



Comprehensive Annual Financial Report

For the fiscal year ending June 30, 2017

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

Barbara P. Canavan, *Superintendent of Schools*

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

Inspire • Prepare • Achieve

2016-2017 Board of Education of Harford County



Nancy Reynolds
President
Elected Member
Councilmanic District D



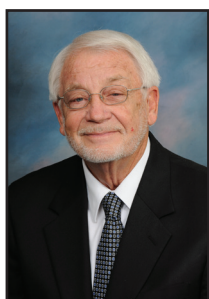
Joseph L. Voskuhl
Vice President
Elected Member
Councilmanic District C



Joseph A. Hau
Appointed Member-at-Large



Laura S. Runyeon
Appointed Member-at-Large



Alfred L. Williamson
Appointed Member-at-Large



Jansen M. Robinson
Elected Member
Councilmanic District A



Robert L. Frisch
Elected Member
Councilmanic District B



Rachel Gauthier
Elected Member
Councilmanic District E



Thomas F. Fitzpatrick
Elected Member
Councilmanic District F



Amanda N. Dorsey
Student Member



Barbara P. Canavan
Superintendent of Schools

COVER DESIGN:

Photo (Front): George D. Lisby Elementary School at Hillsdale, "Grow Together" garden.

Design: Stephanie Williams, Graphic Designer & Technical Specialist, HCPS Communications Office.



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For the Fiscal Year ended June 30, 2017

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Prepared by the Division of Business Services
Finance Department

102 South Hickory Avenue
Bel Air, Maryland 21014

Harford County Public Schools Non-Discrimination Statement

The Harford County Public School System (HCPS) does not discriminate on the basis of race, color, sex, age, national origin, religion, sexual orientation, gender identity, marital status, genetic information, or disability in matters affecting employment or in providing access to programs to employees. Inquiries related to the non-discrimination policy of the Board of Education of Harford County should be directed to the Supervisor of Equity and Cultural Proficiency, 410-809-6065.

Harford County Public Schools

Student Contributors for Artwork:

<u>Student</u>	<u>Grade</u>	<u>School</u>	<u>Page</u>
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Karlee Twohy	5	Emmorton Elementary School	4
Emily Onorato	9	C. Milton Wright High School	5
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**Isabela Bordner, Grade 11,
C. Milton Wright High School
Teacher: Carol Dunaway**

Harford County Public Schools

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Introductory Section



**Karlee Twohy, Grade 5, Emmorton Elementary School
Teacher: Carolyn Wolff**

Harford County Public Schools

Vision

We will **inspire** and **prepare** each student to **achieve** success in college and career.

Mission

Each student will attain academic and personal success in a safe and caring environment that honors the diversity of our students and staff.

Core Values

- We empower each student to achieve academic excellence.
- We create reciprocal relationships with families and members of the community.
- We attract and retain highly skilled personnel.
- We assure an efficient and effective organization.
- We provide a safe and secure environment.

Long Term Goals

Goal 1: Prepare every student for success in postsecondary education and career.

Goal 2: Engage families and the community to be partners in the education of our students.

Goal 3: Hire and support highly effective staff who are committed to building their own professional capacity in order to increase student achievement.

Goal 4: Provide safe, secure, and healthy learning environments that are conducive to effective teaching and learning, creativity and innovation.

We believe the strategic plan guides our practice and is the foundation for continuous systemic growth and achievement. Our core values are constant, non-negotiable, and reflect our systemic beliefs. The plan will be reviewed annually by the Board of Education of Harford County. The components of the plan will be reflected in the Harford County Master Plan, the Board of Education Budget, and the respective School Performance and Achievement Plans.



