

Board of Education

Joseph L. Voskuhl, President
Elected Member, Councilmanic District C

Joseph A. Hau
Appointed Member-at-Large

Laura S. Runyeon, Vice President
Appointed Member-at-Large

Nancy Reynolds
Elected Member, Councilmanic District D

Thomas F. Fitzpatrick
Elected Member, Councilmanic District F

Jansen M. Robinson
Elected Member, Councilmanic District A

Robert L. Frisch
Elected Member, Councilmanic District B

Alfred L. Williamson
Appointed Member-at-Large

Rachel Gauthier
Elected Member, Councilmanic District E

Joshua J. Oltarzewski
Student Representative

Administration

Sean W. Bulson, Ed.D.
Superintendent

Patrick P. Spicer, Esquire
General Counsel

Joseph P. Licata
Chief of Administration

Susan P. Brown, Ed.D.
Executive Director of Curriculum & Assessments

Cornell S. Brown, Jr.
Assistant Superintendent for Operations

Jean A. Mantegna
Assistant Superintendent for Human Resources

Deborah L. Judd, CPA
Assistant Superintendent for Business Services

Eric G. Clark
Director of Budget

Patti Jo Beard
Executive Director of Facilities Management

Bernard P. Hennigan
Director of Student Services

Cathy E. Bendis
Director of Transportation

H. Andrew Moore, II
Director of Information and Technology

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

Renee L. Villareal
Acting Executive Director of Elementary School Performance

Susan K. Austin, Ph.D.
Director of Special Education

John G. Staab, CPA
Director of Finance

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

**RECOGNITION FOR
IMPLEMENTING BEST PRACTICES
IN SCHOOL BUDGETING**

**Harford County Public Schools
Maryland**

For Fiscal Year Beginning
July 1, 2017

Christopher P. Morill
EXECUTIVE DIRECTOR/CEO

Recognition for Implementing the Best Practices in School Budgeting is presented by the Government Finance Officers Association to school districts demonstrating progress towards implementing GFOA's budget process guidelines. While the district's application for the award met some required elements, not all elements have been implemented. Implementing the Best Practices in School Budgeting process improvements are a significant, multi-year undertaking that require broad collaboration and support, which the district continues its work towards implementing these additional criteria.

Budget processes are evaluated based on a number of criteria that focus on alignment of resources towards student achievement focusing on collaboration, communication, and rigorous development, evaluation, and prioritization of strategies to achieve a district's goals and objectives. In addition, the criteria includes recommendations for conveying the results of this budget process through the budget presentation and also utilizing continuous improvement approaches to monitor outcomes.

Transmittal Letter and Budget in Brief for Fiscal Year 2019

July 1, 2018

Dear School Community:

Harford County Public Schools (HCPS) has the unique and deeply rewarding responsibility of positively influencing the future by working with nearly 38,000 students each year. This year, for the first time since 2009, student enrollment increased by 354 students. We are committed to inspiring our students to become life-long learners and to ensuring that we are achieving our ultimate goal of inspiring and preparing all of our students for success in college or career.

The fiscal year 2019 budget development process continues to emphasize the importance of listening to and collaborating with our stakeholders – both internal and external – as we face systemic financial challenges. The Superintendent has established the following systemic priorities, which have remained constant for the past four years:

- Improve employee salaries and benefits
- Maintain instructional and non-instructional staff
- Enhance instructional technology and infrastructure
- Improve the maintenance and security of facilities

The process began by discussing these priorities with all interested stakeholders in a virtual town hall meeting. Following the virtual town hall meeting, a roundtable discussion was held with community leaders to gather their thoughts and suggestions about the fiscal year 2019 budget. Surveys were sent to all principals in order to gather any unique budget priorities of each school location.

In addition, questions, suggestions and comments were accepted throughout the entire process via a dedicated email account, budget@hcps.org. Several meetings were conducted with the Leadership Team to thoroughly review all input received. The result of the months of engagement and partnership with the community is the Board of Education's Approved Budget for fiscal year 2019 presented in the pages to follow.

