

Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2008



A Component Unit of Harford County, Maryland



Harford County Public Schools

102 S. Hickory Avenue • Bel Air, MD 21014

Prepared by the Division of Business Services Finance Department

2007 to 2008 Board of Education of Harford County



From left to right:

Seated: Jacqueline C. Haas, Salina M. Williams, Thomas L. Fidler, Jr., Chase Jackson

Standing: John L. Smilko, Lee Merrell, Mark M. Wolkow, Patrick L. Hess, Ruth R. Rich

Harford County Public Schools
A Component Unit of Harford County, Maryland
102 South Hickory Avenue
Bel Air, Maryland 21014



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Finance Department

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.

Harford County Public Schools

Student Contributions

<u>Student</u>	<u>Grade</u>	<u>School</u>	<u>Page</u>
<i>Audrey Lawrence</i>	<i>Grade 12</i>	<i>Bel Air High School</i>	<i>1</i>
<i>Zack Cannon</i>	<i>Grade 4</i>	<i>Forest Lakes Elementary School</i>	<i>2</i>
<i>Amber Gonzalez-Tores</i>	<i>Grade 5</i>	<i>Joppatowne Elementary School</i>	<i>11</i>
<i>Luke Bullis</i>	<i>Grade 8</i>	<i>Southampton Middle School</i>	<i>12</i>
<i>Mike Newberry</i>	<i>Grade 11</i>	<i>North Harford High School</i>	<i>26</i>
<i>Stacey Venanzi</i>	<i>Grade 5</i>	<i>Fountain Green Elementary School</i>	<i>36</i>
<i>Madeline Booze</i>	<i>Grade 10</i>	<i>Aberdeen Alternative Education Center</i>	<i>54</i>
<i>Heather Schumaker</i>	<i>Grade 8</i>	<i>Fallston Middle School</i>	<i>56</i>
<i>Rawlison Zhang</i>	<i>Grade 5</i>	<i>Forest Hill Elementary School</i>	<i>57</i>
<i>Lizzy Liberatore</i>	<i>Grade 8</i>	<i>Bel Air Middle School</i>	<i>64</i>
<i>Davis Ruzicka</i>	<i>Grade 9</i>	<i>C. Milton Wright High School</i>	<i>76</i>
<i>Caira Stovall</i>	<i>Grade 9</i>	<i>Joppatowne High School</i>	<i>77</i>

Cover Design by Amanda Spencer, Public Information Associate

Top Right Photo

KIDS HELPING KIDS - Students at Church Creek Elementary showed their generous spirit by participating in the “Kids Helping Kids” Food Drive sponsored by the Student Council. Students pictured from left, Gwen Wenck, Courtney Faulcon, Abel Amdetsyon and Robby Sigwart.

Left Photo

BEST BUDDIES – Jill Gwiazdowski was president of the Bel Air High Best Buddies program, an effort dedicated to providing opportunities for students with special needs at her school. She received a Student Service Star for her work.

Lower Right Photo

BE COOL -- McKenzie Hull, left, and Kristin Mincey discuss the message of one of the “Be Cool to Your School” posters. The poster campaign, known as “Be Cool to Your School,” was the primary focus of the Thursday, April 3rd meeting of the Student Facilities Committee, a group of student leaders from HCRASC (Harford County Regional Association of Student Councils).

Harford County Public Schools

Table of Contents

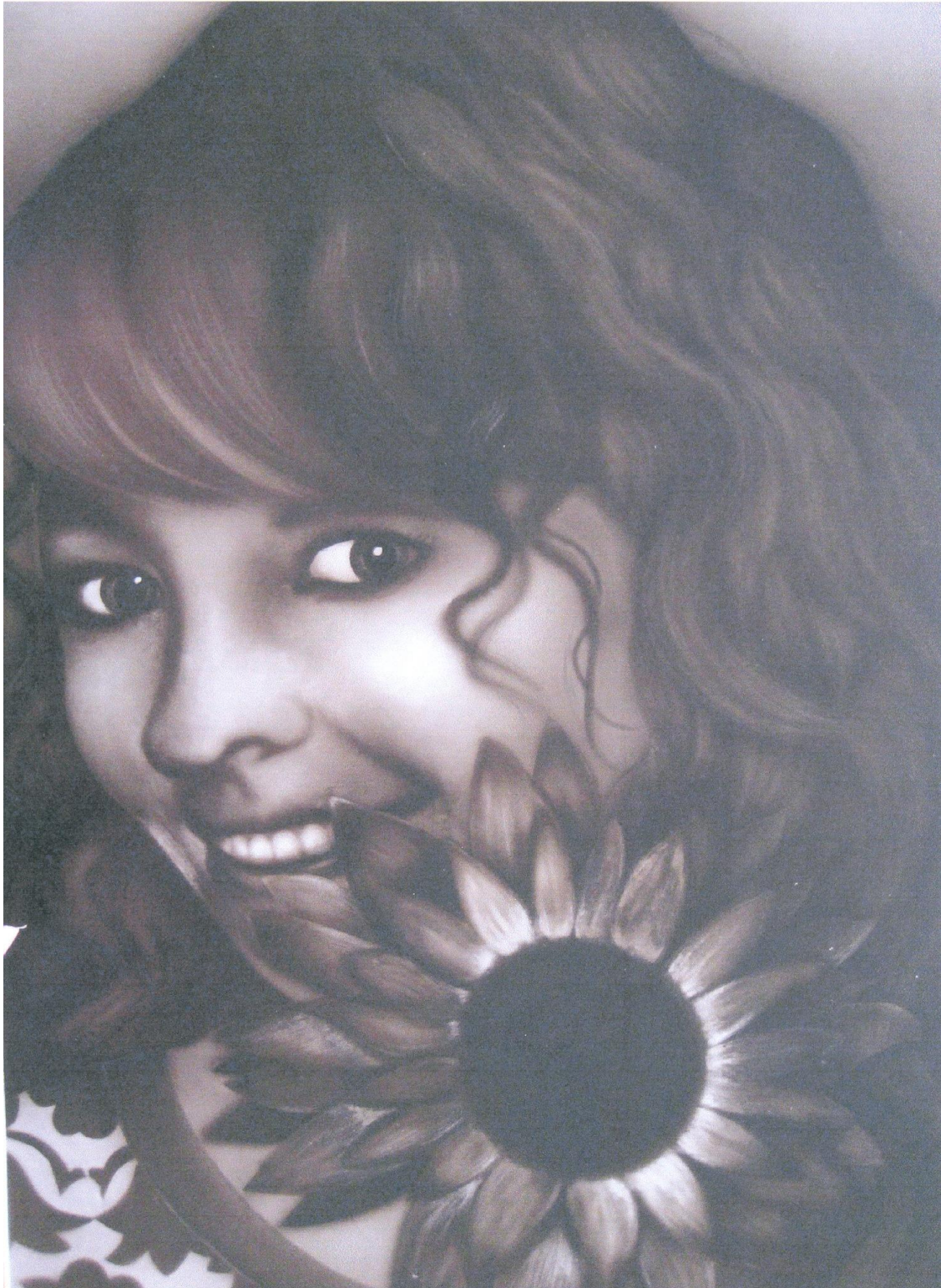
	<u>Pages</u>
Introductory Section	1
Vision, Mission, and Goals	3
Board of Education of Harford County/Superintendent's Staff	4
Administrative Organization Chart	5
Transmittal Letter	6 - 10
Financial Section	11
Independent Auditor's Report	13 - 14
Management's Discussion and Analysis	15 - 26
<u>Basic Financial Statements</u>	
Government Wide Financial Statements:	
Statement of Net Assets	Exhibit 1 27
Statement of Activities	Exhibit 2 28
Fund Financial Statements:	
Balance Sheet – Governmental Funds	Exhibit 3 29
Reconciliation of Governmental Funds Balance Sheet with Statement of Net Assets	Exhibit 4 30
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds	Exhibit 5 31
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 6 32
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	Exhibit 7 33
Statement of Fiduciary Net Assets	Exhibit 8 34
Statement of Changes in Fiduciary Net Assets	Exhibit 9 35
Notes to Financial Statements	37 – 53
<u>Required Supplemental Information</u>	54
Schedule of Funding Progress	55

Harford County Public Schools

Table of Contents – Continued

<u>Other Supplemental Information</u>		57
<u>Food Service Fund (Special Revenue Fund)</u>		
Statement of Revenues, Expenditures, and Changes in Fund Balance Compared to Budget (Non-GAAP Basis)	Schedule A	58
<u>School Construction Fund (Capital Projects Fund)</u>		
Statement of Expenditures by Project	Schedule B	59
<u>School Funds (Agency Fund)</u>		
Statement of Increases, Decreases, and Fund Balances	Schedule C	60 - 61
Combining Statement of Fiduciary Net Assets		
– Agency Funds	Schedule D	62
Combining Statement of Changes in Assets and Liabilities		
– Agency Funds	Schedule E	63
Statistical Section		65
Net Assets by Component	Table 1	66
Changes in Net Assets	Table 2	67
Fund Balances of Governmental Funds	Table 3	68
Changes in Fund Balances of Governmental Funds	Table 4	69
Enrollment by School	Table 5	70
Enrollment by Grade	Table 6	71
Other Data	Table 7	72
Student Academic Performance	Table 8	73
Insurance Summary	Table 9	74
Facilities Information	Table 10	75
Compliance Section		77
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		78

Introductory Section



Audrey Lawrence, Bel AirHigh School, Grade 12



Zach Cannon, Forest Lakes Elementary School, Grade 4

Harford County Public Schools

where



Vision

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

Mission

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

Goals

- Every student graduates ready to succeed.
- Every student achieves personal and academic growth.
- Every student connects with great employees.
- Every student benefits from accountable adults.
- Every student feels comfortable going to school.

Board of Education of Harford County

The members of the Board as of June 30, 2008, their represented areas, and the year of expiration of their terms are as follows.

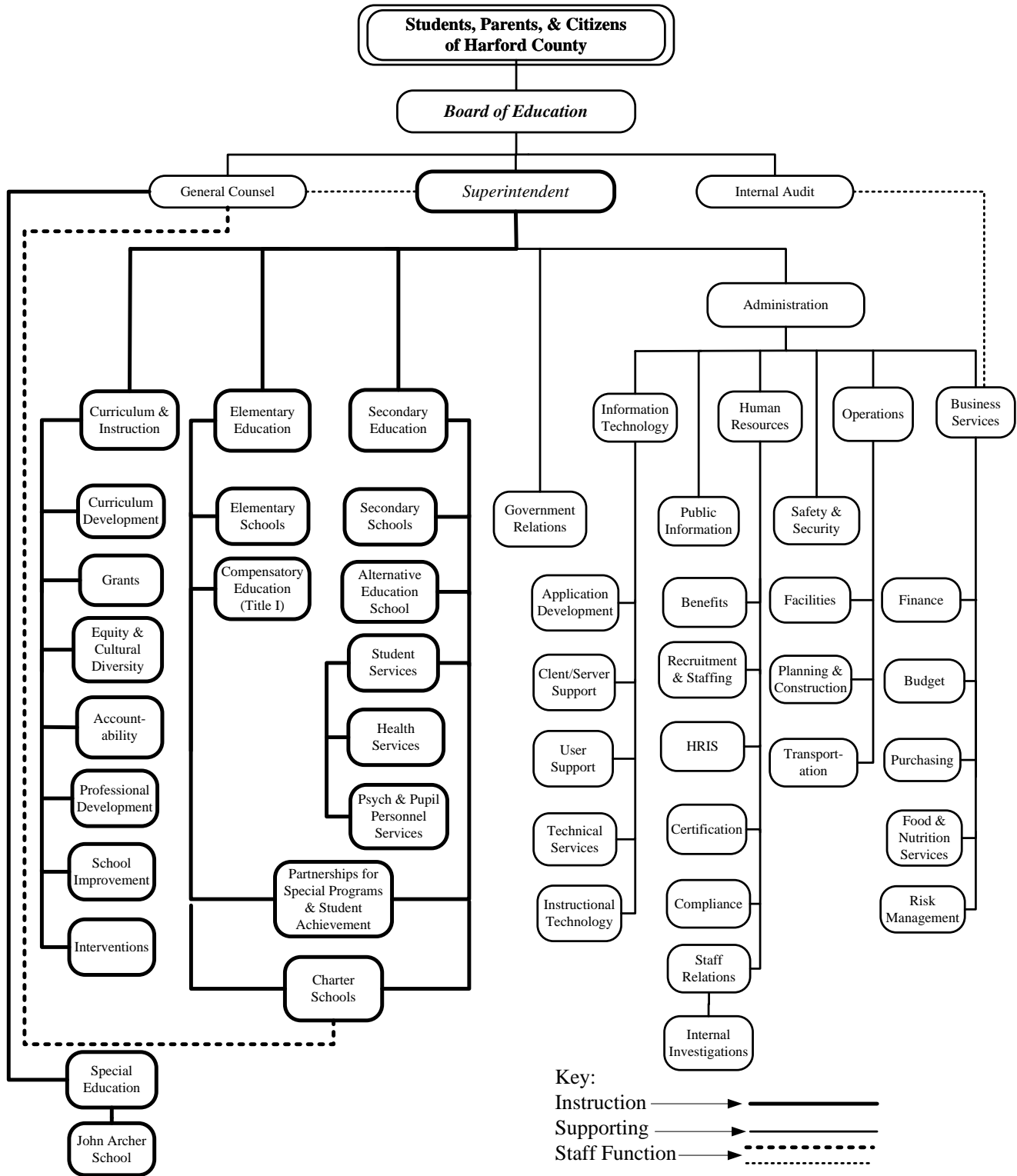
<u>Title</u>	<u>Name</u>	<u>Area</u>	<u>Term Ends</u>
President	Thomas L. Fidler, Jr.	Bel Air	2008
Vice-president	Salina M. Williams	Aberdeen	2008
Other members	Mark M. Wolkow	Abingdon/Edgewood	2008
	Ruth R. Rich	North Harford	2008
	Patrick L. Hess	Fallston	2008
	Lee Merrell	Havre de Grace	2009
	John L. Smilko	Joppa	2010
Student member	Chase Jackson		2008

Harford County Public Schools Superintendent's Staff

Dr. Jacqueline C. Haas	Superintendent
Mr. Joseph P. Licata	Chief Administrative Officer
Vacant	Assistant Superintendent of Operations
Mr. John M. Markowski	Chief Financial Officer
Mr. H. Andrew Moore	Director of Information and Technology Services
Mr. Donald R. Morrison	Director of Public Information
Mr. Jonathan D. O'Neal	Assistant Superintendent of Human Resources
Dr. Gerald E. Scarborough	Assistant Superintendent for Curriculum & Instruction
Mrs. Patricia L. Skebek	Executive Director of Elementary Education
Mr. Patrick P. Spicer	General Counsel
Mr. David A. Volrath	Executive Director of Secondary Education

Harford County Public Schools

Organization at July 1, 2008





Harford County Public Schools

102 S. Hickory Avenue ♦ Bel Air, MD 21014 410-838-7300 Fax 410-893-2478

Jacqueline C. Haas, Ed.D., Superintendent of Schools

September 30, 2008

Members of the Board of Education:

The Public School Laws of the State of Maryland require school districts publish within three months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2008.

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

Clifton Gunderson LLP, a firm of licensed certified public accountants, have issued an unqualified (“clean”) opinion on HCPS financial statements for the fiscal year ended June 30, 2008. The independent auditor’s report is located at the front of the financial section of this report.