**Emily Onorato, Grade 9
C. Milton Wright High School
Teacher: Kerri Freburger**

Board of Education of Harford County

The members of the Board as of June 30, 2017, their represented areas, and expiration of their terms are as follows:

<u>Title</u>	<u>Name</u>	<u>Representation</u>	<u>Term Ends</u>
President	Nancy Reynolds	Councilmanic District D	2019
Vice-President	Joseph L. Voskuhl	Councilmanic District C	2019
Other members	Jansen M. Robinson	Councilmanic District A	2019
	Robert L. Frisch	Councilmanic District B	2019
	Rachel Gauthier	Councilmanic District E	2019
	Thomas Fitzpatrick	Councilmanic District F	2019
	Joseph A. Hau	Appointed Member-at-Large	2019
	Laura S. Runyeon	Appointed Member-at-Large	2019
	Alfred L. Williamson	Appointed Member-at-Large	2019
Student member	Amanda N. Dorsey	Student Member	2017
Secretary-Treasurer	Barbara P. Canavan	Superintendent of Schools	2018

Effective July 1, 2009, legislation changed the Board of Education of Harford County from a fully appointed Board to an elected-appointed Board consisting of six elected members and three members appointed by the Governor of the State of Maryland for four-year terms to be phased in over a period of time. For details on Senate Bill 629, visit mlis.state.md.us. In addition, there is a high school senior representative to the Board who serves a one-year term. The student is elected by the Harford County Regional Association of Student Councils.

Administration as of July 1, 2017

Barbara P. Canavan
Superintendent until June 30, 2018

Dr. Susan Brown
Executive Director of Curriculum & Instruction

Joseph P. Licata
Chief of Administration

Patrick P. Spicer, Esquire
General Counsel

Cornell S. Brown, Jr.
Assistant Superintendent for Operations

Jean A. Mantegna
Assistant Superintendent for Human Resources

Deborah L. Judd, CPA
Assistant Superintendent for Business Services

Eric G. Clark
Director of Budget

Patti Jo Beard
Executive Director of Facilities Management

Bernard P. Hennigan
Director of Student Services

Angela Morton
Executive Director of Elementary School Performance

H. Andrew Moore, II
Director of Information and Technology

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

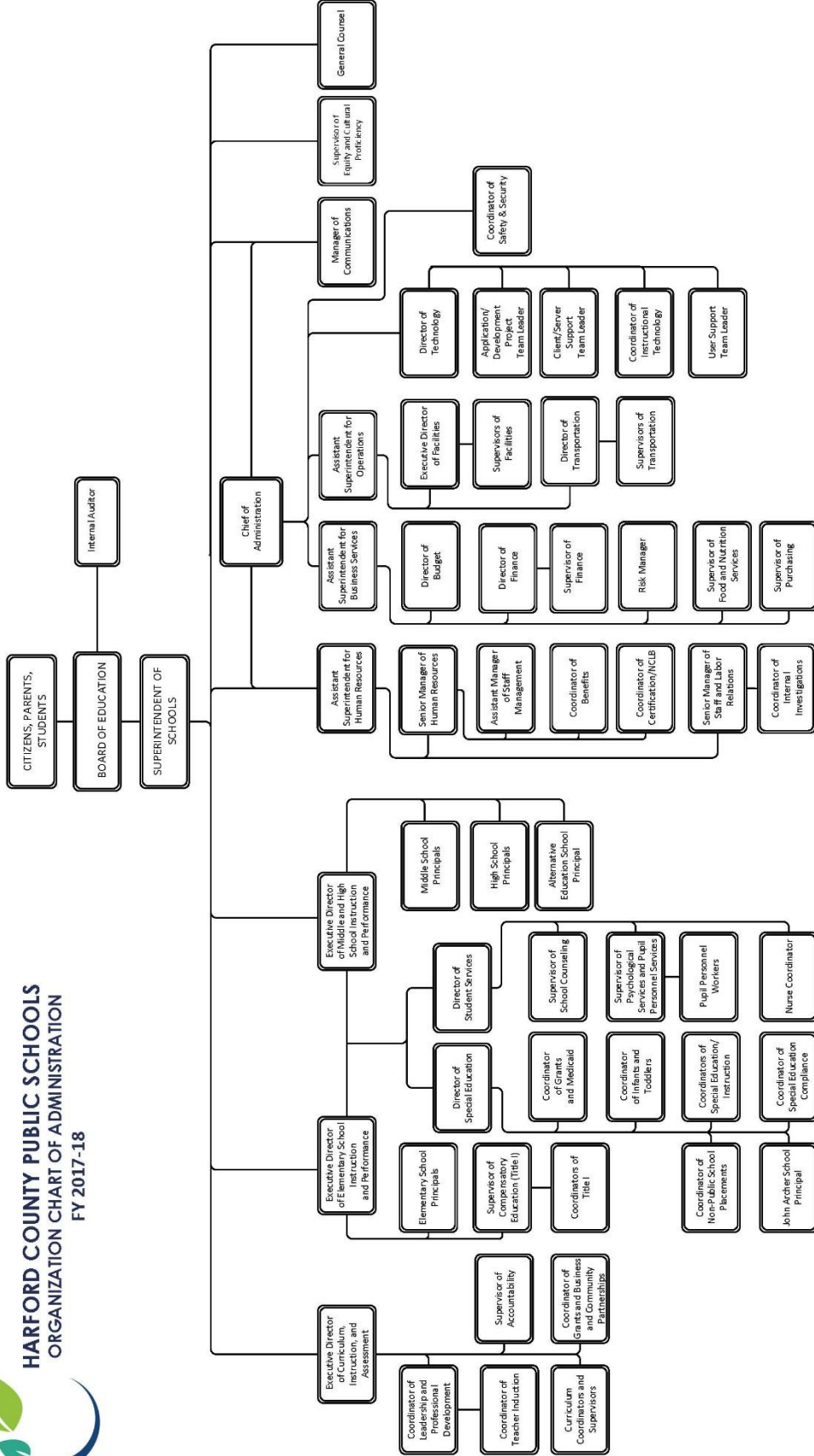
Charles L. Taibi
Director of Transportation