Through careful examination and analysis of all revenues and expenditures, HCPS has made great strides in improving all employees' pay over the past three fiscal years. In fact, three regular and two make-up steps have been provided, as well as a Cost of Living Adjustment (COLA) each year since fiscal year 2016 (Please see charts on the next page). Effective July 1, 2018, one regular STEP and one make-up STEP plus a 2.0% Cost of Living Adjustment (COLA) will be provided to all eligible employees at an estimated cost of \$15.5 million.

The fiscal year 2019 operating budget includes increases of \$15.5 million for wages and \$7.6 million for employee benefits. The Superintendent and staff identified \$6.7 million in additional budget reductions, including a net reduction of 71.5 FTE positions. Despite these drastic cuts, a \$10.9 million funding gap still existed. The Board of Education approved allocating \$10.9 million in fund balance to balance the FY19 budget.

The fiscal 2019 proposed Unrestricted Operating, Restricted, Food Service and Capital budgets are \$461.7 million, \$29.7 million, \$17.6 million and \$48.2 million, respectively.

The success of the school system significantly impacts the quality of life of the entire community. Our system is committed to setting and achieving significantly high standards, while meeting the needs of all students. Recognizing education as a top priority will reap benefits for future generations.

Joseph Voskuhl
President—Board of Education

Sean Bulson, Ed.D.
Superintendent of Schools

Pay History of a Teacher Starting in the 2008-2009 School Year

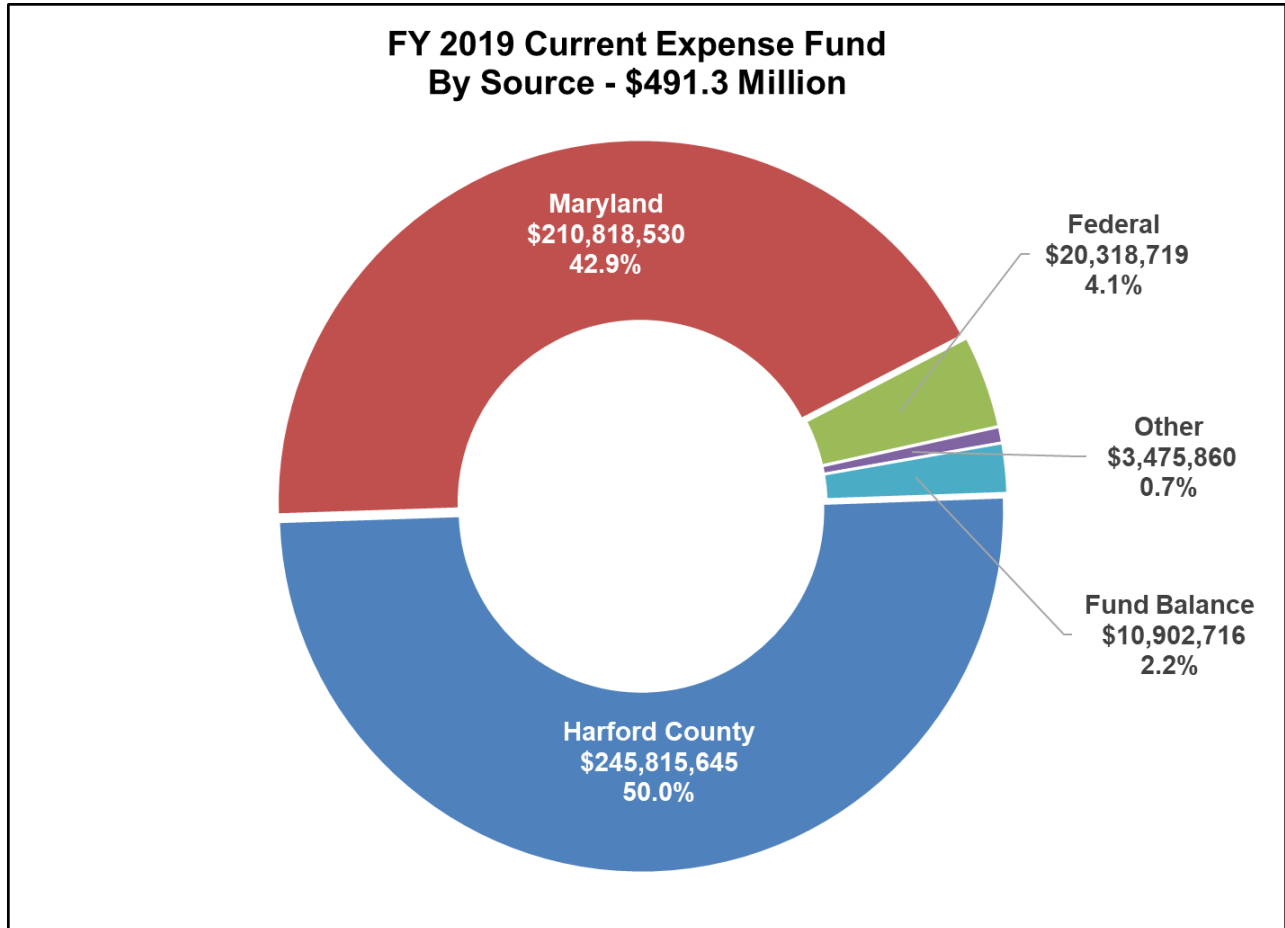
Teacher Starting in 2008-2009 School Year with a Master's Degree APC								
Fiscal Year	STEP	Should be on STEP	STEPS Behind	Salary	Dollar Increase	Cumulative Increase	STEP Provided	COLA Provided
FY09	1	1	0	43,677			Y	Y
FY10	1	2	1	43,677	-	-	N	N
FY11	1	3	2	43,677	-	-	N	N
FY12	1	4	3	43,677	-	-	N	N
FY13	2	5	3	45,437	1,760	1,760	Y	Y
FY14	2	6	4	45,437	-	1,760	N	N
FY15	2	7	5	45,437	-	1,760	N	N
FY16	3	8	5	47,501	2,064	3,824	Y	Y
FY17	4+5	9	4	50,364	2,863	6,687	Y	Y
FY18	6+7	10	3	55,086	4,722	11,409	Y	Y
FY19	8+9	11	2	60,201	5,115	16,524	Y	Y