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

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

Profile of the Government

Harford County Public Schools is a fiscally dependent school system comprised of 54 schools with an actual full time equivalent (FTE) enrollment of 39,175 in fiscal year 2008 (FY08) and a projected FTE enrollment of 39,135 in fiscal year 2009 (FY09). HCPS is the 127th largest school system of the 17,512 regular school districts in the country when ranked by enrollment. This places the system in the top one percent (1%) of school districts by size. The student body was served by 5,182 faculty and staff positions for FY07.

Harford County Public Schools

Of the 54 schools in the system, 32 are elementary schools, nine are middle schools, nine are high schools, one special education school, one technical high school, one alternative education school, and one charter school. A wide array of programs are offered to all students to assist in raising academic achievement, such as early reading and SAT preparation, to competitive athletics and the arts.

For the last year data is available, FY06, HCPS' per pupil expenditures were \$9,104, ranking it 23rd of the 24 school districts in the state. Despite this, by most measures of student achievement HCPS consistently ranks among the top performing school districts in Maryland.

Local economy

Harford County is located in northeastern Maryland, which ranks as one of the top growth areas in the country. Since 1998 the population has increased 14.4 percent to 244,130 as of June 30, 2007, which triggered significant construction activity and growth in the tax base. During the period, enrollment in the school system has grown by only 1.6 percent. Private schools in the County have grown from 35 to 41 during the same period of time, a 17% growth, and presumed to absorb much of the student population increase.

County adequate public facilities (APF) legislation limits growth in areas with public schools that are over capacity. Exempted from APF legislation is 'over 55 communities' which are presumed not to have school age children. These developments are increasing in number spurring population increases while not contributing to student population growth.

It is anticipated that the impact of the federal Base Realignment and Closure (BRAC) legislation effectively moving operations from Ft. Monmouth, NJ to Aberdeen Proving Ground (APG) in Harford County will spur population and tax base growth. Legislated to be complete by 2011, it remains difficult to project the final impact on the County and the school district but the estimates are for a population growth in excess of 10%. Initiatives are underway at the state and County levels to assess and improve the infrastructure to support this change.

The State of Maryland property assessment process, which has a three year reassessment cycle, make the results of the recent downturn in the housing and mortgage markets difficult to assess. Further, the State of Maryland unemployment rate in fiscal year 2007 averaged 3.9 percent. The County experienced a slightly lower rate of unemployment, 3.7 percent. In addition to steady population growth and low unemployment the County is also seeing a rise in median household income. According to the 2000 census, the median household income for the County was \$57,250 in 1999. It is estimated the median income in 2006 reached \$74,600, exceeding the estimated median household income of \$66,600 for the State of Maryland. The State of Maryland ranks first in the nation in median household income.

Long-term financial planning

In 2002 the state legislature enacted the Bridge to Excellence in Public Schools Act. This law initiated major changes in the state financing of local schools in an effort to achieve both funding equity and adequacy between Maryland's 24 school districts. The law achieved its promise of an

Harford County Public Schools

increase in state funding to public education of \$1.3 billion over six years. However, the governor of Maryland convened a special session of the Maryland general assembly in October 2007 to reduce the projected \$1.5 billion state structural deficit. During the special session, increases in taxes were approved and planned funding increases for public education were curtailed through FY2011. As a result, increases in State Aid to the Unrestricted Budget will be at a minimum growth of 1% over the next two years.

Relevant financial policies

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

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

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

Major initiatives

Construction is underway for two replacement high school schools (Bel Air High School and Edgewood High School) and planning is in process for two additional elementary school buildings (Red Pump Road Elementary School and the yet to be named school off of Shucks Road). The new elementary schools will necessitate a comprehensive redistricting in the coming years.

Magnet school programs continue to expand. The Science and Math Academy at Aberdeen High School had its first cohort of graduates in 2008. The program provides students with the opportunity to experience challenging coursework in science, mathematics, and technology with an emphasis on research and real world application. Regular contact with practicing scientists and mathematicians is a cornerstone of the program and seniors will complete a capstone project of original research under the mentorship of professionals in their chosen area of investigation.

Harford County Public Schools

The Homeland Security and Emergency Preparedness Magnet Program at Joppatowne High School began at the start of the 2007-08 school year and is unique in the country. It provides students the ability to have access to career pathways in homeland security studies.

The *Global Studies Program (GSP)* at Edgewood High School provides a rigorous course of study for academically able and motivated students starting in the 9th grade, and serves as a preparatory program for the *International Baccalaureate Diploma Programme (IB)* in grades 11 and 12. It will begin at the start of the 2008-09 school year. A Natural Resources and Agriculture Sciences magnet is planned for North Harford High School for the 2009-10 school year.

Awards and Acknowledgements

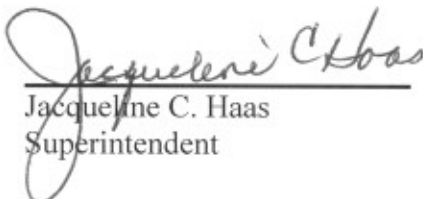
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Harford County Public Schools for its comprehensive annual financial report for the fiscal year ended June 30, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, HCPS also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the Year Beginning July 1, 2007. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

Sincerely,


Jacqueline C. Haas
Superintendent


John M. Markowski
Chief Financial Officer


Jay Staab
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Harford County
Public Schools, Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Chloe S. Cox

President

Jeffrey R. Emer

Executive Director

Financial Section



Amber Gonzalez-Torres, Joppatowne Elementary School, Grade 5



Luke Bullis, Southampton Middle School, Grade 8



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools, a component unit of Harford County, Maryland, as of and for the year ended June 30, 2008, which collectively comprise the Harford County Public Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Harford County Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Harford County Public Schools as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008, on our consideration of the Harford County Public School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Timonium Corporate Center
9515 Deereco Road, Suite 500
Timonium, Maryland 21095
tel: 410.453.0900
fax: 410.453.0914

www.cliftoncpa.com

The Management's Discussion and Analysis on pages 15 – 25 and the Schedule of Funding Progress on page 55 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Harford County Public Schools' basic financial statements. The accompanying food service fund statement of revenues, expenditures and changes in fund balance compared to budget, school construction fund statement of expenditures by project, and Agency funds statement of increases, decreases and fund balances are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Clifton Henderson LLP

Baltimore, Maryland
September 12, 2008

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2008

Our discussion and analysis of Harford County Public Schools' (HCPS) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements.

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

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

Financial Highlights

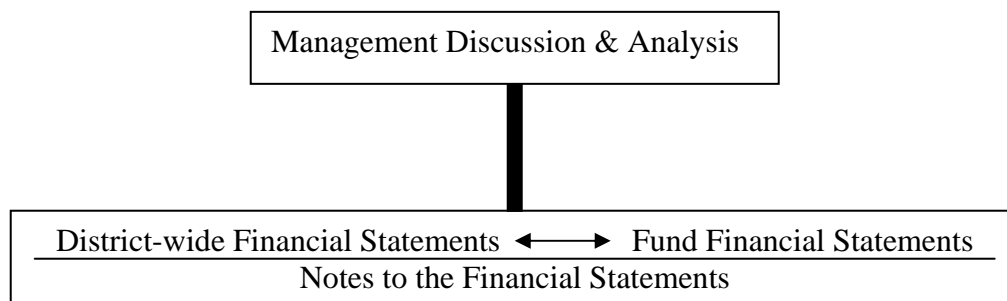
Net assets of the District grew by \$71.0 million during the fiscal year driven by additions in capital assets for the fiscal year.

The unrestricted General Fund budget decreased by \$779,219, or nineteen-hundredths of a percent (0.19%), during the year from the originally adopted budget primarily the result of a change in the State's funding for special education.

The General Fund unrestricted, undesignated fund balance on a budgetary basis decreased from \$4,783,642 to \$3,169,603, a total of \$1,614,039 which was the product of significant designation for fiscal year 2009 (FY09) expenditures and capital transfers.

The unrestricted General Fund actual revenues exceeded the amended budget by \$1,328,135 or thirty-three hundredths of a percent (0.33%), and expenditures were \$4,306,664, or one and six hundredths of a percent (1.06%), under the amended budget.

Basic Financial Statements



The illustration above represents the minimum requirements for the basic external financial statements.

Management's Discussion and Analysis (MD&A)

June 30, 2008

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

The *statement of net assets* presents information on all of the assets and liabilities of the District with the difference between the two reported as *net assets*. The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year.

These statements measure the change in total economic resources during the period utilizing the accrual basis of accounting. This means that any change in net assets is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (like earned but unused employees leave), or for which cash has already been expended (depreciation of buildings and equipment already purchased).

The District-wide perspective is unrelated to budget and accordingly, budget comparisons are not provided.

Fund financial statements. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Harford County Public Schools uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The District's funds are in two categories, governmental funds and fiduciary funds. Harford County Public Schools does not operate any enterprise activities that are reported as proprietary funds.

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

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

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

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

Harford County Public Schools

Management's Discussion and Analysis (MD&A) **June 30, 2008**

This is the legal basis upon which the budget is adopted so budget comparisons are provided. GASB Statement Number 34 requires that we present the original adopted budget as well as the final budget and discuss the changes between them.

	District-wide Statements	Fund Statements	Budgetary Fund Statements
Measurement Focus	Economic Resources	Current Financial Resources	Current Financial Resources
Basis of Accounting	Accrual	Modified Accrual	Cash and Commitments
Budget	No	No	Yes

The table above presents the differences in the presentation of the basic financial statements.

Fiduciary responsibility – Retiree Health Plan Trust, Scholarship, and School Activity Funds (Exhibit 8). The District is the trustee, or fiduciary, for its retiree health plan trust, scholarship, and student activity funds. These funds are reported as separate Agency and Trust Funds. We exclude these activities from Harford County Public Schools' other financial statements because the assets cannot be used to finance the District's activities. We are responsible for ensuring that the assets reported in these Funds are used for their intended purposes.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information immediately following the notes to the financial statements.

District-wide Financial Analysis

Net assets may serve over time as a useful indicator of a district's financial position. In the case of HCPS, assets exceeded liabilities by \$373 million at the close of the fiscal year.

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

Harford County Public Schools

Management's Discussion and Analysis (MD&A) June 30, 2008

	June 30, 2008	June 30, 2007	\$ Change	% Change
Current and other assets	\$ 55,372,618	\$ 48,679,121	\$ 6,693,497	13.75%
Capital assets	390,113,163	308,739,858	81,373,305	26.36%
Total assets	<u>445,485,781</u>	<u>357,418,979</u>	<u>88,066,802</u>	<u>24.64%</u>
Current and other liabilities	26,038,445	18,758,222	7,280,223	38.81%
Long-term liabilities	46,210,777	36,504,234	9,706,543	26.59%
Total liabilities	<u>72,249,222</u>	<u>55,262,456</u>	<u>16,986,766</u>	<u>30.74%</u>
Net assets				
Capital assets	379,248,748	297,606,014	81,642,734	27.43%
Restricted assets	10,528,035	2,723,900	7,804,135	286.51%
Unrestricted	(16,540,224)	1,826,609	(18,366,833)	-1005.52%
Total net assets	<u>\$ 373,236,559</u>	<u>\$ 302,156,523</u>	<u>\$ 71,080,036</u>	<u>23.52%</u>

The District's net assets increased by over \$71 million during the fiscal year ending June 30, 2008, as illustrated in the above table and Exhibit 2. The growth is attributed to increased capital assets and the results of operations for the year.

The unrestricted deficit at June 30, 2008 of \$16.5 million is the result of reducing the fund balance from the General Fund (Exhibit 3) of \$19.1 million with the compensated absences long-term liabilities of \$27.1 million and \$8.5 million for other post-employment benefits. We are committed by employee agreements to pay employees at retirement twenty-five percent (25%) of their earned but unused sick leave. For administrators the limit is 250 days, all others are up to 200 days, plus any earned and unused vacation. The long-term portion is the amount we expect to pay beyond June 30, 2009. Slightly over \$23 million is attributed to sick leave and \$4.1 million to vacation leave liabilities. Historically this liability was funded on a "pay as you go" basis from available current financial resources. This method is expected to continue. The remaining \$10.6 million long-term liability balance represents our obligations under the capital lease for the construction of a new administration building.

Results of operations for the District as a whole are presented in Exhibit 2, the Statement of Activities. Approximately \$502 million in expenses are reported. To the extent possible revenue directly attributed to the function or program is reported against the appropriate expense. Included in such revenues are charges for services and grants. \$287.8 million in expenses were paid using other general revenue sources not specifically attributed to a function or program.

The Food Service program is designed to be self-funded. Allocation of depreciation expense produced a net cost of service for this program.

Harford County Public Schools

Management's Discussion and Analysis (MD&A) June 30, 2008

	Total Cost of Services	Net Cost of Services	% Net Cost to Total
Instruction	\$ 346,875,432	\$ 178,060,568	\$ 61.88%
Pupil personnel	2,198,027	2,084,540	0.72%
Health services	4,739,450	4,737,990	1.65%
Pupil transportation	31,196,815	19,793,867	6.88%
Operation and maintenance of plant	50,832,342	36,792,646	12.79%
Food services	14,179,358	407,110	0.14%
All others	51,593,427	45,886,836	15.94%
Total	\$ <u>501,614,851</u>	\$ <u>287,763,557</u>	\$ <u>100.00%</u>

Above is a table summarizing the district-wide cost of services for each program or function. About 84% of the net costs of services are directly related to students' instruction and welfare. Of the remaining 16%, all but about 4.5% is used for the direct administration of schools and instructional support. It is important to note that in this report format, costs for employee benefits and depreciation on fixed assets are allocated to the appropriate program or function.

District revenues increased by 19% from the prior year, as shown on the table below. This increase is attributable to local, state aid, and grants (particularly capital) increases. The District is fiscally dependent on local and state aid to fund its daily operations. State aid is largely formula driven based on student population and wealth. Local revenue, provided by the Harford County Government, is dependent upon the economic condition of the County. However, the education statute requires a minimum level of funding equal to the prior year's per pupil contribution times the current year projected enrollment. Most the operating and capital grant funding is from the State and County governments as well.

Expenses grew at 13.2%. The bulk of the growth, in terms of dollars, occurred in the instruction category reflecting continued wage and benefit cost increases and the addition of new teaching positions in the district. Other large dollar increases in pupil transportation and operation of plant reflect the continued escalation of energy costs.

