN RESOURCES	29.0	29.0	29.0	0.0
OPERATIONS AND MAINTENANCE	658.3	665.3	665.3	0.0
Facilities Management	432.9	434.9	434.9	0.0
Planning and Construction	9.0	9.0	9.0	0.0
Transportation	214.4	220.4	220.4	0.0
Utility Resource Management	2.0	1.0	1.0	0.0
SAFETY AND SECURITY	2.0	2.0	2.0	0.0
SPECIAL EDUCATION	920.9	916.0	901.2	(14.8)
STUDENT SERVICES	250.7	250.0	247.0	(3.0)
Health Services	71.5	71.5	71.5	0.0
Psychological Services	37.5	37.9	36.9	(1.0)
Pupil Services	20.0	20.0	20.5	0.5
School Counseling Services	121.7	120.6	118.1	(2.5)
OFFICE OF TECHNOLOGY & INFO.	55.5	54.5	54.5	0.0
Total Unrestricted Fund	4,965.6	4,900.9	4,788.4	(112.5)
Restricted Fund	219.2	209.9	205.9	(4.0)
TOTAL CURRENT EXPENSE FUND	5,184.8	5,110.8	4,994.3	(116.5)
Food Service	263.5	263.5	263.5	-
HCPS TOTAL POSITIONS	5,448.3	5,374.3	5,257.8	(116.5)

Overview of the School System

The following table represents the approved Capital Improvement Program for FY 2014:

HARFORD COUNTY BOARD OF EDUCATION APPROVED CAPITAL IMPROVEMENT PROGRAM BUDGET FISCAL YEAR 2014 6/24/2013					
	HCPS PRIORITY	STATE APPROVED	LOCAL APPROVED	OTHER SOURCES	TOTAL CAPITAL FUNDING
Magnolia MS HVAC Systemic Project (1)	1	\$2,517,000	\$2,250,000	\$0	\$4,767,000
North Harford ES HVAC Systemic Project (1)	2	\$1,098,390	\$1,175,000	\$0	\$2,273,390
Youth's Benefit ES Replacement (2)	3	LP*	\$1,000,000	\$0	\$1,000,000
Havre de Grace HS Replacement (3)	4	\$0	\$0	\$0	\$0
Norrisville ES HVAC Systemic Project (4)	5	\$1,735,700	\$1,720,000	\$0	\$3,455,700
George D. Lisby ES Roof Replacement	6	\$434,000	\$272,041	\$0	\$706,041
Joppatowne HS Systemic Project (4, 5)	7	\$0	\$0	\$0	\$0
Joppatowne HS Stadium ADA Improvements	8	\$0	\$300,000	\$0	\$300,000
Edgewood MS - Computer Laboratory	9	\$0	\$115,000	\$0	\$115,000
Fallston HS HVAC Systemic Project (4)	10	\$5,056,000	\$3,993,940	\$0	\$9,049,940
Energy Efficiency Initiative (6)	11-37	\$3,346,000	\$0	\$1,484,775	\$4,830,775
Security Initiative Program	N/A	\$1,088,000	\$640,000	\$0	\$1,728,000
Aberdeen HS Stadium and Weight Room Upgrades	N/A	\$0	\$1,600,000	\$0	\$1,600,000
Homestead/Wakefield Electrical Support for Technology	N/A	\$0	\$250,000	\$0	\$250,000
Joppatowne High School Weight Room Repairs	N/A	\$0	\$250,000	\$0	\$250,000
ADA Improvements and Survey	N/A	\$0	\$100,000	\$0	\$100,000
Athletic Fields Repair & Restoration	N/A	\$0	\$70,000	\$0	\$70,000
Backflow Prevention	N/A	\$0	\$0	\$0	\$0
Band Uniform Refresh	N/A	\$0	\$0	\$0	\$0
Bleacher Replacement	N/A	\$0	\$0	\$0	\$0
Building Envelope Improvements (7)	N/A	\$0	\$200,000	\$0	\$200,000
Career & Tech. Ed. Equipment Refresh	N/A	\$0	\$0	\$0	\$0
Energy Conservation Measures	N/A	\$0	\$0	\$0	\$0
Environmental Compliance	N/A	\$0	\$0	\$0	\$0
Equipment & Furniture Replacement	N/A	\$0	\$0	\$0	\$0
Fire Alarm & ER Communications	N/A	\$0	\$0	\$0	\$0
Floor Covering Replacement	N/A	\$0	\$0	\$0	\$0
Folding Partition Replacement	N/A	\$0	\$0	\$0	\$0
Locker Replacement	N/A	\$0	\$0	\$0	\$0
Major HVAC Repairs	N/A	\$0	\$0	\$0	\$0
Music Equipment Refresh	N/A	\$0	\$50,000	\$0	\$50,000
Music Technology Labs (8)	N/A	\$0	\$150,000	\$0	\$150,000
Outdoor Track Reconditioning	N/A	\$0	\$0	\$0	\$0
Paving - New Parking Areas	N/A	\$0	\$0	\$0	\$0
Paving - Overlay and Maintenance	N/A	\$0	\$0	\$0	\$0
Playground Equipment	N/A	\$0	\$350,000	\$0	\$350,000
Relocatable Classrooms	N/A	\$0	\$0	\$0	\$0
Replacement Buses (9)	N/A	\$0	\$1,226,000	\$0	\$1,226,000
Replacement Vehicles	N/A	\$0	\$0	\$0	\$0
Security Measures	N/A	\$0	\$0	\$0	\$0
Septic Facility Code Upgrades	N/A	\$0	\$0	\$0	\$0
Special Ed. Facility Improvements	N/A	\$0	\$0	\$0	\$0
Storm Water Management	N/A	\$0	\$0	\$0	\$0
Swimming Pool Renovations	N/A	\$0	\$0	\$0	\$0
Technology Education Lab Refresh	N/A	\$0	\$0	\$0	\$0
Technology Infrastructure	N/A	\$0	\$0	\$0	\$0
Textbook/Supplemental Refresh	N/A	\$0	\$0	\$0	\$0
Total		\$15,275,090	\$15,711,981	\$1,484,775	\$32,471,846