Teacher Starting in 2008-2009 School Year with a Bachelor's Degree SPC								
Fiscal Year	STEP	Should be on STEP	STEPS Behind	Salary	Dollar Increase	Cumulative Increase	STEP Provided	COLA Provided
FY09	1	1	0	41,171			Y	Y
FY10	1	2	1	41,171	-	-	N	N
FY11	1	3	2	41,171	-	-	N	N
FY12	1	4	3	41,171	-	-	N	N
FY13	2	5	3	42,829	1,658	1,658	Y	Y
FY14	2	6	4	42,829	-	1,658	N	N
FY15	2	7	5	42,829	-	1,658	N	N
FY16	3	8	5	44,775	1,946	3,604	Y	Y
FY17	4+5	9	4	47,473	2,698	6,302	Y	Y
FY18	6+7	10	3	51,923	4,450	10,752	Y	Y
FY19	8+9	10	1	56,744	4,821	15,573	Y	Y

Note: This example illustrates the starting salary of a new teacher in FY09 and tracks the salary progression through this budget. All employees have received steps in accordance with this schedule.

Where the money comes from...

Revenue - Current Expense Fund							
	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Budget	FY 2019 Budget	Change FY18 - FY19	% Change
Unrestricted Fund	\$ 432,527,403	\$ 440,934,599	448,230,933	\$ 447,438,447	\$ 461,667,449	\$ 14,229,002	3.2%
Restricted Fund	\$ 29,539,443	\$ 30,351,483	29,850,985	\$ 29,972,386	\$ 29,664,021	\$ (308,365)	-1.0%
Current Expense Fund	\$ 462,066,845	\$ 471,286,081	478,081,918	\$ 477,410,833	\$ 491,331,470	\$ 13,920,637	2.9%