Dr. Susan Austin
Director of Special Education

John G. Staab, CPA
Director of Finance



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



Business Services

Deborah L. Judd, CPA
Assistant Superintendent for Business Services
410-588-5321

September 30, 2017

Members of the Board of Education:

The Public School Laws of the State of Maryland require school districts to publish within three months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2017.

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.

SB & Company, LLC, a firm of licensed certified public accountants, has issued an unmodified (“clean”) opinion on Harford County Public Schools (HCPS) financial statements for the fiscal year ended June 30, 2017. The independent public accountants’ report is located at the front of the financial section of this report.

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

All funds and accounts of HCPS are included in the Comprehensive Annual Financial Report. For financial reporting purposes, HCPS has been defined as a component unit of the Harford County Government. Therefore, HCPS’ financial statements and footnotes will be included in the Comprehensive Annual Financial Report of Harford County.

Profile of the Government

Harford County Public Schools (HCPS) is a fiscally dependent school system with an actual enrollment of 37,426 students in fiscal 2017. HCPS is the 157th largest school system¹ of the

¹ U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), “Public Elementary/Secondary School Universe Survey,” 2013, Table 215.10

13,601 regular school districts in the country when ranked by enrollment.² This places HCPS in the top one percent of school districts by size. There are 24 school districts in the State of Maryland and HCPS is ranked 8th in size.³ The student body will be served by a projected 5,112 FTE faculty and staff positions for fiscal 2018. Peak enrollment of 40,212 was reached in 2005, and has since dropped by 2,786 students, or 6.9%.

Citizens in the County have a choice of public or private schools. Harford County has 54 public schools and 46 non-public schools⁴ located within the county. The number of students attending private schools is unknown. The 2016 estimated population of Harford County is 251,032⁵. According to the U.S. Census Bureau, the school-age population in 2016 was 42,424⁴, of which 36,586 (HCPS enrollment less preschool and prekindergarten) or 86.2% attended public schools.

Senate Bill 629 (2009 Session of the Maryland General Assembly), effective July 1, 2009, changed the Board of Education of Harford County from a fully appointed Board to an elected-appointed Board consisting of six elected members and three members appointed by the Governor of the State of Maryland for four-year terms to be phased in over a period of time. For details on Senate Bill 629, visit mlis.state.md.us. In addition, there is a student representative to the Board who serves a one-year term while a high school senior. The student is elected by the Harford County Regional Association of Student Councils.

County Government Perspective on Local Economy⁶

Local economy: Harford County's convenient location on the I-95 corridor in northeastern Maryland offers easy access to prominent research institutions such as the U.S. Army Aberdeen Proving Ground, Johns Hopkins, and the University of Maryland. Desirable location combined with the County's highly skilled work force and progressive, business-friendly environment, serve to provide the draw for a wide variety of companies and industry sectors to Harford County.