NOTES:

- 1 - HVAC Systemic Project (2nd half of funding request)
- 2 - Harford County Government appropriated \$6.8M; authorized \$1M for spending in FY14
- 3 - Harford County Government appropriated \$3.7M; \$0 funds were authorized for spending in FY14
- 4 - Systemic & Limited Renovation Projects (1st half of funding request)
- 5 - Harford County Government appropriated \$7.4M; \$0 funds were authorized for spending in FY14

- 6 - Lighting renovation projects in twenty-seven schools
- 7 - Funds designated for Aberdeen MS
- 8 - Funds designated for C. Milton Wright & North Harford HS
- 9 - Nine replacement (4 long and 5 special education)
- *LP = State Local Planning Approval

Understanding the Budget

Welcome to Harford County Public Schools' Program-based Budget

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

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

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

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

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

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

James M. Jewell, James.Jewell@hcps.org
Assistant Superintendent of Business Services

Edward B. Fields III
Budget Director

Jeannine M. Ravenscraft
Senior Budget Analyst

Mary L. Edmunds
Position Control Analyst

Michele D. Sledge
Capital Budget Analyst

Understanding the Budget

Budget Submission Framework

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

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

- **Salary Adjustments** – Changes in the salary/wage line items within each program of the budget reflects the school system’s goal of maintaining a competitive salary structure within the market, especially with our neighboring counties. By law, the Board is required to negotiate with each of the five bargaining units in Harford County to establish salary, wages and other working conditions. Employees and community members are directed to visit the Board’s Collective Bargaining webpage on the school system’s website (www.hcps.org) for updates and information.

- **Benefit Adjustments** – Projected inflationary increases in health and dental insurance for active and retired employees are included in the budget as benefit adjustments. Also included are increases in teacher pension costs legislatively mandated by the State of Maryland and funded by Harford County.