Harford County Public Schools

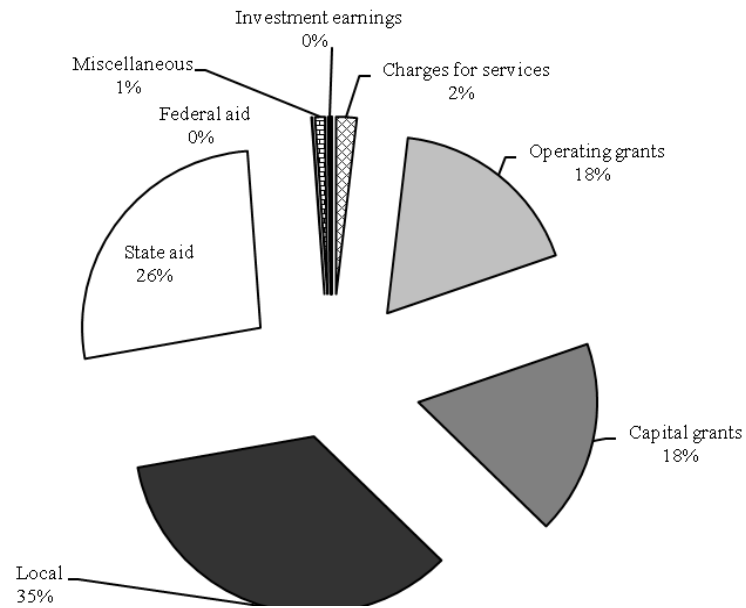
Management's Discussion and Analysis (MD&A) June 30, 2008

Changes in Net Assets

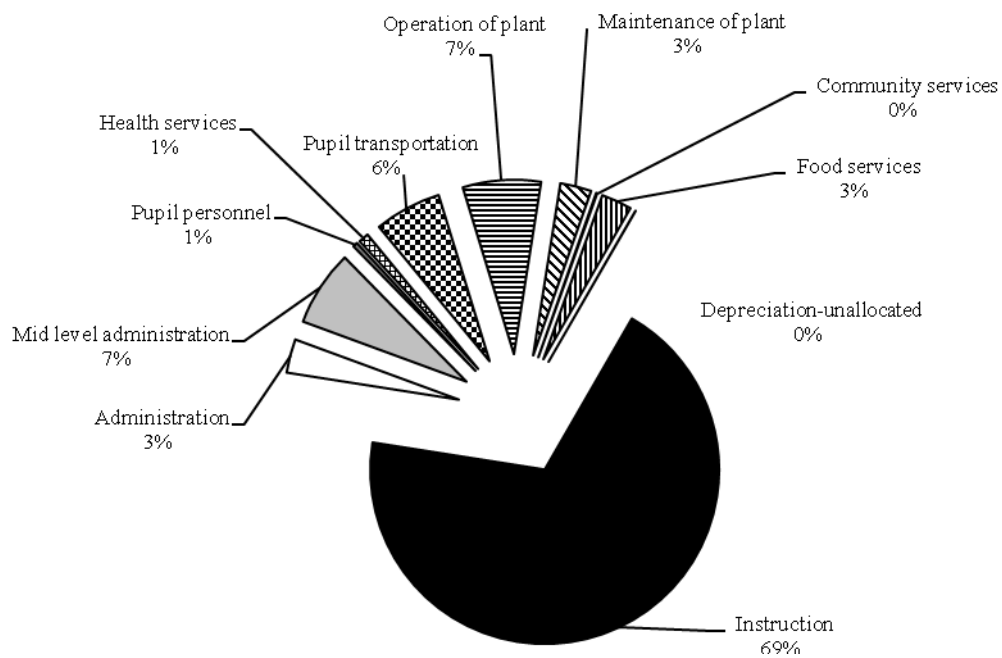
	June 30, 2008	June 30, 2007	\$ Change	% Change
Revenues				
Program revenues				
Charges for services	\$ 10,565,941	\$ 10,098,620	\$ 467,321	4.63%
Operating grants	102,131,937	89,364,415	12,767,522	14.29%
Capital grants	101,153,416	47,942,836	53,210,580	110.99%
Local	199,614,800	189,414,800	10,200,000	5.39%
State aid	152,542,286	138,061,297	14,480,989	10.49%
Federal aid	339,805	442,908	(103,103)	-23.28%
Miscellaneous	5,083,332	4,524,535	558,797	12.35%
Investment earnings	1,263,370	1,370,562	(107,192)	-7.82%
Total revenues	<u>572,694,887</u>	<u>481,219,973</u>	<u>91,474,914</u>	<u>19.01%</u>
Expenses				
Instruction	346,875,432	307,924,491	38,950,941	12.65%
Administration	15,647,056	14,041,317	1,605,739	11.44%
Mid level administration	35,357,871	31,195,404	4,162,467	13.34%
Pupil personnel	2,198,027	1,948,433	249,594	12.81%
Health services	4,739,450	4,106,162	633,288	15.42%
Pupil transportation	31,196,815	25,715,780	5,481,035	21.31%
Operation of plant	36,304,436	31,281,551	5,022,885	16.06%
Maintenance of plant	14,527,906	12,741,892	1,786,014	14.02%
Community services	499,229	498,039	1,190	0.24%
Food services	14,179,358	13,518,632	660,726	4.89%
Depreciation-unallocated	89,271	93,704	(4,433)	-4.73%
Total expenses	<u>501,614,851</u>	<u>443,065,405</u>	<u>58,549,446</u>	<u>13.21%</u>
Increase (decrease) in net assets	<u>\$ 71,080,036</u>	<u>\$ 38,154,568</u>	<u>\$ 32,925,468</u>	<u>86.29%</u>

Management's Discussion and Analysis (MD&A)
June 30, 2008

Source of Revenues FYE June 30, 2008



Expenses FYE June 30, 2008



Harford County Public Schools

Management's Discussion and Analysis (MD&A) *June 30, 2008*

Fund Performance

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

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

General Fund - Unrestricted (Exhibit 7)

Below is an explanatory list of changes made to the original budget during the fiscal year.

Changes:

State Aid Special Education Reduction	(1,054,956)
OPEB Trust Funding	275,737
Total changes	<u><u>(779,219)</u></u>

A schedule of changes between the original and final budgets for the year ending June 30, 2008 support the list presented above.

- The reduction in State Aid for Special Education revenue was the result of a rule change requiring a match of local funds to the federal medical assistance grant and was funded by reductions to various accounts throughout the budget excluding Special Education accounts.
- OPEB Trust Funding was an appropriation of prior years' Medicare Part D reimbursements from the federal government and unused employee contributions to the Harford County Public Schools flexible spending plan established under section 125 of the Internal Revenue Code. This funding is consistent with the Boards policy of identifying funding for OPEB to the extent possible. FY08 was the first year OPEB was reported and funds were invested.

Harford County Public Schools

Management's Discussion and Analysis (MD&A) June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Change</u>
REVENUE					
Local	\$ 199,614,800	\$ 199,614,800	\$ -	\$ -	\$ -
State	201,611,672	200,556,716	-	1,054,956	(1,054,956)
Federal	286,000	286,000	-	-	-
Earnings on investments	475,000	475,000	-	-	-
Other Sources	1,966,251	2,168,479	202,228	-	202,228
Prior year's fund balance	<u>1,840,030</u>	<u>1,913,539</u>	<u>73,509</u>	<u>-</u>	<u>73,509</u>
Total revenues	\$ <u>405,793,753</u>	\$ <u>405,014,534</u>	\$ <u>275,737</u>	\$ <u>1,054,956</u>	\$ <u>(779,219)</u>
EXPENDITURES					
Administration	\$ 11,476,652	\$ 11,207,599	\$ -	\$ 269,053	\$ (269,053)
Mid-Level Administration	25,693,696	25,470,234	-	223,462	(223,462)
Instructional Salaries	168,686,785	168,296,729	-	390,056	(390,056)
Textbooks	9,314,615	9,356,373	41,758	-	41,758
Other Instructional Costs	2,626,090	2,623,658	-	2,432	(2,432)
Special Education	35,798,756	35,789,846	-	8,910	(8,910)
Student Personnel Services	1,638,368	1,635,440	-	2,928	(2,928)
Student Health Services	3,380,982	3,375,229	-	5,753	(5,753)
Student Transportation	26,313,602	27,149,740	836,138	-	836,138
Operation of Plant	28,459,175	29,011,749	552,574	-	552,574
Maintenance of Plant	11,896,537	11,826,448	-	70,089	(70,089)
Fixed Charges	79,644,701	78,409,666	-	1,235,035	(1,235,035)
Community Services	518,356	517,394	-	962	(962)
Capital Outlay	<u>345,438</u>	<u>344,429</u>	<u>-</u>	<u>1,009</u>	<u>(1,009)</u>
Total expenditures	\$ <u>405,793,753</u>	\$ <u>405,014,534</u>	\$ <u>1,430,470</u>	\$ <u>2,209,689</u>	\$ <u>(779,219)</u>

It is critical for the reader to understand that local and state revenues account for 99% of the total General Fund unrestricted revenue. Both are stable and highly predictable.

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

At June 30, 2008 the District had over \$500 million invested in a broad range of capital assets including land (over 1,922 acres), buildings (over 5.7 million square feet) and improvements, furniture, vehicles and other equipment. Capital assets increased by over \$89 million from the same time last year, excluding the effect of depreciation, as shown in the table below. This increase is primarily attributed to the near completion of Patterson Mill Middle/High School and North Harford High School. North Harford was a significant renovation project which housed students over its four year construction period. Patterson Mill Middle/High School is new construction and welcomed its first students in August 2008. Significant progress was also made on the construction of the replacement Bel Air High School, scheduled to receive students in

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2008

August 2009, and the commencement of construction of the replacement Edgewood High School due to open one year later.

	June 30, 2008	June 30, 2007	\$ Change	% Change
Construction in progress	\$ 179,170,272	\$ 96,655,840	\$ 82,514,432	85.37%
School properties	296,676,112	293,381,203	3,294,909	1.12%
Furniture, fixtures and equipment	24,524,266	20,863,316	3,660,950	17.55%
Total capital assets	<u>\$ 500,370,650</u>	<u>\$ 410,900,359</u>	<u>\$ 89,470,291</u>	<u>21.77%</u>

School Districts in Maryland are in the uncommon position of owning assets but not the debt associated with those facilities as they are fully fiscally dependent on the state and county governments,. Accordingly, the District carries no bond rating and has no debt policy.

Future Issues

Significant legislation by the federal and state governments has impacted public education in Maryland. The federal "No Child Left Behind" act requires that the all students meet standards and that each school and sub-group of students show adequate yearly progress. In addition it requires that teachers be highly qualified in their content areas.

Maryland enacted the "Bridge to Excellence" statute which requires that each school district adopt a master plan. This plan is to be reviewed by the County governments, and then submitted to the Maryland State Department of Education for approval. A component of the plan is the fiscal impact of each new initiative contained in the plan.

In FY07 Harford County's first Charter School opened. Housed in the Center for Educational Opportunity and sharing that space with our Alternative Education School and Professional Development Center, the Charter School opened with 30 students and has expanded to 75 students since then. Per pupil funding for Charter Schools in Maryland has been litigated in matters relating to in-kind services provided by the local school district such as special education, student health, and transportation services. In this matter the court held that the value of in-kind services may not be withheld from payments to charter schools. The district may subsequently bill the charter schools for those services. Another charter school application is pending for a 400 student elementary school.

Harford County Public Schools continue to cope with overcrowding in, and age of, many of the secondary schools. In addition, many of the buildings are in need of renovation. Funding for capital projects is jointly shared by the State and County. Traditionally, projects receive preliminary approval from the State. Both Bel Air High School and Edgewood High School replacements are under construction. Design work for Red Pump Elementary School is underway. A design concept for a new, yet to be named, elementary school on Schucks Road is expected to be developed in the 2008-09 school year.

Management's Discussion and Analysis (MD&A)

June 30, 2008

Exacerbating the facilities issues is the anticipation of the expansion of the mission of Aberdeen Proving Ground (APG), the County's largest employer. Congress approved in its Base Realignment and Closure (BRAC) legislation closing the facility in Fort Monmouth, NJ and relocating it to APG. Numerous studies are in progress to determine what impact that may have on the region surrounding APG focusing on infrastructure, housing, and schools. The move is to be completed by 2011.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as *other postemployment benefits*, or *OPEB*.

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

The continuing escalation and unpredictability of energy costs remains a vexing problem for this, and all other districts. By action of the Board a \$1 million designation of fund balance was set aside for future energy costs to offset whatever future unanticipated costs will arise.

Contacting Harford County Public Schools' Financial Management

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

If you have questions about this report or wish to request additional financial information, contact John M. Markowski, Chief Financial Officer, (410) 588-5243, or Jay G. Staab, Finance Director, (410) 588-5237, at Harford County Public Schools, 102 South Hickory Avenue, Bel Air, Maryland 21014



Mike Newberry, North Harford High School, Grade 11

Harford County Public Schools

STATEMENT OF NET ASSETS
JUNE 30, 2008
Governmental Activities
ASSETS

Cash and cash equivalents	\$ 681
Investments	21,272,293
Due from other units of government	26,339,023
Other receivables	7,092,110
Inventory	668,511
Capital assets:	
Construction in progress	179,170,272
School properties	296,676,112
Furniture, fixtures and equipment	24,524,266
Less: accumulated depreciation	<u>(110,257,487)</u>
Total capital assets, net of depreciation	<u>390,113,163</u>
Total assets	<u>445,485,781</u>

LIABILITIES

Accounts payable	18,982,217
Cash overdraft	2,396,884
Accrued salaries and wages	2,049,146
Payroll taxes payable	312,572
Unearned revenue	231,690
Noncurrent liabilities:	
Due within one year	2,065,936
Due in more than one year	<u>46,210,777</u>
Total liabilities	<u>72,249,222</u>

NET ASSETS

Invested in capital assets net of related debt under capital lease	379,248,748
Restricted for:	
Food services	2,456,281
Capital Projects	8,071,754
Unrestricted	<u>(16,540,224)</u>
Total net assets	<u>\$ 373,236,559</u>

The accompanying notes are an integral part of these financial statements.

Harford County Public Schools

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular education	\$ 277,211,820	\$ 1,730,056	\$ 49,363,332	\$ 85,285,564	\$ (140,832,868)
Special education	69,663,612	-	32,435,912	-	(37,227,700)
Total Instruction	<u>346,875,432</u>	<u>1,730,056</u>	<u>81,799,244</u>	<u>85,285,564</u>	<u>(178,060,568)</u>
Support services					
Administration	15,647,056	-	1,060,432	1,575,718	(13,010,906)
Mid level administration	35,357,871	-	2,577,108	-	(32,780,763)
Pupil personnel services	2,198,027	-	113,487	-	(2,084,540)
Health services	4,739,450	-	1,460	-	(4,737,990)
Pupil transportation	31,196,815	-	10,540,648	862,300	(19,793,867)
Operation of plant	36,304,436	-	-	549,670	(35,754,766)
Maintenance of plant and equipment	14,527,906	-	609,862	12,880,164	(1,037,880)
Community services	499,229	487,513	5,820	-	(5,896)
Food services	14,179,358	8,348,372	5,423,876	-	(407,110)
Depreciation - unallocated	89,271	-	-	-	(89,271)
Total Support Services	<u>154,739,419</u>	<u>8,835,885</u>	<u>20,332,693</u>	<u>15,867,852</u>	<u>(109,702,989)</u>
Total governmental activities	<u>\$ 501,614,851</u>	<u>\$ 10,565,941</u>	<u>\$ 102,131,937</u>	<u>\$ 101,153,416</u>	(287,763,557)
General revenues:					
Local appropriations					199,614,800
State Aid - unrestricted					152,542,286
Federal Aid - unrestricted					339,805
Miscellaneous					5,083,332
Unrestricted investment earnings					1,263,370
Total general revenues					<u>358,843,593</u>
Change in net assets					71,080,036
Net assets - beginning of year					<u>302,156,523</u>
Net assets - end of year					<u>\$ 373,236,559</u>

The accompanying notes are an integral part of these financial statements.