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

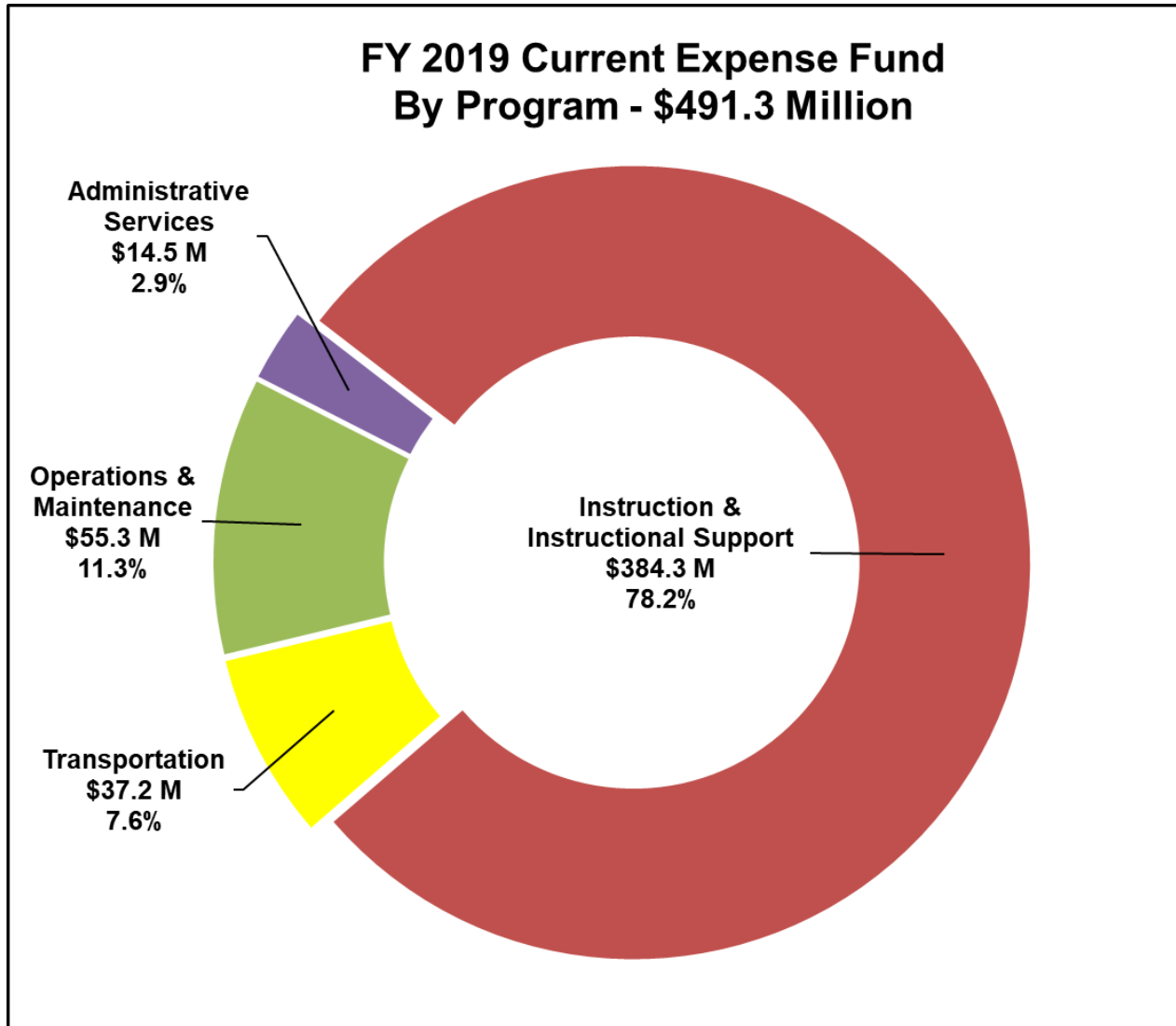
Harford County Government Aid – Includes County allocation that represents Maintenance of Effort level of funding under State Law and additional funding as allocated and approved by the County Executive and County Council.

Federal Aid – Includes Impact Aid, IDEA, Title I and other Federal grants.

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.

Where the money goes...



The categories listed above include a share of fringe benefit costs based on FTE count including health, dental, & life insurance, taxes, workers' compensation and unemployment compensation charges.