- **Cost of Doing Business** – Cost of doing business increases unrelated to salary and benefits in the Unrestricted Operating Budget include inflationary and non-discretionary costs, expenditures for state/federal mandates, classroom instruction, special education, insurance, transportation and operations.

Budget Planning and Adoption Process

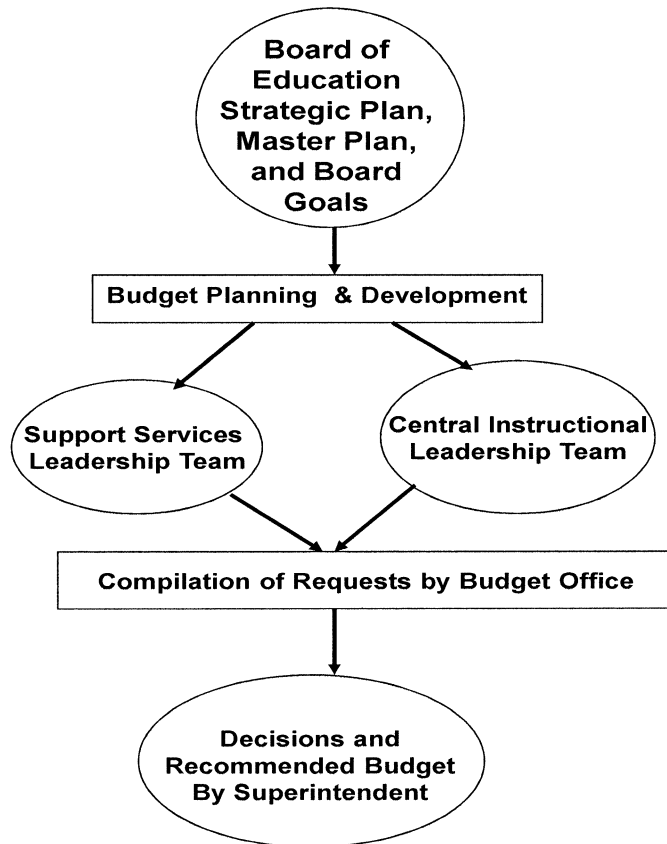
Maryland school systems are revenue dependent upon the state and local governments. The Board of Education has no taxing authority¹. State funding is primarily established during the annual legislative session of the Maryland General Assembly during January through April each year. State funds are administered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

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

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

Understanding the Budget

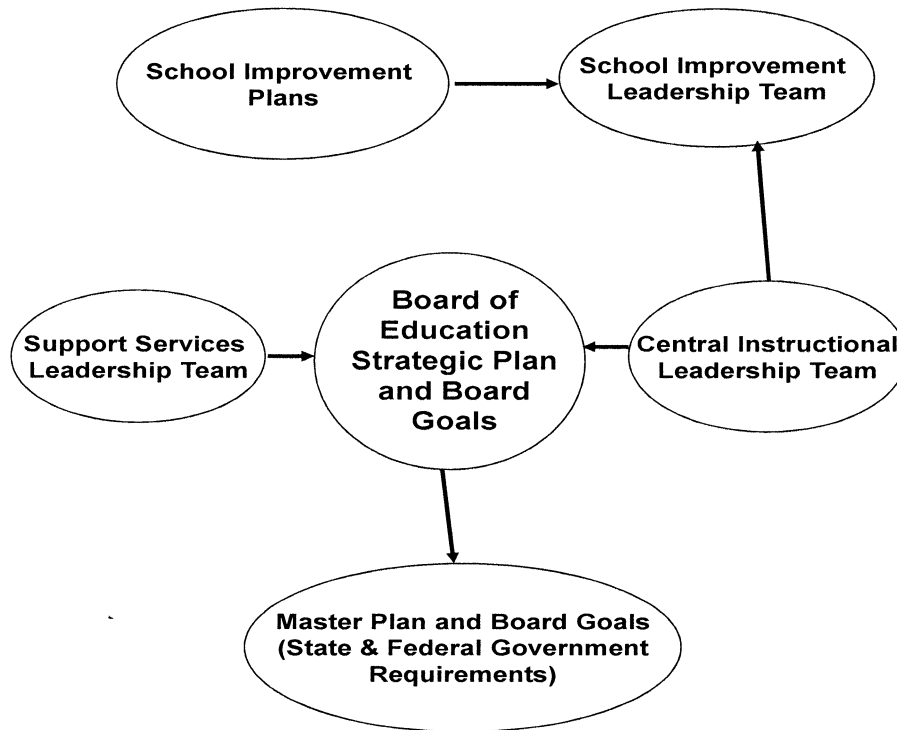
The following chart reflects the interconnectivity of the budget planning and development process.