Harford County Public Schools
**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Current Expense (General)	Food Services (Special Revenue)	School Construction (Capital Projects)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 681	\$ -	\$ 681
Investments	17,942,443	3,329,850	-	21,272,293
Due from other units of government	2,202,779	207,965	23,928,279	26,339,023
Other receivables	6,936,281	-	155,829	7,092,110
Due from other funds	1,249,215	-	1,306,621	2,555,836
Inventory	360,655	307,856	-	668,511
Total assets	\$ 28,691,373	\$ 3,846,352	\$ 25,390,729	\$ 57,928,454
LIABILITIES				
Accounts payable	1,621,063	140,856	17,220,298	18,982,217
Cash overdraft	2,396,884	-	-	2,396,884
Accrued salaries and wages	2,049,146	-	-	2,049,146
Payroll taxes payable	312,572	-	-	312,572
Due to other funds	1,306,621	1,249,215	-	2,555,836
Unearned revenue	133,013	-	98,677	231,690
Compensated absences payable	1,783,091	-	-	1,783,091
Total liabilities	9,602,390	1,390,071	17,318,975	28,311,436
FUND BALANCES				
Reserved for encumbrances	2,937,427	16,897	64,375,806	67,330,130
Reserved for inventory - U.S.D.A.	-	121,747	-	121,747
Unreserved:				-
Designated	7,456,566	150,000	-	7,606,566
Undesignated	8,694,990	2,167,637	(56,304,052)	(45,441,425)
Total fund balances	19,088,983	2,456,281	8,071,754	29,617,018
Total liabilities and fund balances	\$ 28,691,373	\$ 3,846,352	\$ 25,390,729	\$ 57,928,454

The accompanying notes are an integral part of these financial statements.

Harford County Public Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2008

Total fund balances - governmental funds (Exhibit 3)	\$ 29,617,018
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$500,370,650 and the accumulated depreciation is \$110,257,487.	390,113,163
Long-term liabilities are not due and payable from current resources and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of compensated absences payable (\$27,139,392), an obligation under capital lease (\$10,864,415) and Net OPEB Obligation (\$8,489,815).	<u>(46,493,622)</u>
Total net assets - governmental activities (Exhibit 1)	<u>\$ 373,236,559</u>

The accompanying notes are an integral part of these financial statements.

Harford County Public Schools
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General Fund	Food Services Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
<u>Intergovernmental Revenues</u>				
Local sources	\$ 199,614,800	\$ -	\$ 79,119,796	\$ 278,734,596
State sources	224,369,781	320,785	20,625,823	245,316,389
Special state and federal programs	24,880,566	-	-	24,880,566
Federal sources	339,805	5,017,856	-	5,357,661
Earnings on investments	1,263,370	84,534	-	1,347,904
Charges for services	-	8,348,372	-	8,348,372
Miscellaneous revenues	7,300,901	701	1,407,797	8,709,399
Total revenues	<u>457,769,223</u>	<u>13,772,248</u>	<u>101,153,416</u>	<u>572,694,887</u>
Expenditures				
<u>Current</u>				
Administrative services	10,732,307	-	-	10,732,307
Mid level administrative services	25,282,077	-	-	25,282,077
Instructional salaries	167,938,023	-	-	167,938,023
Instructional textbooks and supplies	9,961,562	-	-	9,961,562
Other instructional costs	2,847,800	-	-	2,847,800
Special education	35,781,709	-	-	35,781,709
Student personnel services	1,621,013	-	-	1,621,013
Health services	3,221,614	-	-	3,221,614
Pupil transportation services	26,888,948	-	-	26,888,948
Operation of plant	28,858,734	-	-	28,858,734
Maintenance of plant and equipment	11,269,052	-	-	11,269,052
Fixed charges	112,856,056	-	-	112,856,056
Community services	450,417	-	-	450,417
Special state and federal programs	24,880,566	-	-	24,880,566
Costs of operation - food services	-	13,976,637	-	13,976,637
Capital outlay	521,605	-	96,141,847	96,663,452
Total expenditures	<u>463,111,483</u>	<u>13,976,637</u>	<u>96,141,847</u>	<u>573,229,967</u>
Excess (deficit) of revenues over expenditures	(5,342,260)	(204,389)	5,011,569	(535,080)
Other Financing Sources (Uses)				
Capital lease	-	-	-	-
Transfers	(3,035,185)	-	3,035,185	-
Net change in fund balances	(8,377,445)	(204,389)	8,046,754	(535,080)
Fund balances - beginning of year	27,466,428	2,698,900	25,000	30,190,328
Decrease in reserve for inventory - U.S.D.A.	-	(38,230)	-	(38,230)
Fund balances - end of year	<u>\$ 19,088,983</u>	<u>\$ 2,456,281</u>	<u>\$ 8,071,754</u>	<u>\$ 29,617,018</u>

The accompanying notes are an integral part of these financial statements.

Harford County Public Schools

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
FOR THE YEAR ENDED JUNE 30, 2008

Total net change in fund balances - governmental funds (Exhibit 5)	\$ (535,080)
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$90,044,166) exceeds depreciation expense (\$ 8,670,082) and loss on disposal of assets (\$779).	81,373,305
Capital lease provides current financial resources to government funds but increases long-term liabilities in the statement of net assets. Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, the net effect of capital lease borrowing and repayment was \$269,429.	269,429
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year) This year, vacation and sick leave earned exceeded the amounts used by \$1,499,573.	(1,499,573)
OPEB costs reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(8,489,815)
In the statement of activities, all inventories are charged to expense as goods are used in operations (the consumption method). However, in the government funds, the value of U.S.D.A. commodities is recorded as an expenditure at the time the inventory is acquired (the purchase method) and reflected as a reservation of fund balance. The decrease in the amount of fund balance reserved for inventory during the year was \$38,230	(38,230)
Change in net assets of governmental activities (Exhibit 2)	\$ 71,080,036

The accompanying notes are an integral part of these financial statements.

Harford County Public Schools

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
JUNE 30, 2008**

	Unrestricted				Restricted			
	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues								
<u>Intergovernmental Revenues</u>								
Local	\$ 199,614,800	\$ 199,614,800	\$ 199,614,800	\$ -	\$ -	\$ -	\$ -	\$ -
State	201,611,672	200,556,716	200,499,048	(57,668)	-	-	-	-
Federal	286,000	286,000	339,805	53,805	-	-	-	-
Special state and federal	-	-	-	-	23,511,125	26,731,891	24,282,059	(2,449,832)
Earnings on investments	475,000	475,000	740,046	265,046	-	-	-	-
Other Sources	1,966,251	2,168,479	3,235,431	1,066,952	-	-	-	-
Fund balance at July 1, 2007 - designated for fiscal year ended June 30, 2008	1,840,030	1,840,030	1,840,030	-	-	-	-	-
Supplemental appropriation of fund balance	-	73,509	73,509	-	-	-	-	-
Total revenues	\$ 405,793,753	\$ 405,014,534	406,342,669	\$ 1,328,135	\$ 23,511,125	\$ 26,731,891	\$ 24,282,059	\$ (2,449,832)
Expenditures								
<u>Current</u>								
Administrative services	\$ 11,476,652	\$ 11,207,599	10,590,567	\$ 617,032	\$ 275,320	\$ 378,796	\$ 340,243	\$ 38,553
Mid-level administration	25,693,696	25,470,234	25,268,203	202,031	506,642	467,168	412,356	54,812
Instructional salaries	168,686,785	168,296,729	167,938,023	358,706	3,808,279	5,343,387	4,408,951	934,436
Instructional textbooks and supplies	9,314,615	9,356,373	9,304,497	51,876	483,706	979,207	929,451	49,756
Other instructional costs	2,626,090	2,623,658	2,602,331	21,327	1,886,577	2,278,050	1,659,495	618,555
Special education	35,798,756	35,789,846	35,777,658	12,188	12,591,316	12,632,023	12,068,750	563,273
Student personnel services	1,638,368	1,635,440	1,606,266	29,174	-	-	-	-
Student health services	3,380,982	3,375,229	3,250,895	124,334	-	-	-	-
Student transportation	26,313,602	27,149,740	26,878,007	271,733	-	14,000	15,556	(1,556)
Operation of plant	28,459,175	29,011,749	28,381,605	630,144	-	83,050	-	83,050
Maintenance of plant	11,896,537	11,826,448	11,208,864	617,584	-	-	-	-
Fixed charges	79,644,701	78,409,666	77,135,127	1,274,539	3,534,241	4,123,385	4,079,432	43,953
Community services	518,356	517,394	450,417	66,977	-	-	-	-
Capital outlay	345,438	344,429	315,410	29,019	425,044	432,825	367,825	65,000
Total expenditures	\$ 405,793,753	\$ 405,014,534	400,707,870	\$ 4,306,664	\$ 23,511,125	\$ 26,731,891	\$ 24,282,059	\$ 2,449,832
Excess of revenues over expenditures			5,634,799					
Transfer to capital projects fund			(3,035,184)					
Excess of revenues over expenditures and transfer			2,599,615					
Total fund balance at July 1, 2007			9,940,093					
Designated fund balance at July 1, 2007 (recognized as revenue above)			(1,840,030)					
Supplemental appropriation of fund balance (recognized as revenue above)			(73,509)					
Total fund balance			10,626,169					
Fund balance at June 30, 2008 - designated for fiscal year 2009			(5,231,400)					
Fund balance at June 30, 2008 - designated for future contingencies			(2,225,166)					
Fund balance at June 30, 2008 - undesignated			\$ 3,169,603					

The accompanying notes are an integral part of these financial statements.

Harford County Public Schools

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

	Retiree Health Plan Trust	Agency Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 12,136,368	\$ 2,629,860	\$ 14,766,228
Total assets	<u>\$ 12,136,368</u>	<u>\$ 2,629,860</u>	<u>\$ 14,766,228</u>
Liabilities			
Scholarship funds payable	\$ -	\$ 86,944	\$ 86,944
School activity funds payable	-	<u>2,542,916</u>	<u>2,542,916</u>
Total liabilities	<u>\$ -</u>	<u>\$ 2,629,860</u>	<u>\$ 2,629,860</u>
Net Assets			
Held in trust for retiree health plan benefits	<u>\$ 12,136,368</u>	<u>\$ -</u>	<u>\$ 12,136,368</u>
Total net assets	<u><u>\$ 12,136,368</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,136,368</u></u>

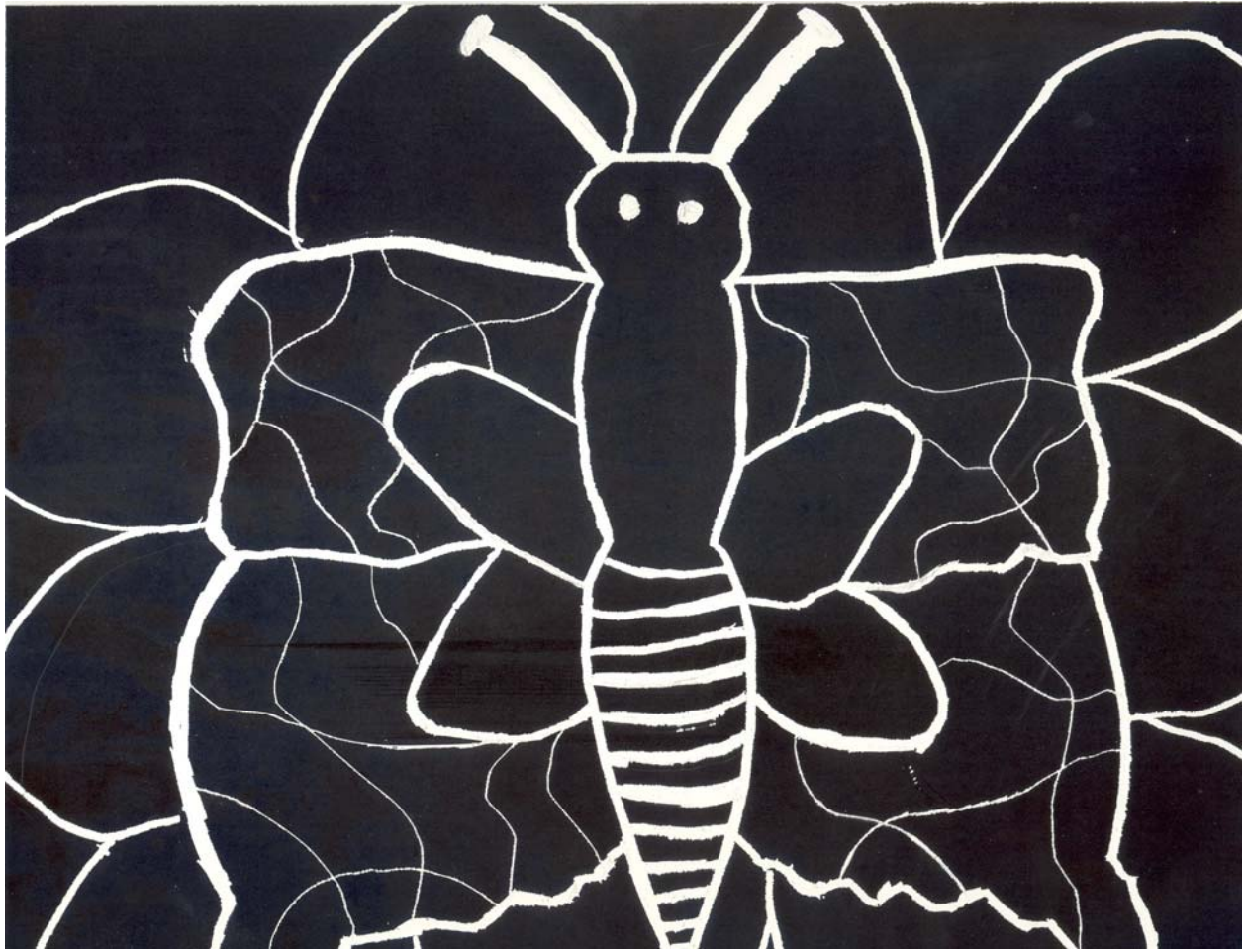
The accompanying notes are an integral part of these financial statements.

Harford County Public Schools

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2008

	Retiree Health Plan Trust
Additions	
Contributions	\$ 12,125,933
Net investment portfolio results	\$ 17,986
Total additions	<u>\$ 12,143,919</u>
Deductions	
Administrative expenses	\$ 7,551
Total deductions	<u>\$ 7,551</u>
Net increase	\$ 12,136,368
Net fiduciary assets at July 1, 2007	<u>\$ -</u>
Net fiduciary assets at June 30, 2008	<u><u>\$ 12,136,368</u></u>

The accompanying notes are an integral part of these financial statements.



Stacey Venanzi, Fountain Green Elementary School, Grade 5

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Education of Harford County (the Board) is a body politic and corporate established by the Public School Laws of Maryland. For financial reporting purposes, the Board (alternatively referred to herein as Harford County Public Schools) is a component unit of Harford County, Maryland by virtue of the County's responsibility for levying taxes 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 Harford County Public Schools conform to generally accepted accounting principles (GAAP) for governmental units. Significant accounting policies employed by the Board are as follows.

Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of Harford County Public Schools as a whole. For the most part, the effect of interfund activity has been removed from these 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. The Board has no internal service funds and internal activity is negligible and has not been eliminated in the Statement of Activities.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Governmental Funds

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

Food Service Fund (Special Revenue Fund) - 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.

School Construction Fund (Capital Projects Fund) - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retiree Health Plan Trust Fund – This new fund was established in the current year to prefund other postemployment benefits (OPEB) that the Board provides to retirees and their dependents of Harford County Public Schools.