The County's largest revenue source remains real property taxes. The fiscal year 2017 taxable assessable base resulted in an increase over the fiscal year 2016 assessable base of 2.4%. In fiscal year 2018, the percent of overall increase in property tax is estimated to be 3.61% or \$9,246,000. The increase is due to the properties being reassessed, known as "Group 2" having the largest increase in real property value since 2008 statewide. In Harford County, residential assessments increased by 5.4% and commercial assessments increased by 8.8% since their last assessment in December of 2013. This is the fifth year of positive assessment growth in Harford County.

Income tax revenue, the second largest revenue source in the County, is directly affected by population growth, employment levels, and personal income. Income tax revenue has shown increases beginning in 2012 through 2017 using the modified accrual basis of accounting. The

² U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey.", 2014-2015, Table 214.10

³ Maryland State Department of Education, Student Publications, "Maryland Public School Enrollment by Race/Ethnicity and Gender and Number of Schools", September 30, 2016, Table 12

⁴ Maryland State Department of Education, Student Publications, "Nonpublic School Enrollment State of Maryland, September 30, 2016," Table 5

⁵ United States Census Bureau, QuickFacts, Harford County, Maryland, Persons under 5 years / 18 years, V2016

⁶ Excerpts from the Harford County Government Comprehensive Annual Financial Report for the year ended June 30, 2017.

year over year increase for 2014 to 2015, 2015 to 2016 and 2016 to 2017 was 1.9%, 7.0%, and 2.6%, respectively. Income tax is budgeted at \$219 million for fiscal year 2018.

Long-Term Financial Planning for the School System

Although Harford County and the State of Maryland are still recovering from the economic downturn, this still has not translated into an increase in funding from these entities. In addition, declining enrollment has resulted in declining revenue from the State of Maryland's enrollment driven funding. Sufficient resources from all funding sources were identified and reallocated with minimal impact to school-based programs or services. These factors continue to be a concern as we move forward and HCPS continues to examine ways to reduce costs and still maintain a high level of service to our students and citizens. As we continue to face the challenges with inadequate funding, we continue to make budget reductions and difficult decisions regarding resource allocations. Funding we receive is allocated towards existing programs, contracts and mandates. We are required to provide special education services and we have implemented programming in order to provide more services within HCPS. This is a cost savings measure that allows us to bring students back to HCPS from out-of-county placements when we can locally provide the level of services our students require. On the contrary, we have been unable to direct any resources to new initiatives in general education programming.

In the General Assembly Session of 2012, the state changed the Maintenance of Effort Law clearly defining the minimum local government funding. This change could affect future county contributions to education.

Study of Adequacy of Funding for Education in Maryland⁷

In 2002, the Maryland General Assembly enacted Chapter 288, the Bridge to Excellence in Public Schools Act. The Act established new primary state education aid formulas based on adequacy cost studies. These adequacy cost studies, conducted in 2000 and 2001 under the purview of the Commission on Education Finance, Equity, and Excellence, employed the professional judgment and successful schools methods and other education finance analytical tools. State funding to implement the Bridge to Excellence in Public Schools Act was phased-in over six years, reaching full implementation in fiscal year 2008. Chapter 288 requires that a follow-up study of the adequacy of education funding in the State be undertaken approximately 10 years after the enactment of the Bridge to Excellence in Public Schools Act. The study must include, at a minimum, (1) adequacy cost studies that identify (a) a base funding level for students without special needs and (b) per pupil weights for students with special needs, where weights can be applied to the base funding level, and (2) an analysis of the effects of concentrations of poverty on adequacy targets. The adequacy cost study must be based on Maryland's College and Career Ready Standards (MCCRS) adopted by the State Board of Education, and include two years of results from the new state assessments aligned with the standards. These assessments were first administered statewide in the 2014-2015 school year.