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

Understanding the Budget

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



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

The County Council has until June 15th to determine final funding levels for the County allocation. The County Council adopts the County Budget by June 15th. At that point the County government funding is fixed for the School System. Once this allocation is approved, the Board of Education will revise the budgeted

Understanding the Budget

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.

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 2014 Budget Calendar

October 29, 2012	Budget Office distributes budget packages to budget managers.
November 14, 2012	Budget managers submit base budget and cost of doing business adjustments.
November 14, 2012	Budget managers submit program narratives and performance measures.
November 2012	Superintendent reviews budget submissions, goals and issues.
December 17, 2012	Superintendent releases FY 2014 Recommended Budget.
January 2, 2013	Board of Education conducts budget work session and accepts public comment.
January 14, 2013	Board of Education conducts budget work session and accepts public comment.
January 16, 2013	Board of Education conducts budget work session and accepts public comment.
January 28, 2013	Board of Education adopts FY 2014 BOE Recommended Budget.
February 7, 2013	Board presents budget to Harford County Executive.
April 12, 2013	County Executive releases proposed funding levels for FY 2014.
April 25, 2013	Board presents budget to Harford County Council.
May 28, 2013	Harford County Council approves final funding for FY 2014.
June 10, 2013	Board of Education conducts final budget work session and approves HCPS Budget for FY 2014.
July 10, 2013	HCPS receives final certification of the FY 2014 Budget from the County Executive and County Council.

School System Planning

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

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

An energy management system through the use of computerized sensors and controls, monitors heat and coolness in buildings and adjusts temperatures accordingly for efficient use of energy resources. A Facilities

Understanding the Budget

Management Plan is adopted reflecting needed repairs, maintenance, and upgrades to buildings and grounds for maintenance and capital construction projections. The Capital Improvement Plan is reviewed annually with projections into the next decade for additional new capacity, modernizations, renovations, and equipment replacements.