Applicability of Accounting Pronouncements

The accounting policies of Harford County Public Schools conform to accounting principles generally accepted in the United States of America. Accordingly, the Board applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the 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.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported as governmental activities in the government wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment are depreciated using the straight-line method over estimated useful lives of 20-50 years for buildings, improvements and infrastructure, and 5-20 years for equipment.

Assets which have been acquired with funds received through federal grants must be used in accordance with the terms of the grant. Federal regulations require, in some cases, that the Board must reimburse the federal government for any assets which the Board retains for its own use after the termination of the grant unless otherwise provided by the grantor.

Budgets and Budgetary Accounting

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

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

The budgetary basis differs from GAAP, which is used for the fund financial statements, in that encumbrances, which represent commitments to purchase goods and services, are treated as expenditures of the current period rather than as reservations of the fund balance. The other principal differences are that under the budgetary basis, certain designations of the prior year's fund balance are treated as revenue of the current period and compensated absences currently payable are not recognized as expenditures until the subsequent fiscal year. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (non-GAAP basis) and Actual-General Fund is presented using the budgetary basis of accounting.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Budget (General Fund)

- 1) In early June, budget questionnaires are distributed to principals and staff members. These questionnaires and supporting documents are due in the office of the Director of Budget at the beginning of October.
- 2) At the regular monthly meetings in October and November, the Board will establish its priorities for the operating budget.
- 3) At the regular monthly meeting in December, the Superintendent of Schools will present the recommended operating budget to the Board and the general public.
- 4) In December, the Board will hold a special meeting for the purpose of providing for a public hearing on the Superintendent's recommended operating budget.
- 5) At the regular monthly meeting in January, the Board will adopt an operating budget and submit the adopted operating budget to the County Executive.
- 6) After approval or adjustment by the County Council, the final operating budget is approved by the Board in June.
- 7) Budgets are normally adopted on a basis consistent with GAAP except for the inclusion of portions of the prior year's fund balance as revenues, the inclusion of encumbrances as expenditures and the exclusion of retirement payments made on the Board's behalf by the State of Maryland as revenues and expenditures. Budget comparisons presented are on a non-GAAP budgetary basis.
- 8) Transfers may be made within the major categories by the Board of Education without the approval of the County Council as budgetary control is at the category level.
- 9) Requests for transfers between major categories must be submitted to the County Council for approval or denial. No action within thirty (30) days of submission constitutes approval.

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

Food Services Fund Budget (Special Revenue Fund)

The Food Service Fund Budget is not a legally adopted budget and, therefore, a budget to actual presentation is not included in the basic financial statements. The comparison with actual revenues and expenditures is presented as a supplementary schedule to these financial statements. Revenue from Federal sources in the Food Services Fund includes \$807,453 of donated commodities from the United States Department of Agriculture.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Budget - School Construction Fund (Capital Projects Fund)

Annual budgetary comparisons to actual expenditures are not presented in the financial statements for the capital projects fund.

School construction is budgeted on a project basis with funds primarily provided by Harford County and the State of Maryland. State funds are approved by the State's interagency committee.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, special revenue fund, and capital projects fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Cash and Investments

A. Cash on Hand

At year end, cash on hand for petty cash and change funds was \$100.

B. Deposits

At year end, the carrying amount of the Board's deposits was \$2,629,860, consisting of a cash balance of \$5,026,744 net of bank overdraft of \$2,396,884 and the corresponding bank balances were \$2,649,300. Of the bank balance, \$2,649,300 was collateralized by Federal Depository Insurance and or was covered by collateral held in pledging bank's trust department in the Board's name. The Board has a contractual arrangement with the bank for funds to be transferred daily from investment in a repurchase agreement to cover checks as presented.

C. Investments

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments (Continued)

C. Investments (Continued)

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 amortized cost method. In addition, the net asset value of the pool, marked-to-market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

At June 30, 2008 the Board's investment balances were as follows:

	Fair Value
Repurchase agreements	\$ 11,660,122
Maryland Local Government Investment Pool	9,612,171
Total	\$21,272,293

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

Cash on hand	\$ 100
Carrying amount of deposits	12,369,925
Carrying amount of cash overdraft	2,396,884
Carrying amount of investments	21,272,293
Total cash and investments	36,039,202
Less: amounts in fiduciary funds	14,766,228
Total cash and investments per statement of net assets	\$21,272,974
Cash and cash equivalents	\$ 681
Investments	21,272,293
Total cash and investments per statement of net assets	\$21,272,974

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Board of Education's exposure to fair value losses arising from increasing interest rates, the Board of Education's investment policy limits the term of investment maturities except in the fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. The Board of Education's management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Board of Education from having to sell investments below original cost for that purpose. The investments at June 30, 2008, complied with the Board of Education's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2008:

Net interest and dividends	\$ 1,347,904
Less: Restricted net investment income	<u>84,534</u>
Total net investment income per statement of activities	<u>\$ 1,263,370</u>

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the Board will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. For the Board of Education, \$9,612,171 in repurchase agreements and \$11,660,122 in the MLGIP, the underlying securities were held by a custodian in the Board of Education's name. At June 30, 2008, all of the Board of Education's investments were insured or registered, or were held by the custodian in the Board of Education's name or were invested in MLGIP. The Board's policy is that all investments must be fully collateralized. At June 30, 2008, the Board's investments were not exposed to custodial credit risk.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due From Other Units of Government and Other Receivables

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

Accounts receivable are not collateralized, but are primarily with other governmental units and related agencies. These entities rarely default on their obligations and management of the Board considers all amounts collectible at June 30, 2008. Therefore, no valuation allowance is provided against the amounts due.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable food and supplies held for consumption. The cost is recorded as an asset at the time individual inventory items are purchased. Inventory is charged to expenditures as the inventory is consumed, except for USDA commodities inventory which is recorded as expenditures as the inventory is acquired.

Compensated Absences

At June 30, 2008, annual and sick leave earned, applicable to governmental fund types, but not taken by Board of Education employees, was \$28,922,483. This amount is based on vested accumulated leave as of June 30, 2008, for personnel eligible to receive annual leave benefits at retirement. Sick leave is accrued for employees with at least ten years of service and calculated at 25% of their annual daily rate up to a maximum of 200 days. An accrual in the amount of \$1,783,091 was made in the general fund for the year ended June 30, 2008. This amount was an estimate of the accumulated annual and sick leave which will be paid to retirees at the beginning of the fiscal year ending June 30, 2008. Essentially all such payments to retirees are made in the first month of the new fiscal year. The remaining long-term liability for accumulated annual and sick leave earned in the amount of \$27,139,392 is reported as a long-term liability in the Government-wide financial statements. The long-term portion is not reported in the fund financial statements.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations placed on their use through external restrictions imposed by grantors or laws or regulations of other governments.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements

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

NOTE 2 – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2008 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements /Reclassifi- cations</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,672,942	\$ -	\$ -	\$ 9,672,942
Construction in progress	<u>96,655,840</u>	<u>83,303,805</u>	<u>(789,373)</u>	<u>179,170,272</u>
Total capital assets not being depreciated	<u>106,328,782</u>	<u>83,303,805</u>	<u>(789,373)</u>	<u>188,843,214</u>
Capital assets being depreciated:				
Land improvements	6,475,402	1,112,253	-	7,587,655
Buildings	277,232,859	1,393,283	789,373	279,415,515
Furniture and equipment	<u>20,863,316</u>	<u>4,234,825</u>	<u>(573,875)</u>	<u>24,524,266</u>
Total capital assets being depreciated	<u>304,571,577</u>	<u>6,740,361</u>	<u>215,498</u>	<u>311,527,436</u>
Less accumulated depreciation for:				
Land improvements	1,960,221	318,835	-	2,279,056
Buildings	90,912,736	5,843,874	-	96,756,610
Furniture and equipment	<u>9,287,544</u>	<u>2,507,373</u>	<u>(573,096)</u>	<u>11,221,821</u>
Total accumulated depreciation	<u>102,160,501</u>	<u>8,670,082</u>	<u>(573,096)</u>	<u>110,257,487</u>
Total capital assets being depreciated, net	<u>202,411,076</u>	<u>(1,929,721)</u>	<u>788,594</u>	<u>201,269,949</u>
Governmental activities capital assets, net	<u>\$308,739,858</u>	<u>\$81,374,084</u>	<u>\$ (779)</u>	<u>\$390,113,163</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 2 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2008 was charged to governmental functions as follows:

Depreciation not allocated to specific functions	\$ 89,271
Administration	801,359
Mid-level administration	4,502
Instruction	4,991,223
Special education	7,105
Pupil service	15,780
Transportation	734,592
Operations	1,132,662
Maintenance	678,715
Food service	<u>214,873</u>
Total	<u>\$ 8,670,082</u>

The Board has active school construction projects as of June 30, 2008 as follows:

Project:	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
North Harford High Modernization	\$46,235,007	\$ 752,200
Bel Air High Modernization	36,021,636	28,209,407
Patterson Mill – New Middle/High School	55,068,780	224,830
North Harford Middle Roof	427,266	649,434
Schucks Road Elementary	15,200	2,900
Homestead/Wakefield Elementary	21,788	38,474
Bel Air Middle Air Conditioning	2,663,959	8,392
Patterson Mill High Athletic Lights	157,180	93,020
John Archer	12,426	70,619
Red Pump Elementary	1,626,444	1,533,753
Aberdeen High Addition	2,965,148	1,957,151
Joppatowne High Gym Addition	1,887,906	1,834,607
Youth’s Benefit Elementary Modernization	400,152	1,208,729
Prospect Mill Elementary Capacity Renovations	1,852,633	354,146
Deerfield Elementary Modernization	1,787,725	4,012,421
Edgewood High Modernization	4,317,752	10,122,649
Joppatowne Elementary Modernization	11,706,407	6,481,060
Wakefield Elementary Air Conditioning	3,827,989	1,252,361
North Harford Middle HVAC	6,650,910	2,790,899
Harford Technical High Stadium	1,509,754	2,915,808
Fallston High Roof	<u>14,209</u>	<u>1,390</u>
Total	<u>\$179,170,271</u>	<u>\$ 64,514,250</u>

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 3 – RECONCILIATION OF BUDGETARY DATA

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - General Fund is prepared on a legally prescribed budgetary basis of accounting which differs from GAAP. The purpose of the budgetary basis of accounting is to demonstrate compliance with the legal requirements of Harford County, the State of Maryland and special federal and state programs.

The differences between the two methods are set forth below:

Revenues (non-GAAP budgetary basis) (unrestricted and restricted)	\$ 430,624,728
Fund balance at June 30, 2007 designated for current year's expenditures	(1,913,539)
Revenues adjusted by encumbrances of expenditure driven grants	598,507
Pension contributions made directly by State	23,870,733
Interest earned on rate stabilization deposit	523,324
Changes in value of rate stabilization fund	<u>4,065,470</u>
Revenues (GAAP basis)	<u>\$ 457,769,223</u>

Expenditures (non-GAAP budgetary basis) (unrestricted and restricted)	\$ 424,989,929
Encumbrance adjustments (net)	2,400,306
Pension contributions made directly by State	23,870,733
Contributions for OPEB	11,850,196
Administration expense – Harford County Health Care Consortium	<u>319</u>
Expenditures (GAAP basis)	<u>\$ 463,111,483</u>

The undesignated fund balances in the current expense fund (General Fund) are reconciled as follows:

Undesignated fund balance (non-GAAP budgetary basis)	\$ 3,169,603
Cumulative effect of:	
Revenues adjusted by encumbrances of expenditure driven grants	(421,584)
Rate stabilization and MAMSI receivable	<u>5,946,971</u>
Undesignated fund balance (GAAP basis)	<u>\$ 8,694,990</u>

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 4 – FUND BALANCES

Fund balance at June 30, 2008 designated for fiscal year 2009 consists of the following:

	General Fund	Food Services Fund
Designated Fund Balance		
Revenue for fiscal year 2009	\$ 5,231,400	\$ 150,000
Future health insurance call	1,225,166	-
Emergency fuel reserve	1,000,000	-
Total	\$ 7,456,566	\$ 150,000

Capital Projects Fund

The School Construction Fund (Capital Projects Fund) had an undesignated fund balance deficit of \$56,304,052 at June 30, 2008. School construction is accounted for on a project basis where revenues are recognized at the same time as related expenditures. Under the budgetary basis of accounting, this results in a fund balance of zero at the end of each period.

Under GAAP, revenues are not recognized to the extent of the outstanding reserve for encumbrances causing a deficit in undesignated fund balance equal to that reserve. At June 30, 2008, \$8,071,754 was received from the State for reimbursement of capital projects previously reimbursed by the County. These funds are required to be used for future capital projects and were recognized as revenue and are restricted net assets.

NOTE 5 – PENSION PLANS

Plan Description

The Board’s employees are covered by the Teachers Retirement System of the State of Maryland, the Teachers Pension System of the State of Maryland or The Employees Retirement System of the State of Maryland. These systems are part of the Maryland State Retirement and Pension System (the State System), and are cost-sharing multiple-employer public employee retirement systems. The State System provides pension, death and disability benefits to plan members and beneficiaries. The State of Maryland pays a substantial portion of employer contributions on behalf of the Board. The plan is administered by the State Retirement Agency (the Agency).

Responsibility for the administration and operation of the State System is vested in a 12-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issued a publicly available financial report that includes basic financial statements and required supplementary information for the State System. The report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202, or by calling 410-625-5555.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 5 – PENSION PLANS (CONTINUED)

The State Personnel and Pensions Article requires active members to contribute to the State System at the rate of 5% or 7% of their covered salary depending upon the retirement option selected. Harford County Public Schools is required to contribute at an actuarially determined rate. The State's contributions on behalf of the Board for the years ended June 30, 2008, 2007, and 2006 were \$23,870,733, \$17,751,856 and \$16,388,211, respectively, which were equal to the required contributions for each year. The Board's contribution for the years ended June 30, 2008, 2007 and 2006 were \$3,183,434, \$2,662,247 and \$2,187,791, respectively, which were equal to the required contributions for each year.

NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

Medical Benefits - Retirees are eligible for continued membership in one of the school system's group medical plans provided that they have at least 10 years service with the Harford County Public Schools and are under 65 years of age. The school system pays premiums for these plans limited to 90% of a specified health plan's premium. Supplemental coverage for retirees 65 years of age and older are also paid up to 90% of premiums for such coverage. The medical benefits paid by the Board for the year ended June 30, 2008 was \$11,726,951. As of June 30, 2008, 1,730 of approximately 1,882 eligible participants were receiving benefits.

Dental Benefits - The Board pays 90% of dental coverage for retirees with at least 10 years service. The dental benefits paid by the Board for the year ended June 30, 2008 was \$628,755. As of June 30, 2008, 1,696 of approximately 1,882 eligible participants were receiving benefits.

Life Insurance Benefits - The Board pays 90% of the life insurance premiums for retirees with at least 10 years of service with the amount of insurance coverage reducing from \$20,000 upon retirement to \$10,000 five years after retirement. The life insurance benefits paid by the Board for the year ended June 30, 2008 was \$49,121. As of June 30, 2008, 1,624 of approximately 1,882 eligible participants were receiving benefits.