There are several additional components that are mandated for inclusion in the study. These components include evaluations of (1) the impact of school size, (2) the Supplemental Grants program, (3) the use of Free and Reduced Price Meals eligibility as the proxy for identifying

⁷ Augenblick, Palaich & Associates. (2016). Final Report of the Study of Adequacy of Funding for Education in Maryland. Denver, CO; Author.

economic disadvantage, (4) the federal Community Eligibility Provision in Maryland, (5) prekindergarten services and the funding of such services, (6) equity and the current wealth calculation, and (7) the impact of increasing and decreasing enrollments on local school systems. The study must also include an update of the Maryland Geographic Cost of Education Index. APA Consulting, in partnership with Picus Odden & Associates and the Maryland Equity Project at the University of Maryland, had to submit a final report to the State no later than November 30, 2016.

This final report presents the findings of Augenblick, Palaich and Associates' (APA) adequacy analysis for the State of Maryland. The APA study team's estimate of the cost of an adequate education in Maryland used three approaches for estimating adequacy, the results of which were crafted into a single adequacy recommendation for the State. The study team also developed recommendations for a new funding formula incorporating its adequacy recommendation and a model to analyze the impacts of the proposed school funding formula on the State and on individual school districts.

Relevant Financial Policies

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

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

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Harford County Public Schools for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the twelfth consecutive year that the school system has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a school system must publish an

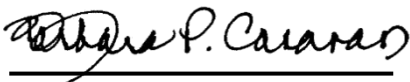
easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

In addition, HCPS also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the Year Beginning July 1, 2016. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the services of the entire staff of the Finance Department under the direction of John G. Staab, CPA, Director of Finance, and the Office of Internal Audit under the direction of Laura J. Tucholski, CPA, CIA, CFE, Internal Auditor, and SB & Company, LLC. Many other offices in the system contributed to provide data for this report, including the students whose artwork is published throughout the document. Our appreciation is extended to all who assisted in the timely closing of the school system's financial records and in the preparation of this report. Credit must also be given to the Superintendent and Board of Education for their unflinching support for maintaining the highest standards of professionalism in the management of HCPS' finances.

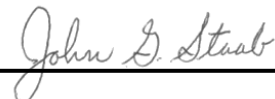
Sincerely,



Barbara P. Canavan
Superintendent



Deborah L. Judd, CPA
Assistant Superintendent for
Business Services



John G. Staab, CPA
Finance Director



Kayla Wolff, Grade 11,
Fallston High School
Teacher: Brenda McLeod



Government Finance Officers Association

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

Presented to

**Harford County Public Schools
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Financial Section



**Lucy Plaister, Grade 5, Forest Lakes Elementary School
Teacher: Heather Johnson**



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools (HCPS), a component unit of Harford County, Maryland as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise HCPS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



SB & COMPANY, LLC
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools as of June 30, 2017, and the respective changes in its financial position, and statements of revenue, expenditures and changes in fund balances – budget (non-GAAP basis) and actual – general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discuss and analysis, and schedules of funding progress, changes in the net OPEB liability and related ratios, board contributions, proportionate share of net pension liability, and contributions, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

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

Other Information

The introductory and statistical sections, as listed in the accompanying table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it,

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2017 on our consideration of HCPS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HCPS' internal control over financial reporting and compliance.

Hunt Valley, Maryland
September 20, 2017

SB & Company, LLC

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2017

As Management of Harford County Public Schools (HCPS), we offer readers of the HCPS financial statements this narrative overview and analysis of the financial activities of HCPS for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 8-12 of this report.

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

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

Financial Highlights

- The assets for Harford County Public Schools exceeded its liabilities at the close of the most recent fiscal year by \$296.5 million. Net position as of June 30, 2016 was \$334.9 million and decreased to \$302.5 million, or \$32.4 million, for the year ended June 30, 2017 due mainly to an increase in liabilities discussed below.
- The HCPS total liabilities increased by \$45.4 million during the current fiscal year. The key factor in this change was the increase in the noncurrent liabilities consisting primarily of a net increase of \$43.0 million in Other Post-Employment Benefits (OPEB) Obligation.
- The final Unrestricted General Fund budget increased by \$1.5 million during the year from the originally adopted budget due to the Medicare Part D receipts and Delta dental settlements.
- The General Fund unrestricted, unassigned fund balance on a budgetary basis increased from \$8.3 million to \$10.4 million, an increase of \$2.1 million (or 25.30%). Maintaining an unassigned fund balance was a strategic decision to prepare for additional funding reductions or unexpected expenditures.
- The unrestricted General Fund actual revenues were more than the final budget by \$0.5 million (or 0.12%), and expenditures were \$7.2 million, (or 1.65%), less than the final budget.