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

Summary of Accounting Policies

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

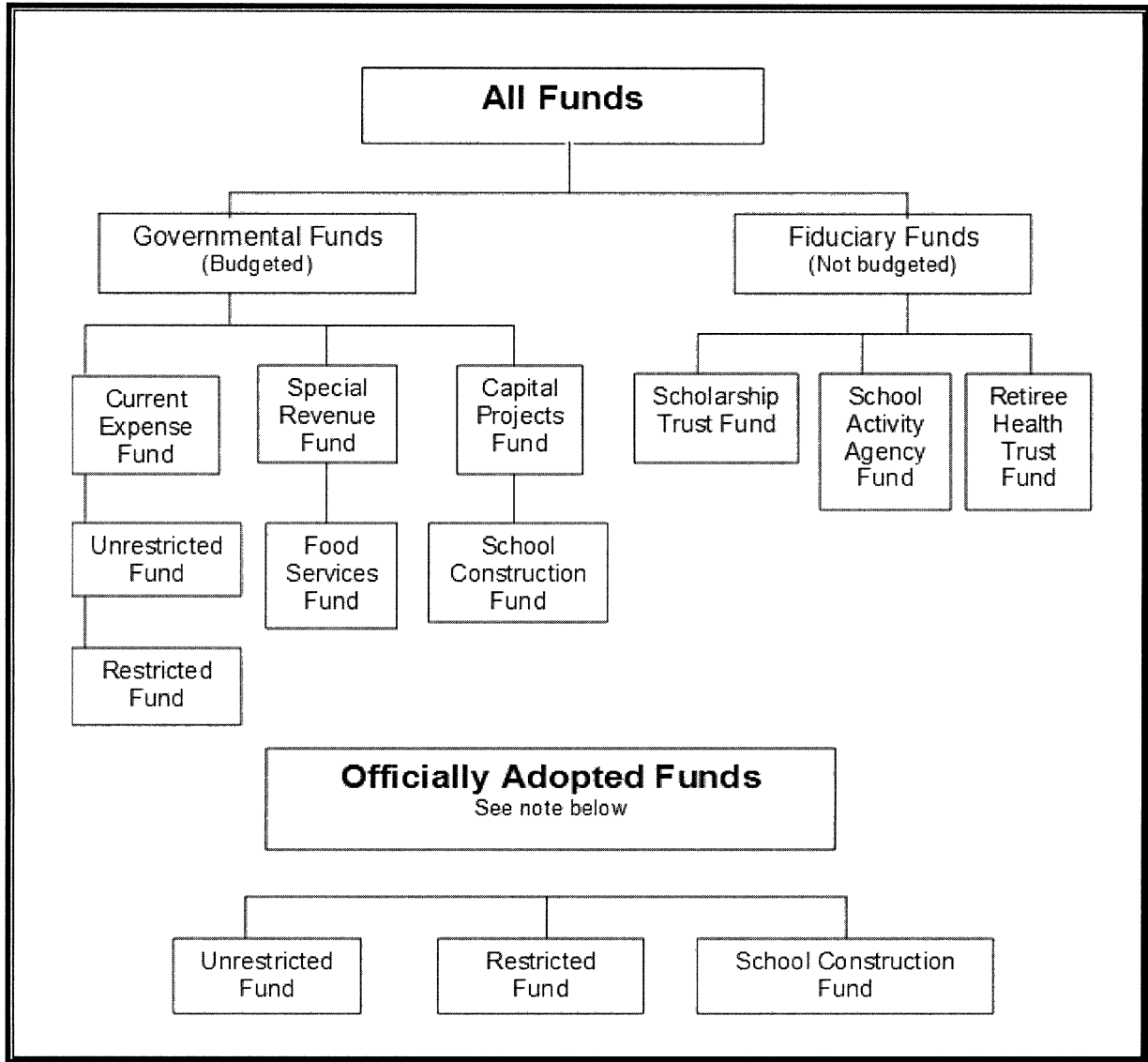
Government Wide and Fund Financial Statements

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

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

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

Understanding the Budget



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

Understanding the Budget

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

Governmental Funds

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

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

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

Fiduciary Funds

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

Use of Estimates

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

Understanding the Budget

Basis of Budgeting

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

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

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

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

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

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

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

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

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

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

Understanding the Budget

Financial Policies

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

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

Balanced Budget

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

Revenue Policies

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

Expenditure Policies

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

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

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

Understanding the Budget

must be submitted to the County Executive and County Council for approval or denial. No action within thirty (30) days of submission constitutes approval.

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

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

Investment Policy

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

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

Debt Policy

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

Fund Balance

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

The Board of Education has established a policy designed to maintain a designated fund balance between 0.1% and 0.25% but not less than \$500,000 to deal with unbudgeted events that may arise in managing a \$600 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.

Understanding the Budget

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).