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(CONTINUED)

Annual required contribution	\$ 34,905,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	34,905,000
Contributions made	<u>(26,415,185)</u>
Increase in net OPEB obligation	8,489,815
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 8,489,815</u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2008 was as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
6/30/08	34,905,000	75.7%	8,489,815

Funded Status and Funding Progress. As of June 30, 2008, the most recent actuarial valuation date, the plan was 3.47 percent funded. The actuarial accrued liability for benefits was \$361,962,000, and the actuarial value of assets was \$12,136,368, resulting in an unfunded actuarial accrued liability (UAAL) of \$349,825,632. The covered payroll (annual payroll of active employees covered by the plan) was \$274,153,946, and the ratio of the UAAL to the covered payroll was 127.60 percent.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(CONTINUED)

volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2008, actuarial valuation, the projected unit credit method, with linear pro-ratio to assumed benefit commencement method was used. The actuarial assumptions included a 6.75 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after four years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2008, was fourteen years.

Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2008
Actuarial Cost Method	Projected unit method
Amortization Method	Level percentage of projected payroll over a 30-year period
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment Rate of Return	6.75% per year compounded annually
Payroll Growth Rate	3%
Healthcare Cost Trend Rates:	
Pre-65 Medical	8.5% initial / 5.5% ultimate (not applicable to Life)
Post-65 Medical	8.5% initial / 5.5% ultimate (not applicable to Life)
Dental	5.0%

The Board has contracted an actuary to compute its unfunded actuarial liability as of July 1, 2008.

NOTE 7 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2008 was as follows:

	Balance at July 1, 2007	Increase	Reductions	Balance at June 30, 2008	Due Within One Year
Capital lease	\$ 11,133,844	\$ -	\$ 269,429	\$ 10,864,415	\$ 282,845
Compensated absence	27,859,665	3,282,664	2,219,846	28,922,483	1,783,091
Other post-employment benefit obligation	-	8,489,815	-	8,489,815	-
Total Governmental Activities	<u>\$ 38,993,509</u>	<u>\$11,772,479</u>	<u>\$ 2,489,275</u>	<u>\$ 48,276,713</u>	<u>\$ 2,065,936</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 7 – LONG-TERM LIABILITIES
(CONTINUED)

Compensated absences have typically been liquidated by the General Fund in prior years.

The Board entered into lease agreements as lessee to construct the administration building in the amount of \$11,400,223, which was completed in January 2007. The lease agreement is for a period of twenty-five years. The asset acquired and capitalized under the capital lease is as follows:

Building cost	\$10,852,395
Less accumulated depreciation	<u>542,620</u>
Net book value	<u>\$10,309,775</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008 were as follows:

Years Ending June 30,

2009	\$ 823,822
2010	823,822
2011	823,822
2012	823,822
2013	823,822
2014 – 2018	4,119,110
2019 – 2023	4,119,110
2024 – 2028	4,119,110
2029 – 2030	<u>1,647,644</u>
 Total minimum lease payments	 18,124,084
Less:	
Amount representing interest	<u>7,259,669</u>
 Present value of minimum lease payments	 <u>\$10,864,415</u>

NOTE 8 – RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board is a member of the Maryland Association of Boards of Education Group Liability Insurance Pool and the Workmen’s Compensation Self Insurance Fund.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 8 – RISK MANAGEMENT (CONTINUED)

These pools are self insurance funds for the various member Maryland Boards of Education. The pools were organized for the purpose of minimizing the cost of insurance and related administrative expenses.

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

NOTE 9 – CONTINGENCIES AND COMMITMENTS

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

The Board leased certain properties for offices, storage and other uses under long-term operating leases before the completion of the administration building. Expenditures for rent under operating leases amounted to approximately \$67,806 for the year ended June 30, 2008.

Required Supplemental Information



Madeline Booze, Aberdeen Alternative Education Center, Grade 10

Schedule of Funding Progress

Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2008	\$ 12,136,368	\$361,962,000	\$ 349,825,632	3.47%	\$274,153,946	127.60%

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



Heather Schumaker, Fallston Middle School, Grade 8

Other Supplemental Information



Rawlison Zhang, Forest Hill Elementary School, Grade 5

Harford County Public Schools
**FOOD SERVICE FUND
(SPECIAL REVENUE FUND)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE COMPARED TO BUDGET (NON-GAAP BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Cafeteria sales	\$ 8,283,962	\$ 8,348,372	\$ 64,410
<u>Federal Aid</u>			
School Lunch Program	3,068,000	3,267,524	199,524
School Breakfast Program	728,000	835,050	107,050
Summer Months Program	104,000	107,829	3,829
U.S.D.A. Commodities	<u>750,000</u>	<u>807,453</u>	<u>57,453</u>
Total federal aid	4,650,000	5,017,856	367,856
<u>State Aid</u>			
Child Feeding Program	272,064	320,785	48,721
Interest earned	85,000	84,534	(466)
Miscellaneous revenues	-	701	701
Fund balance at July 1, 2007 - designated for fiscal year ended June 30, 2008	<u>590,000</u>	<u>590,000</u>	<u>-</u>
Total revenues	<u>\$ 13,881,026</u>	14,362,248	480,521
Expenditures			
Salaries and wages	5,135,935	5,122,921	13,014
Contracted services	207,500	242,709	(35,209)
Supplies and materials	5,391,000	5,627,085	(236,085)
Other charges	1,792,591	1,686,170	106,421
Furniture and equipment	604,000	245,219	358,781
U.S.D.A. commodities	<u>750,000</u>	<u>845,683</u>	<u>(95,683)</u>
Total expenditures	<u>\$ 13,881,026</u>	<u>13,769,787</u>	<u>111,239</u>
Excess of revenues over expenditures		592,461	369,282
Total fund balance at July 1, 2007		2,475,153	
Increase (decrease) in reserve for inventory of U.S.D.A commodities		(38,230)	
Designated fund balance at July 1, 2006 (recognized as revenue above)		<u>(590,000)</u>	
Total fund Balance		2,439,384	
Reserved for inventory of U.S.D.A. commodities - end of year		<u>(121,747)</u>	
		2,317,637	
Fund balance at June 30, 2007 - designated for fiscal year 2008		<u>(150,000)</u>	
Fund balance at June 30, 2007 - undesignated		<u>\$ 2,167,637</u>	

Harford County Public Schools

SCHOOL CONSTRUCTION FUND (CAPITAL PROJECTS FUND) STATEMENT OF EXPENDITURES BY PROJECT FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Construction in Progress - By Project

Administration Building	300-0100	\$ 25,000
Schucks Road Elementary	300-1901	20,971
Red Pump Elementary	300-4901	1,194,436
Patterson Mill Middle/High School	300-8701	8,046,706
Aberdeen High School Addition	305-7005	2,755,271
Full Day Kindergarten	305-9007	239,856
Joppatowne High School Gymnasium	305-8108	1,760,175
Deerfield Elementary Modernization	310-2010	1,561,874
Homestead/Wakefield Elementary Modernization	310-3510	21,788
Joppatowne Elementary Modernization	310-3710	11,377,310
Youth's Benefit Elementary Modernization	310-4810	359,606
Aberdeen High Modernization	310-7010	5,908
Aberdeen High North Building	310-7110	29,957
Bel Air High Modernization	310-7310	32,686,794
Edgewood High Modernization	310-7610	4,390,601
North Harford High Modernization	310-8010	4,755,562
John Archer Modernization	310-9110	12,426
Prospect Mill Elem. Remedial Capacity Renovations	315-2915	1,991,773
Fallston Middle Remedial Capacity Renovations	315-8615	246,016
Technical Education Lab Renovations	315-9017	281,666
Homestead Wakefield Elementary Air Conditioning	325-4083	3,963,311
Bel Air Middle School Air Conditioning	325-7283	1,598,645
Edgewood Middle Roof	325-7725	(2,309)
North Harford Middle Roof	325-8325	428,121
North Harford Middle School HVAC	325-8368	6,604,666
C. Milton Wright High Roof	325-8525	(24,998)
Roofing Projects	325-9025	247,906
Harford Technical High School Athletic Fields	330-0462	1,457,571
Havre de Grace High School Track	330-7831	7,842
Relocatables	340-9041	557,259
Technology Wiring	350-9051	67,741
High School Technology	350-9052	26,669
Milestone Project	350-9053	4,130,188
Technology Refresh	350-9057	43,997
Integrated Business Systems	350-9058	13,490
William S. James Elementary Chiller	360-1363	181,656
Forest Hill Elementary Water System	360-2676	18,760
Bel Air High Environmental Compliance	360-7365	377
North Harford Sewer	360-8077	67,000
Environmental Compliance	360-9065	46,974
Alarms	360-9074	525
Maintenance Replacement Vehicles	360-9075	938,937
Backflow Prevention	360-9078	200,088
Storm Water Management, Erosion and Sediment Control	360-9079	26,819
Paving - New	360-9081	35,000
Paving - Overlay and Maintenance	360-9082	74,309
Locker Replacements	360-9083	60,900
Athletic Fields	360-9162	38,373
William S. James Elementary Playground	390-1395	2,600
Edgewood Elementary Playground	390-1595	168,639
Churchville Elementary Playground	390-1695	54,887
Halls Cross Rds Elementary Playground	390-3095	141,848
Magnolia Elementary Playground	390-3195	57,762
Havre de Grace Elementary Playground	390-3295	143,865
Hickory Elementary Playground	390-3395	80,263
Jarrettsville Elementary Playground	390-3695	69,290
William Paca Elementary Playground	390-4095	79,991
Riverside Elementary Playground	390-4395	73,753
North Harford Elementary Playground	390-4495	65,125
North Bend Elementary Playground	390-4795	80,000
Furniture	390-9092	61,555
Buses	390-9096	862,300
Music Refresh	390-9097	20,786
Security Cameras	390-9098	199,360
Math Refresh	390-9099	403,917
Textbooks - FY08	390-9893	848,006
Vocational Equipment Refresh	390-9990	154,387
		<u>\$ 96,141,847</u>

Harford County Public Schools

AGENCY FUNDS

STATEMENT OF INCREASES, DECREASES AND FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2008

School Activity Funds

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008
<u>Elementary Schools</u>				
Abingdon	\$ 17,069	\$ 40,215	\$ 40,472	\$ 16,811
Bakerfield	19,758	32,508	37,147	15,119
Bel Air	19,228	32,147	36,964	14,410
Church Creek	26,481	23,989	36,402	14,068
Churchville	12,144	25,088	28,458	8,774
Darlington	3,090	16,019	13,449	5,660
Deerfield	61,360	70,054	52,678	78,736
Dublin	6,448	13,351	11,571	8,229
Edgewood	14,339	32,145	30,115	16,369
Emmorton	34,021	27,939	30,861	31,099
Forest Hill	8,102	25,557	24,787	8,872
Forest Lakes	13,837	22,979	29,386	7,431
Fountain Green	21,489	48,446	39,333	30,602
George D. Lisby at Hillsdale	13,183	47,196	50,686	9,693
Hall's Cross Roads	13,668	48,486	36,669	25,485
Havre de Grace	8,016	29,200	27,152	10,064
Hickory	39,752	74,686	83,889	30,549
Homestead-Wakefield	12,682	60,580	72,527	735
Jarrettsville	13,506	43,661	39,679	17,488
John Archer	50,909	85,233	80,454	55,688
Joppatowne	7,966	27,546	23,378	12,134
Magnolia	5,411	38,244	36,267	7,388
Meadowvale	5,317	28,854	29,551	4,619
Norrisville	11,685	27,623	31,803	7,505
North Bend	17,224	65,919	63,675	19,468
North Harford	9,001	62,461	57,670	13,791
Prospect Mill	14,817	52,241	52,779	14,279
Ring Factory	24,467	65,028	65,271	24,224
Riverside	12,219	61,045	59,504	13,759
Roye-Williams	15,657	25,228	28,142	12,743
William S. James	39,043	21,701	19,056	41,689
William Paca - Old Post	11,703	86,295	94,312	3,686
Youth's Benefit	18,871	52,328	59,050	12,150
Total elementary schools	602,461	1,413,994	1,423,140	593,316

Harford County Public Schools

AGENCY FUNDS
STATEMENT OF INCREASES, DECREASES AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

School Activity Funds

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008
<u>Middle Schools</u>				
Aberdeen	35,047	153,074	143,650	44,471
Bel Air	56,363	220,853	211,602	65,614
Edgewood	3,058	125,751	108,638	20,172
Fallston	94,265	123,713	151,388	66,590
Havre de Grace	21,724	127,154	116,429	32,449
Magnolia	47,174	90,264	95,482	41,955
North Harford	40,721	187,718	177,244	51,195
Patterson Mill	-	69,142	51,884	17,258
Southampton	72,659	235,202	236,811	71,051
Total middle schools	<u>371,011</u>	<u>1,332,872</u>	<u>1,293,129</u>	<u>410,754</u>
<u>High Schools</u>				
Aberdeen	106,506	392,841	424,721	74,625
Alternative Education	142,949	194,121	198,039	139,031
Bel Air	285,086	340,571	351,558	274,099
C. Milton Wright	200,373	639,762	594,256	245,879
Edgewood	97,113	220,207	226,643	90,678
Fallston	114,566	487,478	473,992	128,052
Harford Technical	164,875	683,737	670,257	178,355
Havre de Grace	112,718	335,944	335,834	112,828
Joppatowne	79,574	159,090	169,813	68,852
North Harford	205,751	362,707	385,024	183,434
Patterson Mill	-	198,916	155,903	43,013
Total high schools	<u>1,509,512</u>	<u>4,015,374</u>	<u>3,986,040</u>	<u>1,538,846</u>
Total - all School Activity Funds	<u>2,482,983</u>	<u>6,762,241</u>	<u>6,702,308</u>	<u>2,542,916</u>
Scholarship Funds	<u>93,275</u>	<u>-</u>	<u>6,331</u>	<u>86,944</u>
Total - Agency Funds	<u>\$ 2,576,258</u>	<u>\$ 6,762,241</u>	<u>\$ 6,708,639</u>	<u>\$ 2,629,860</u>

Harford County Public Schools

COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
JUNE 30, 2008

	Scholarship Funds	Student Activity Funds	Total Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 86,944	\$ 2,542,916	\$ 2,629,860
Total assets	<u>\$ 86,944</u>	<u>\$ 2,542,916</u>	<u>\$ 2,629,860</u>
Liabilities			
Scholarship funds payable	\$ 86,944	\$ -	\$ 86,944
School activity funds payable	<u>-</u>	<u>2,542,916</u>	<u>2,542,916</u>
Total liabilities	<u>\$ 86,944</u>	<u>\$ 2,542,916</u>	<u>\$ 2,629,860</u>

Harford County Public Schools

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
JUNE 30, 2008**

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
SCHOLARSHIP FUNDS				
ASSETS				
Cash and cash equivalents	\$ 93,275	\$ -	\$ 6,331	\$ 86,944
LIABILITIES				
Scholarship funds payable	\$ 93,275	\$ -	\$ 6,331	\$ 86,944
STUDENT ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,482,983	\$ 6,762,241	\$ 6,702,308	\$ 2,542,916
LIABILITIES				
Student activity funds payable	\$ 2,482,983	\$ 6,762,241	\$ 6,702,308	\$ 2,542,916
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,576,258	\$ 6,762,241	\$ 6,708,639	\$ 2,629,860
LIABILITIES				
Scholarship funds payable	\$ 93,275	\$ -	\$ 6,331	\$ 86,944
Student activity funds payable	2,482,983	6,762,241	6,702,308	\$ 2,542,916
Total Liabilities	2,576,258	\$ 6,762,241	\$ 6,708,639	\$ 2,629,860



Lizzy Liberatore, Bel Air Middle School, Grade 8

Statistical Section

This part of HCPS' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the district's overall financial health.