Overview of the Financial Statements

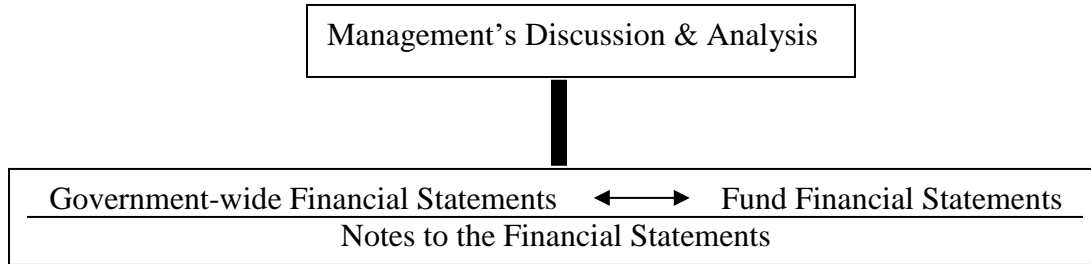
This discussion and analysis is intended to serve as an introduction to the Harford County Public Schools basic financial statements.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

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Basic Financial Statements



The illustration above represents the minimum requirements for the basic external financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The *statement of net position* presents information on all of the assets and liabilities of HCPS with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of HCPS is improving or deteriorating. The *statement of activities* presents information showing how HCPS' net position changed during the most recent fiscal year.

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

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

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

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

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Accordingly, the modified accrual basis of accounting that measures these cash flows is used. In the case of Harford County Public Schools, open encumbrances are excluded from expenditures, the State of Maryland's contribution to the teachers retirement system is added to revenue and expenditures and the activity of the self-insurance rate stabilization funds are included in revenues and expenditures.

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

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

This is the legal basis upon which the budget is adopted so budget comparisons are provided. GASB Statement No. 34 requires that we present the original adopted budget as well as the final budget and discuss the changes between them.

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

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

Fiduciary responsibility – Retiree Health Plan Trust, Scholarship, and School Activity Funds (Exhibits 8 and 9). HCPS is the trustee, or fiduciary, for its retiree health plan trust, scholarship, and school activity funds. These funds are reported as separate agency and trust funds. We exclude these activities from Harford County Public Schools' other financial statements because the assets cannot be used to finance HCPS' activities. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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

Other supplemental 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.

Harford County Public Schools

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Government-wide Financial Analysis

Net position over time may serve as a useful indicator of a government's financial position. In the case of HCPS, assets exceeded liabilities by \$296.5 million at the close of the fiscal year, which represents a decrease from the prior year of \$34.8 million. Although capital assets increased by \$5.5 million, the results of operations for the year were diminished by increasing liabilities associated with other post-employment benefits (OPEB). Net position decreased by \$32.4 million from June 30, 2016 to June 30, 2017 due to the increase in liabilities as well.

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

HCPS' net position as of June 30, 2017 and 2016, is illustrated in the table below and Exhibit 1.

Harford County Public Schools				
Governmental Funds				
Net Position				
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>\$ Change</u>	<u>% Change</u>
ASSETS				
Current and other assets	\$ 53,321,376	\$ 48,263,004	\$ 5,058,372	10.48%
Capital assets	628,413,836	622,959,292	5,454,544	0.88%
Total assets	<u>681,735,212</u>	<u>671,222,296</u>	<u>10,512,916</u>	<u>1.57%</u>
Deferred outflows related to pensions	<u>7,847,210</u>	<u>6,158,733</u>	<u>1,688,477</u>	<u>27.42%</u>
LIABILITIES				
Current and other liabilities	12,383,431	11,455,578	927,853	8.10%
Noncurrent liabilities	372,898,033	328,775,674	44,122,359	13.42%
Total liabilities	<u>385,281,464</u>	<u>340,231,252</u>	<u>45,050,212</u>	<u>13.24%</u>
Deferred inflows related to pensions	<u>1,845,071</u>	<u>2,245,369</u>	<u>(400,298)</u>	<u>-17.83%</u>
NET POSITION				
Net investment in capital assets	619,801,908	614,347,364	5,454,544	0.89%
Restricted	4,618,159	5,199,571	(581,412)	-11.18%
Unrestricted	(321,964,180)	(284,642,527)	(37,321,653)	13.11%
Total net position	<u>\$ 302,455,887</u>	<u>\$ 334,904,408</u>	<u>\$ (32,448,521)</u>	<u>-9.69%</u>