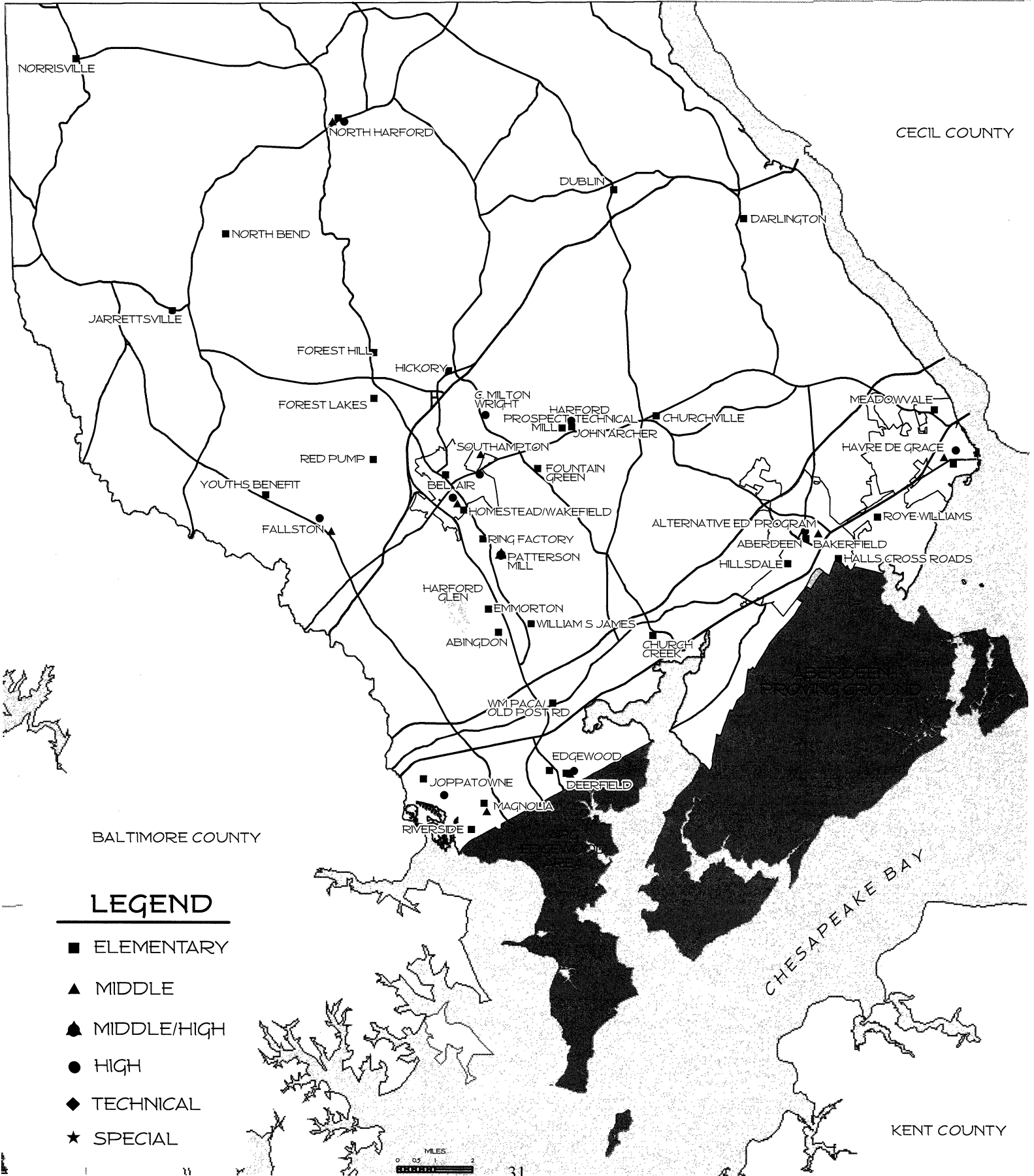
Adopted May 22, 2001 by the Board of Education for Harford County

Due to the current economic conditions, we have included in the budget the use of fund balance (onetime funding) to support ongoing expenses of the Unrestricted Fund for fiscal 2014. The Board of Education has approved this change in their policy based on the economic challenges we currently face.

HARFORD COUNTY PUBLIC SCHOOLS

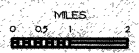


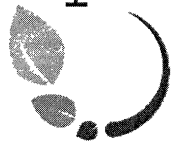
P E N N S Y L V A N I A



LEGEND

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





HARFORD COUNTY PUBLIC SCHOOLS ORGANIZATION CHART OF ADMINISTRATION FY2013-14