Contents	Page
Financial Trends	66 - 69
<i>These schedules contain trend information to help the reader understand how the district's financial performance and well-being have changed over time.</i>	
Demographic and Economic Information	70 - 72
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.</i>	
Operating Information	73 - 75
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services it provides and activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year after June 30, 2004 and from the Independent Auditors' Report, Financial Statements and Supplemental Information for the relevant year prior to that.

Harford County Public Schools

Net Assets by Component

*Last Ten Fiscal Years**

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities							
Invested in capital assets, net of related debt	160,480	181,349	196,877	224,456	265,089	297,606	379,249
Restricted for food services	2,075	2,446	2,848	3,005	2,976	2,699	2,456
Restricted for capital projects	-	-	-	-	-	25	8,072
Unrestricted	<u>(20,762)</u>	<u>(22,021)</u>	<u>(20,828)</u>	<u>(11,933)</u>	<u>(4,063)</u>	<u>1,827</u>	<u>(16,540)</u>
Total governmental activities net assets	<u>141,793</u>	<u>161,774</u>	<u>178,897</u>	<u>215,528</u>	<u>264,002</u>	<u>302,157</u>	<u>373,237</u>

* Prior to fiscal year 2002 generally accepted accounting principles required the use of the modified accrual basis of accounting therefore accrual basis data is unavailable.

Harford County Public Schools

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Functions/Programs							
Expenses							
Governmental activities:							
Instruction:							
Regular education	174,675	187,371	191,404	200,144	229,007	247,876	277,212
Special education	36,762	39,276	40,855	47,269	54,113	60,048	69,664
Total Instruction	<u>211,437</u>	<u>226,647</u>	<u>232,259</u>	<u>247,413</u>	<u>283,120</u>	<u>307,924</u>	<u>346,876</u>
Support services							
Administration	7,112	7,212	8,443	9,101	11,908	14,041	15,647
Mid level administration	22,761	22,884	23,341	25,130	28,393	31,195	35,358
Pupil personnel services	1,450	1,411	1,485	1,504	1,777	1,948	2,198
Health services	2,418	2,662	2,605	3,434	3,487	4,106	4,740
Pupil transportation	16,970	18,048	19,310	20,884	23,234	25,716	31,197
Operation of plant	21,154	21,504	23,562	24,925	27,912	31,282	36,304
Maintenance of plant and equipment	8,807	8,898	9,945	10,489	11,671	12,742	14,528
Community services	318	362	319	420	434	498	499
Food services	8,557	9,558	10,332	11,329	12,229	13,519	14,179
Depreciation - unallocated	103	107	107	103	103	94	89
Total Support Services	<u>89,650</u>	<u>92,646</u>	<u>99,449</u>	<u>107,319</u>	<u>121,148</u>	<u>135,141</u>	<u>154,739</u>
Total governmental activities	<u>301,087</u>	<u>319,293</u>	<u>331,708</u>	<u>354,732</u>	<u>404,268</u>	<u>443,065</u>	<u>501,615</u>
Program revenues							
Charges for services:							
Regular education	841	859	928	1,133	1,529	1,500	1,730
Community services	288	250	324	378	439	466	488
Food services	6,084	6,328	6,658	7,186	7,666	8,132	8,348
Operating grants and contributions	56,590	59,861	64,773	69,930	79,547	89,364	102,132
Capital grants and contributions	23,249	29,005	20,599	38,598	56,320	47,943	101,153
Total governmental activities program revenues	<u>87,052</u>	<u>96,303</u>	<u>93,282</u>	<u>117,225</u>	<u>145,501</u>	<u>147,405</u>	<u>213,851</u>
Total governmental net expense	<u>(214,035)</u>	<u>(222,990)</u>	<u>(238,426)</u>	<u>(237,507)</u>	<u>(258,767)</u>	<u>(295,660)</u>	<u>(287,764)</u>
General Revenues and Other Changes in Net Assets							
General revenues:							
Local appropriations	138,335	146,051	148,150	154,047	175,415	189,415	199,615
State Aid	89,590	96,272	105,600	112,468	125,158	138,061	152,542
Federal Aid	401	421	386	371	411	443	340
Miscellaneous	1,510	93	1,293	2,060	5,464	4,525	5,083
Unrestricted investment earnings	318	134	120	323	793	1,371	1,264
Total general revenues	<u>230,154</u>	<u>242,971</u>	<u>255,549</u>	<u>269,269</u>	<u>307,241</u>	<u>333,815</u>	<u>358,844</u>
Change in Net Assets	<u>16,119</u>	<u>19,981</u>	<u>17,123</u>	<u>31,762</u>	<u>48,474</u>	<u>38,155</u>	<u>71,080</u>
Net assets - beginning of year	125,674	141,793	161,774	178,897	215,528	264,002	302,157
Adjustment to Restate Beginning Net Assets	-	-	-	4,869	-	-	-
Net assets - beginning of year, as Restated	<u>125,674</u>	<u>141,793</u>	<u>161,774</u>	<u>183,766</u>	<u>215,528</u>	<u>264,002</u>	<u>302,157</u>
Net assets - end of year	<u>141,793</u>	<u>161,774</u>	<u>178,897</u>	<u>215,528</u>	<u>264,002</u>	<u>302,157</u>	<u>373,237</u>

* Prior to fiscal year 2002 generally accepted accounting principles required the use of the modified accrual basis of accounting therefore accrual basis data is unavailable.

Harford County Public Schools

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	3,738	2,918	2,584	1,945	2,911	3,409	3,523	4,230	5,338	2,937
Unreserved	4,285	4,315	2,034	2,045	910	2,778	7,635	16,188	22,128	16,152
Total general fund	<u>8,023</u>	<u>7,233</u>	<u>4,618</u>	<u>3,990</u>	<u>3,821</u>	<u>6,187</u>	<u>11,158</u>	<u>20,418</u>	<u>27,466</u>	<u>19,089</u>
All other governmental funds										
Reserved	4,823	6,205	12,184	28,229	15,196	12,191	37,660	34,804	31,198	64,514
Unreserved, reported in:										
Special revenue fund	529	766	1,151	1,743	1,762	2,052	2,132	2,543	2,315	2,318
Capital projects fund	(3,847)	(5,318)	(11,628)	(27,897)	(14,512)	(11,395)	(36,786)	(34,371)	(30,789)	(56,304)
Total all other governmental funds	<u>1,505</u>	<u>1,653</u>	<u>1,707</u>	<u>2,075</u>	<u>2,446</u>	<u>2,848</u>	<u>3,006</u>	<u>2,976</u>	<u>2,724</u>	<u>10,528</u>

Harford County Public Schools

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Intergovernmental revenues										
Local	127,708	131,034	140,346	154,360	164,163	167,880	177,486	224,683	228,930	278,735
State	114,100	121,076	123,533	124,525	136,685	144,371	168,141	183,301	205,345	245,316
Special state and federal programs	10,498	2,954	3,212	25,508	26,744	22,839	21,833	23,558	24,835	24,881
Federal	5,831	16,320	19,552	3,608	3,870	4,401	4,711	5,036	5,177	5,358
Earnings on investments	964	1,017	860	350	159	137	501	1,066	1,530	1,348
Charges for services	4,769	4,977	5,559	6,084	6,328	6,658	7,186	7,666	8,132	8,348
Donation of land from county	-	-	-	-	-	-	3,063	-	-	-
Miscellaneous revenues	1,498	938	3,351	2,771	1,325	2,545	3,574	7,432	7,271	8,709
Total revenues	<u>265,368</u>	<u>278,316</u>	<u>296,413</u>	<u>317,206</u>	<u>339,274</u>	<u>348,831</u>	<u>386,495</u>	<u>452,742</u>	<u>481,220</u>	<u>572,695</u>
Expenditures										
Current										
Administrative services	4,584	5,129	5,367	5,687	5,615	6,205	6,781	8,381	9,906	10,732
Mid level administrative services	13,475	14,531	15,889	17,154	17,707	17,428	18,638	21,411	23,592	25,282
Instructional salaries	96,658	101,918	107,187	114,172	118,502	122,904	126,644	143,325	158,371	167,938
Instructional textbooks and supplies	5,105	4,478	4,445	5,471	5,596	5,512	6,070	8,584	9,885	9,962
Other instructional costs	2,711	2,043	1,222	1,554	1,640	1,912	2,208	2,409	2,103	2,848
Special education	18,605	17,423	18,223	19,627	20,329	22,459	23,921	27,764	31,751	35,782
Student personnel services	901	948	1,030	1,083	1,123	1,131	1,180	1,373	1,524	1,621
Health services	1,621	1,613	1,793	1,903	1,934	2,124	2,272	2,512	3,047	3,222
Pupil transportation services	13,483	14,277	14,763	15,442	16,293	17,103	18,642	20,632	22,617	26,889
Operation of plant	14,676	15,643	17,581	17,239	18,307	19,238	21,128	23,603	26,036	28,859
Maintenance of plant and equipment	5,933	6,038	7,214	7,047	7,483	8,089	8,511	9,239	10,096	11,269
Fixed charges	46,623	50,077	53,197	52,589	58,769	67,459	72,732	80,122	88,247	112,856
Community services	39	275	277	283	328	293	377	398	455	450
Special state and federal programs	10,498	16,321	19,552	25,508	26,744	22,839	21,833	23,558	24,835	24,880
Costs of operations - food services	7,575	7,678	8,197	8,870	9,601	10,709	11,600	12,652	13,517	13,977
Capital outlay	20,133	22,854	23,108	23,744	29,092	20,846	41,242	66,404	48,395	96,663
Total expenditures	<u>262,620</u>	<u>281,246</u>	<u>299,045</u>	<u>317,373</u>	<u>339,063</u>	<u>346,251</u>	<u>383,779</u>	<u>452,367</u>	<u>474,377</u>	<u>573,230</u>
Excess (deficit) of revenues over expenditures	2,748	(2,930)	(2,632)	(167)	211	2,580	2,716	375	6,843	(535)
Other financing sources (uses)										
Proceeds from capital lease	-	-	-	-	-	-	2,475	8,893	32	-
Increase (decrease) in reserve for inventory	86	(13)	70	(92)	(10)	188	(62)	(38)	-	(38)
Net change in fund balances	<u>2,834</u>	<u>(2,943)</u>	<u>(2,562)</u>	<u>(259)</u>	<u>201</u>	<u>2,768</u>	<u>5,129</u>	<u>9,230</u>	<u>6,875</u>	<u>(573)</u>

Harford County Public Schools

Enrollment by Grade Last Ten Years

	September 30,									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Elementary School:										
Preschool	89	76	84	66	80	86	83	66	55	53
Prekindergarten	737	799	829	827	836	811	849	825	841	813
Kindergarten	2,736	2,789	2,716	2,804	2,796	2,721	2,653	2,811	2,611	2,823
Grade 1	3,068	2,886	2,963	2,867	2,944	2,948	2,908	2,778	2,849	2,603
2	3,014	3,047	2,814	2,960	2,879	2,904	2,953	2,907	2,756	2,848
3	3,227	3,017	3,062	2,880	3,025	2,923	2,937	2,964	2,894	2,761
4	3,074	3,265	3,072	3,115	2,932	3,068	3,006	2,971	2,947	2,906
5	<u>3,038</u>	<u>3,137</u>	<u>3,292</u>	<u>3,105</u>	<u>3,106</u>	<u>2,978</u>	<u>3,139</u>	<u>3,042</u>	<u>2,980</u>	<u>2,940</u>
Total Elementary School	<u>18,983</u>	<u>19,016</u>	<u>18,832</u>	<u>18,624</u>	<u>18,598</u>	<u>18,439</u>	<u>18,528</u>	<u>18,364</u>	<u>17,933</u>	<u>17,747</u>
Middle School:										
Grade 6	2,994	3,065	3,223	3,305	3,139	3,113	2,983	3,090	2,995	2,948
7	3,062	3,036	3,042	3,268	3,331	3,200	3,137	3,010	3,052	3,042
8	<u>2,940</u>	<u>3,070</u>	<u>3,051</u>	<u>3,079</u>	<u>3,315</u>	<u>3,311</u>	<u>3,249</u>	<u>3,189</u>	<u>3,040</u>	<u>3,090</u>
Total Middle School	<u>8,996</u>	<u>9,171</u>	<u>9,316</u>	<u>9,652</u>	<u>9,785</u>	<u>9,624</u>	<u>9,369</u>	<u>9,289</u>	<u>9,087</u>	<u>9,080</u>
High School:										
Grade 9	3,138	3,164	3,295	3,119	3,214	3,456	3,640	3,508	3,402	3,340
10	2,686	2,780	2,850	3,105	3,007	2,987	3,071	3,220	3,107	3,029
11	2,614	2,553	2,615	2,759	2,792	2,734	2,825	2,931	2,995	2,869
12	<u>2,355</u>	<u>2,478</u>	<u>2,443</u>	<u>2,520</u>	<u>2,629</u>	<u>2,734</u>	<u>2,703</u>	<u>2,748</u>	<u>2,887</u>	<u>2,951</u>
Total High School	<u>10,793</u>	<u>10,975</u>	<u>11,203</u>	<u>11,503</u>	<u>11,642</u>	<u>11,911</u>	<u>12,239</u>	<u>12,407</u>	<u>12,391</u>	<u>12,189</u>
Special Education	<u>196</u>	<u>186</u>	<u>211</u>	<u>216</u>	<u>239</u>	<u>229</u>	<u>158</u>	<u>152</u>	<u>160</u>	<u>159</u>
Total Enrollment	<u>38,968</u>	<u>39,348</u>	<u>39,562</u>	<u>39,995</u>	<u>40,264</u>	<u>40,203</u>	<u>40,294</u>	<u>40,212</u>	<u>39,571</u>	<u>39,175</u>

Source: Monthly Report on Enrollment at September 30.