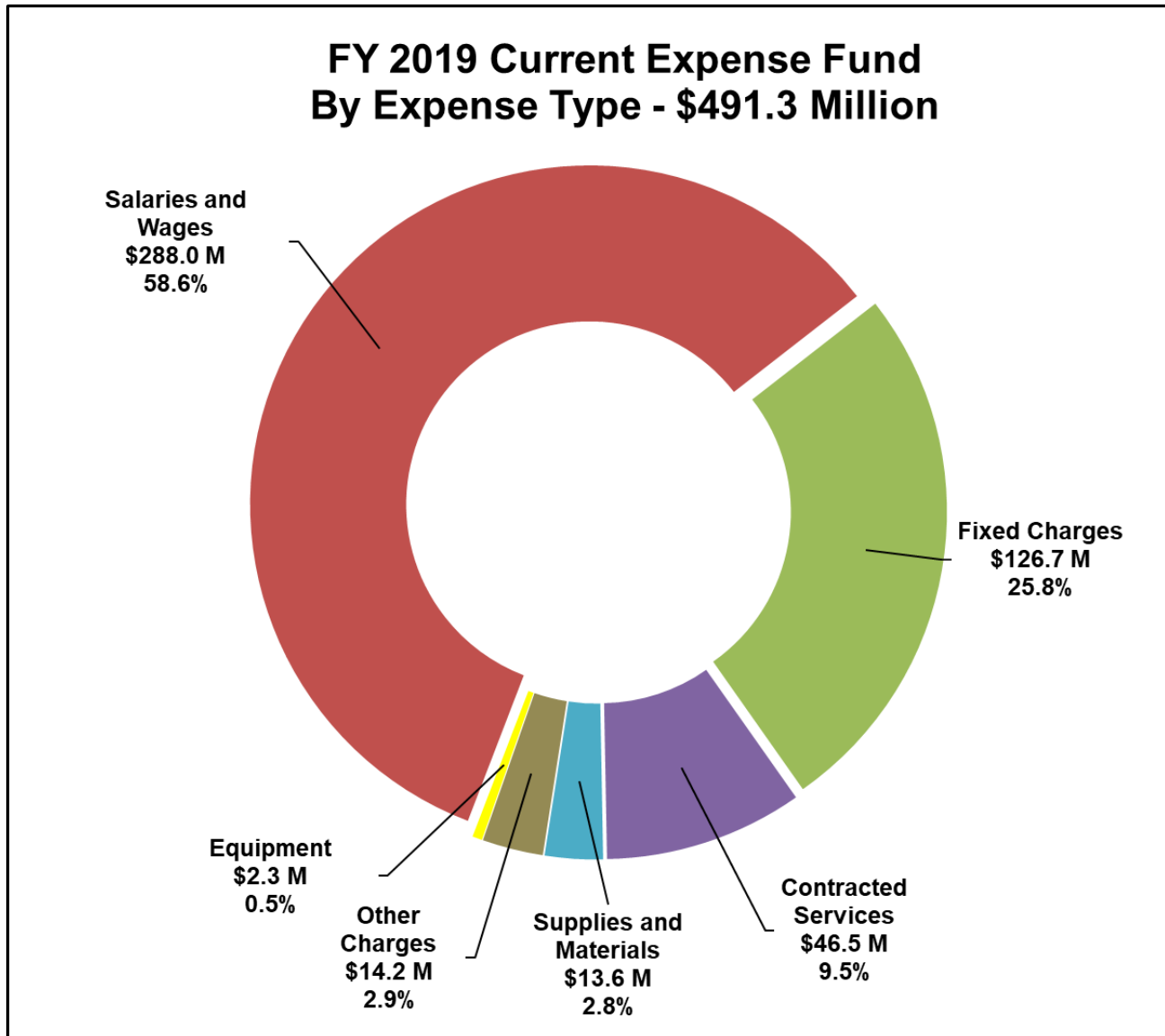
Administrative Services – Includes Board of Education, Executive Administration, Business Services, Human Resources, and the Office of Technology and Information Services.

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.

Where the money goes...



Summary of the Fiscal Year 2019 Unrestricted Budget

Revenues - \$8,792,338

- Harford County Revenue increased by \$7,100,000 over FY18.
- The State of Maryland Revenue increased by \$2,918,527 over FY18.
- Other Revenue decreased by (\$1,226,189) over FY18.

Salary, Wages and Fringe Benefits - \$23,026,724

- The projected salary/wage increase of \$15.5 million reflects our goal of maintaining a competitive salary structure within the market, especially with our neighboring counties.
- The costs associated with health care and dental benefits for fiscal year 2019 are projected to increase by \$7.4 million due to a 10.0% rate increase and projected utilization/enrollment changes.
- Pension costs are expected to increase by \$374,000.

Budget Reductions – (\$6,687,608)

- Board of Education – (\$20,517)
- Business Services – (\$68,335)
- Curriculum and Instruction – (\$579,114)
- Education Services – (\$3,027,992)
- Executive Administration – (\$187,888)
- Extra-Curricular – (\$17,158)
- Human Resources – (\$64,200)
- Operations and Maintenance - (\$1,365,103)
- Safety and Security - (\$21,109)
- Special Education - (\$827,613)
- Student Services - (\$268,580)
- Office of Technology and Information Systems - (\$240,000)

Other Funds Expenditures

Food Services Fund – \$17,619,542; a self-supporting fund.

Debt Service Fund - \$34,075,503; the amount paid for the financing of capital projects by Harford County Government for the Board of Education.

Capital Project Fund - \$48,205,472; represents the requested capital budget for construction and major repairs and assets for the school system. Projects are funded by state and county sources of revenues.

Pension Fund – \$26,381,727; the amount to be paid by the State of Maryland on behalf of HCPS employees who are members of the Teachers Retirement and Pension Systems.

Understanding the Budget

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, including the following:

- 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 have suggestions on how to improve the document, please let us know.

Harford County Public Schools has received the Government Finance Officers Association Distinguished Budget Presentation Award for the past twelve 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.

Deborah L. Judd, Deborah.Judd@hcps.org
Assistant Superintendent of Business Services

Eric G. Clark
Budget Director

Mary L. Edmunds
Budget Analyst

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** –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.

The Board of Education's Approved Budget for fiscal year 2019 includes a salary/wage package of \$15.5 million for Harford County Public School employees. Due to the absence of step increases in five of the past ten fiscal years, it is the intent of the Board of Education to avoid falling further behind in regard to employee wages.

- **Benefit Adjustments** – For fiscal year 2019, health care insurance rates are projected to increase by 10.0% and will total approximately \$80.4 million in the unrestricted budget. In total, \$6.5 million was added to the FY2019 budget to fund the rate increase and the projected cost associated with new enrollees and retirees.

Prior to fiscal year 2013, the State of Maryland funded all teacher pension contributions for the twenty-four school districts. The State of Maryland addressed their ongoing structural deficit by sharing teacher pension costs with the counties. The cost sharing was structured over a four-year implementation period beginning in fiscal 2013. In fiscal 2019 pension contributions are projected to increase by \$347,000. For fiscal year 2020 and beyond, the Unrestricted Operating Budget for pension expenditures should remain relatively stable.

- **Cost of Doing Business** – Cost of doing business items, unrelated to salary and benefits, in the Unrestricted Operating Budget increased by \$1.5 million. These expenditures include inflationary and non-discretionary costs, expenditures for state/federal mandates, classroom instruction, special education, insurance, transportation and operations.