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

Harford County Public Schools

Other Data

Last Ten Fiscal Years

Fiscal Year	Per Pupil Expenditures*		Number of School Bus Riders***	Food Services****	
	Dollars	State Rank**		Breakfasts Served	Lunches Served
1999	6,532	23	33,504	427,627	2,501,839
2000	6,962	23	33,140	397,346	2,385,171
2001	7,312	23	32,952	444,326	2,485,410
2002	7,304	24	33,850	501,288	2,626,581
2003	7,655	24	33,720	516,174	2,683,060
2004	7,816	24	34,140	632,276	2,947,239
2005	8,237	24	35,119	707,951	3,378,561
2006	9,104	23	35,340	791,792	3,527,756
2007	not available		34,226	847,799	3,651,405
2008	not available		33,797	865,842	3,554,739

* Source: Maryland State Department of Education

** Ranking of the State's 24 school systems

Harford County Public Schools

Student Academic Performance 2008 Test Results

		<u>Harford</u>	<u>State</u>	<u>Nation</u>		<u>Harford</u>	<u>State</u>	<u>Nation</u>
Scholastic Assessment Test (SAT)				High School Assessments (HSA)				
	<u>Average Score</u>				<u>Percent Passing</u>			
	Verbal	505	499	502	English 2	Not Available	not applicable	not applicable
	Math	521	502	519	Biology	Not Available		
	Writing	490	497	494	Government	Not Available		
					Algebra	Not Available		
Marvland School Assessments (MSA)								
		<u>Percent Passing</u>				<u>Percent Passing</u>		
	Reading			not applicable	Math			not applicable
Grade 3	Advanced	12.6%	16.9%		Advanced	28.6%	26.7%	
	Proficient	69.1%	66.1%		Proficient	59.9%	55.9%	
	Basic*	12.6%	17.0%		Basic*	11.5%	17.4%	
Grade 4	Advanced	25.5%	27.9%		Advanced	46.1%	42.4%	
	Proficient	64.7%	60.5%		Proficient	45.3%	46.2%	
	Basic*	9.9%	11.5%		Basic*	8.6%	11.4%	
Grade 5	Advanced	59.4%	51.0%		Advanced	28.7%	25.4%	
	Proficient	32.1%	35.7%		Proficient	57.1%	55.1%	
	Basic*	8.5%	13.3%		Basic*	14.2%	19.5%	
Grade 6	Advanced	50.4%	42.9%		Advanced	31.4%	31.8%	
	Proficient	37.4%	38.8%		Proficient	48.1%	44.0%	
	Basic*	12.2%	18.2%		Basic*	20.5%	24.2%	
Grade 7	Advanced	44.3%	42.9%		Advanced	20.8%	21.7%	
	Proficient	41.5%	38.3%		Proficient	51.1%	46.5%	
	Basic*	14.2%	18.8%		Basic*	28.0%	31.8%	
Grade 8	Advanced	43.2%	34.1%		Advanced	29.5%	29.0%	
	Proficient	38.9%	38.7%		Proficient	34.1%	32.8%	
	Basic*	17.9%	27.2%		Basic*	36.5%	38.1%	
English 2	Advanced	Not Available			Algebra/DA			
	Proficient	Not Available		Advanced	Not Available			
	Basic*	Not Available		Proficient	Not Available			
				Basic*	Not Available			

Source: Office of Accountability, HCPS

Harford County Public Schools

Insurance Summary FY2008

Type of Coverage	Name of Company	Policy Number	Policy Period	Limits
Workers Compensation	MABE Group Self-Insurance Fund	N/A	7/1/07-6/30/08	Statutory up to \$400,000
Excess Workers Compensation	Safety National	SP-1R64-MD	7/1/07-6/30/08	Statutory excess of \$400,000
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/1/07-6/30/08	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Liability	MABE Group Insurance Pool	N/A	7/1/07-6/30/08	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	N/A	7/1/07-6/30/08	\$100,000 combined single limit \$1 million combined single limit for Bus Contractors
Excess School Bus Liability	Lexington Insurance Company	86036	07/1/07-7/1/08	\$1 million excess of \$1 million **Contracted buses only
Personal Injury Protection	MABE Group Insurance Pool	N/A	7/1/07-6/30/08	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/1/07-6/30/08	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	N/A	7/1/07-6/30/08	\$100,000 per loss
Criminal Proceeding and Intentional Conduct Defense Reimbursement	MABE Group Insurance Pool	N/A	7/1/07-6/30/08	\$50,000 per covered person \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/1/07-6/30/08	\$500,000 per occurrence
Excess Property and Boiler and Machinery	PEPIP	PEPIP0708	7/01/07-6/30/08	\$1 billion per occurrence excess of \$500,000
Crime	St. Paul	F1-1697	9/01/07-6/30/08	\$2,500,000 per loss
School Board Legal Liability	MABE Group Insurance Pool	N/A	7/1/07-6/30/08	\$250,000 per occurrence \$5 million per occurrence should sovereign immunity be abrogated
Catastrophic Student Accident	AIG	SRG 0009100979	8/01/07-8/01/08	\$5,000,000 Medical Expense \$1,000,000 Catastrophic Cash \$1,000,000 Catastrophic Cash

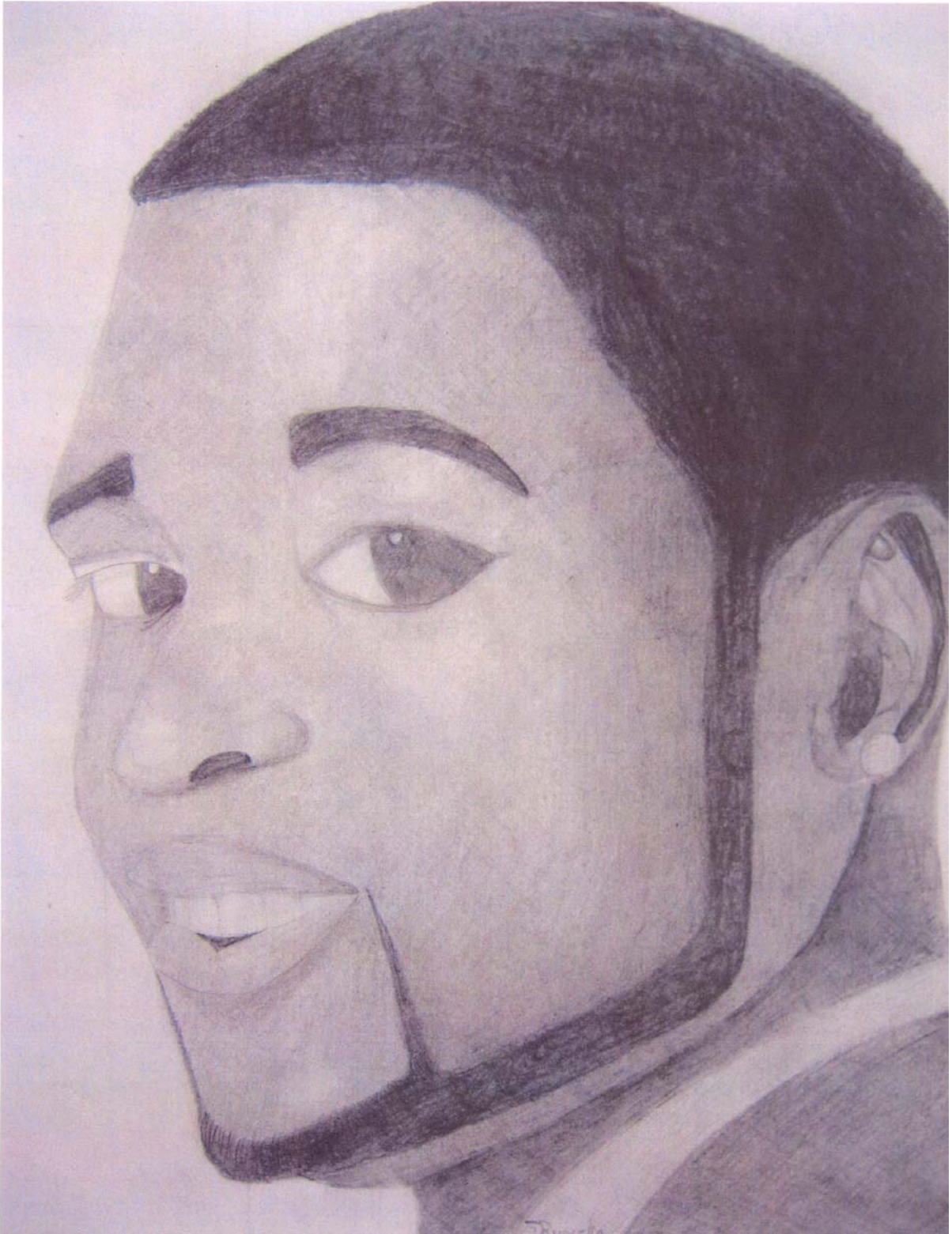
Source: Office of Risk Management

Harford County Public Schools

Facilities Information As of June 25, 2007

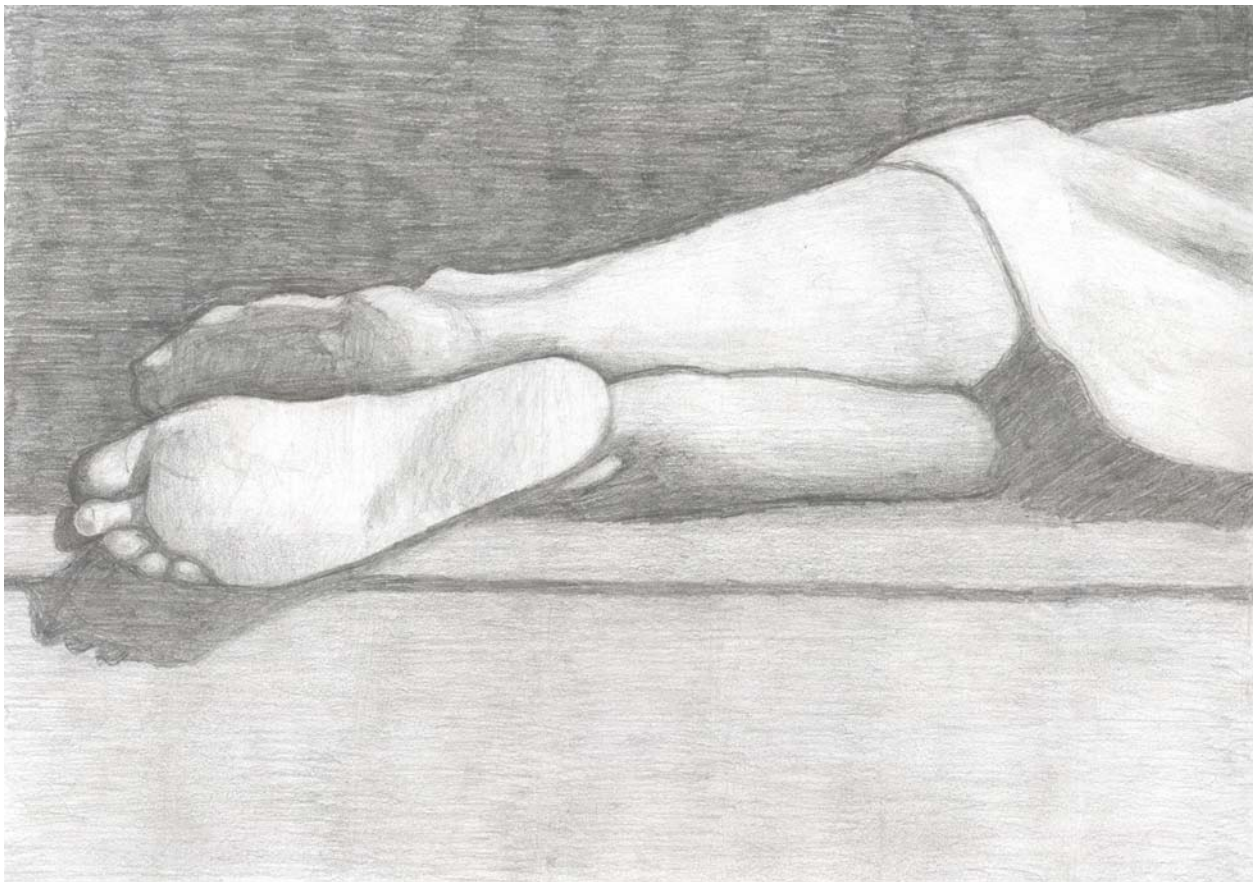
	Gross Square Feet	Acres	Year Constructed	Age in Years
Central Offices				
102 S. Hickory	73,122	0.77	2005	3
Hickory Annex	39,930	7.15	n/a	n/a
Forest Hill Annex	30,315	5.96	n/a	n/a
45 E. Gordon	14,060	7.38	1882 to 1982	126
Special Schools				
Harford Glen	31,647	245.23	1804 to 2000	204
John Archer	63,984	15.00	1971	37
Center for Educational Opportunity	107,087	23.46	1965	43
High Schools				
Aberdeen High	209,150	23.46	2004	4
Bel Air High	187,980	40.00	1950	58
C. Milton Wright High	220,910	60.00	1980	28
Edgewood High	193,660	48.95	1954	54
Fallston High	233,500	96.59	1977	31
Harford Technical High	218,225	55.00	1978	30
Havre de Grace High	144,815	35.00	1955	53
Joppatowne High	183,573	65.16	1972	36
North Harford High	245,238	73.00	1950	58
Patterson Mill High & Middle	265,000	79.85	2007	1
Middle Schools				
Aberdeen Middle	196,800	43.83	1973	35
Bel Air Middle	164,900	25.84	1961	47
Edgewood Middle	166,530	34.21	1965	43
Fallston Middle	130,284	96.59	1993	15
Havre de Grace Middle	102,000	37.34	1967	41
Magnolia Middle	149,100	69.33	1979	29
North Harford Middle	173,728	40.00	1976	32
Patterson Mill Middle	-	-	2007	1
Southampton Middle	188,134	35.99	1970	38
Elementary Schools				
Abingdon Elementary	91,229	28.49	1992	16
Bakersfield Elementary	65,691	10.00	1961	47
Bel Air Elementary	49,748	6.31	1984	24
Church Creek Elementary	85,801	20.51	1994	14
Churchville Elementary	52,360	6.46	1931	77
Darlington Elementary	24,237	7.89	1938	70
Deerfield Elementary	57,529	19.00	1962	46
Dublin Elementary	44,385	24.69	1941	67
Edgewood Elementary	67,341	44.71	1969	39
Emmorton Elementary	63,000	22.04	1994	14
Forest Hill Elementary	64,722	8.44	2000	8
Forest Lakes Elementary	68,971	20.03	1997	11
Fountain Green Elementary	60,000	23.87	1993	15
George D. Lisby Elementary	56,295	20.01	1968	40
Halls Cross Roads Elementary	63,082	12.73	1943	65
Havre de Grace Elementary	65,085	10.25	1949	59
Hickory Elementary	77,958	33.11	1950	58
Homestead-Wakefield Elementary	115,458	36.53	1958	50
Jarrettsville Elementary	61,275	27.44	1962	46
Joppatowne Elementary	54,885	17.19	1965	43
Magnolia Elementary	59,900	17.00	1975	33
Meadowvale Elementary	69,000	13.26	1959	49
Norrisville Elementary	37,417	11.54	1967	41
North Bend Elementary	60,221	18.23	1991	17
North Harford Elementary	49,703	20.00	1984	24
Prospect Mill Elementary	65,833	15.00	1973	35
Ring Factory Elementary	59,132	34.26	1990	18
Riverside Elementary	55,711	13.18	1968	40
Roye Williams Elementary	78,126	28.00	1953	55
William Paca Elementary	54,452	47.00	1964	44
William S. James Elementary	58,500	15.00	1976	32
Youths Benefit Elementary	96,616	26.18	1953	55
Total	5,767,335	1,923.44		

Source: Educational Facilities Master Plan 2008



Davis Ruzicka, C. Milton Wright High School, Grade 9

Compliance Section



Caira Stovall, Joppatowne High School, Grade 9



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools as of and for the year ended June 30, 2008, which collectively comprise Harford County Public Schools' basic financial statements and have issued our report thereon dated September 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Timonium Corporate Center
9515 Deereco Road, Suite 500
Timonium, Maryland 21095
tel: 410.453.0900
fax: 410.453.0914

Compliance and Other Matters

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

However, we noted other matters involving internal control over financial reporting that we have reported to management of the Harford County Public Schools in a separate letter dated September 12, 2008.

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

Clifton Gunderson LLP

Baltimore, Maryland
September 12, 2008

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