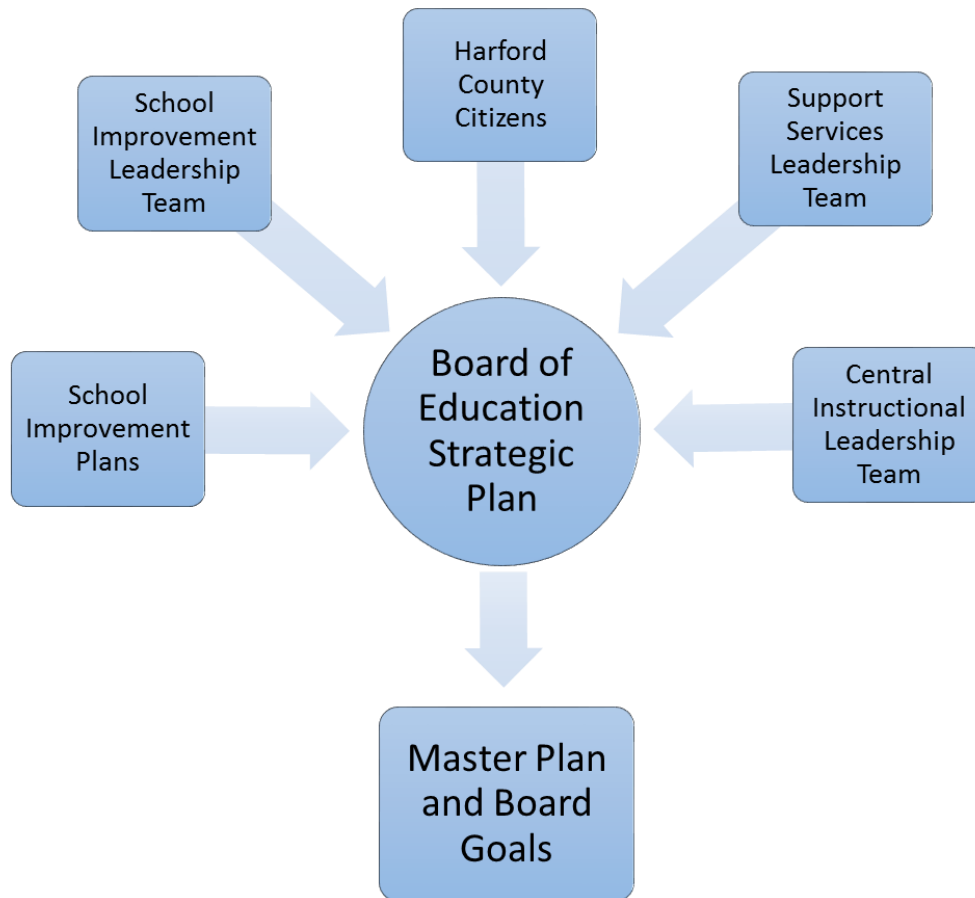
Budget Planning and Adoption Process

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 from 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 public input. New requested programs and funds in the budget are reflected by Board Goals in concert with the Strategic and Master Plan.

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

The following chart reflects the interconnectivity of the Strategic Plan, the Master Plan, Harford County Citizens, 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 February. 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 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 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 deadlines for Board review, County Government review, County Council review, and state and local funding and reporting requirements.

Fiscal Year 2019 Budget Calendar	
September 20, 2017	Budget Office distributes budget packages to budget managers
October 9-20, 2017	Superintendent and Budget Team meet with all Budget Managers
October 27, 2017	Budget Managers submit completed budget packages
November 6, 2017	Virtual Town Hall Budget Meeting
November 14, 2017	Community Organization Budget Input
November 2016	Superintendent reviews budget submissions, goals and issues with Leadership
December 8, 2017	Superintendent's Proposed Budget Book sent to Print Shop
December 18, 2017	Superintendent's Proposed Budget FY19 presented to Board of Education
January 3, 2018	Board of Education Budget Work Session and Public Input Session at Roberty Building
January 10, 2018	Board of Education Budget Work Session and Public Input Session at Roberty Building
January 22, 2018	Board of Education Budget Work Session and Public Input Session at Roberty Building
January 29, 2018	Board of Education Budget Work Session and Public Input Session at Roberty Building
February 12, 2018	Board of Education Business Meeting--Board approved BOE's Proposed Budget FY19
Jan-Feb. 2017	Leadership budget meetings
February 28, 2018	Board presented BOE's Proposed Budget FY19 to Harford County Executive
April 16, 2018	County Executive released proposed funding levels for FY 2019
April 2018	Budget meetings
April 2018	Board presented BOE's Proposed Budget FY19 to Harford County Council
May 15, 2018	Harford County Council approved final funding for FY 2019
June 11, 2018	Board of Education conducted final budget work session and approved HCPS budget for FY 2019
Summer 2018	HCPS receives final certification of the FY 2019 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 and 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 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 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, HCPS 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 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

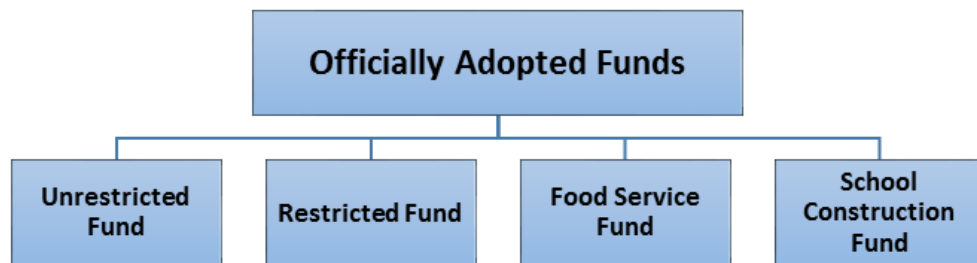
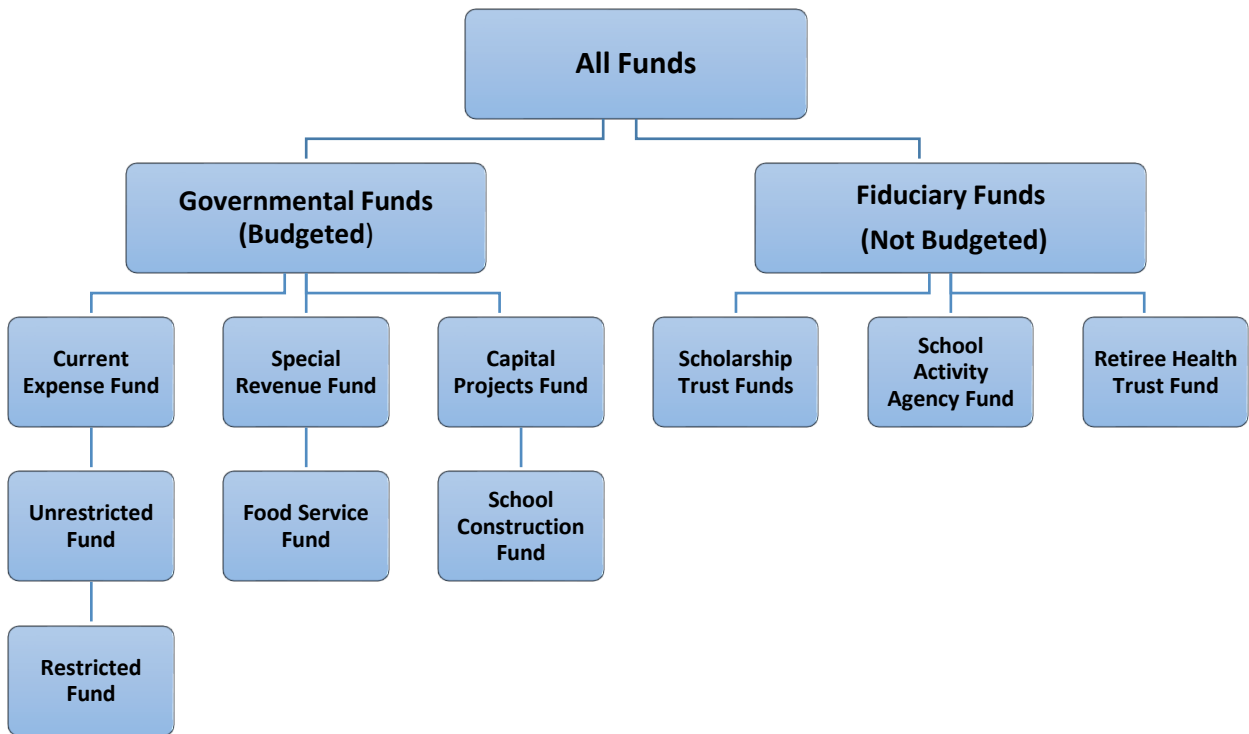
The Board of Education of Harford County is a component unit of Harford County, Maryland by virtue of the County's responsibility for levying taxes and its budgetary control over the Board of Education. Accordingly, the financial statements of the Board are included in the financial statements of Harford 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.



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 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 Debt Service Fund consists of the long-term payments made by the County Government for the financing of school construction capital projects.

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.

Basis of Budgeting

Budgets are 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 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 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 the results from operations of a fund, or the accumulation of the difference between revenues and expenditures year over year. Since the budget is a spending plan based on a series of assumptions and estimates developed approximately two years prior to actual use, during the course of any fiscal year, adjustments may be necessary and use of fund balance may be required. It is important to note that controls exist on the use of fund balance to ensure that expenditures do not exceed available resources. A transfer of any amount of fund balance to an operating budget category requires the approval of the Board of Education, the County Executive and the County Council. The Board maintains assigned fund balance for an emergency fuel reserve based on the uncertainty that exists in the estimating future fuel requirements and for a potential future health care premium call.





HARFORD COUNTY PUBLIC SCHOOLS
ORGANIZATION CHART OF ADMINISTRATION
FY 2017-18