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The unrestricted deficit as of June 30, 2017 of \$322.0 million is the result of reducing the fund balance from the General Fund (Exhibit 3) of \$34.6 million by the compensated absences long-term liabilities of \$27.9 million, other post-employment benefits obligation of \$308.7 million and net pension liability of \$27.7 million. HCPS is committed by employee agreements to pay employees at retirement twenty-five percent (25%) of their earned but unused sick leave. For administrators, the limit is 300 days, all others are up to 200 days, plus any earned and unused vacation. The long-term portion is the amount we expect to pay beyond June 30, 2018. Of the total \$27.9 million as of June 30, 2017, \$5.0 million is due within one year. The amount attributable to vacation leave is \$4.8 million and \$23.1 million for sick leave. Historically, this liability was funded on a "pay-as-you-go" basis from available current financial resources. This method is expected to continue. The remaining \$8.6 million long-term liability balance represents our obligations under the capital lease for the construction of the administration building.

Results of operations for HCPS as a whole are presented in Exhibit 2, the Statement of Activities. Approximately \$567.7 million in expenditures are reported. To the extent possible, revenue directly attributed to the function or program is reported against the appropriate expense. Included in such revenues are charges for services and grants. \$376.2 million in expenditures were supported using other general revenue sources not specifically attributed to a function or program.

The Food Services program is designed to be self-funded. Allocation of program revenues to expenditures produced a net loss for this program.

The following table summarizes the government-wide cost of services for each program or function. About 90.0 % of the total costs of services are directly related to students' instruction and welfare. Of the remaining 10.0%, all but about 0.2% is used for the direct administration of schools and instructional support. It is important to note that in this report format, costs for employee benefits and depreciation on fixed assets are allocated to the appropriate program or function.

Harford County Public Schools

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Harford County Public Schools Statement of Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>% Net Cost to Total</u>
Instruction	\$ 377,227,786	\$ 264,164,909	70.03%
Pupil personnel	2,525,190	2,380,030	94.25%
Health services	6,162,595	6,162,595	100.00%
Pupil transportation	40,242,679	26,054,554	64.74%
Operation and maintenance of plant	66,631,561	57,311,101	86.01%
Food services	18,259,569	1,188,365	6.51%
All others	56,647,464	51,429,032	90.79%
Total	<u>\$ 567,696,844</u>	<u>\$ 408,690,586</u>	<u>71.99%</u>
All others			
Administration	\$ 15,417,072	\$ 14,030,208	91.00%
Mid-level administration	40,276,220	36,928,561	91.69%
Community services	578,225	94,316	16.31%
Interest on debt	298,779	298,779	100.00%
Depreciation - unallocated	77,168	77,168	100.00%
Total	<u>\$ 56,647,464</u>	<u>\$ 51,429,032</u>	<u>90.79%</u>

Total revenues increased by 0.08% from the prior year, as shown in the table below. Increases in operating grants, local and state funding were offset by a decrease in capital grants and contributions. Investment earnings increased due to rising interest rates and miscellaneous income was higher than last year due to insurance recoveries received. HCPS is fiscally dependent on local and state aid to fund its daily operations. State aid is largely formula driven based on student population and wealth. Local revenue, provided by the Harford County Government, is dependent upon the economic condition of the County. However, the education statute requires a minimum level of funding equal to the prior year's per pupil contribution times the current year projected enrollment. Most of the operating grant funding is from the state and federal governments as well.

Expenses increased by \$18.5 million (or 3.37%) with increases due mainly to the wage package in Fiscal Year 2017.

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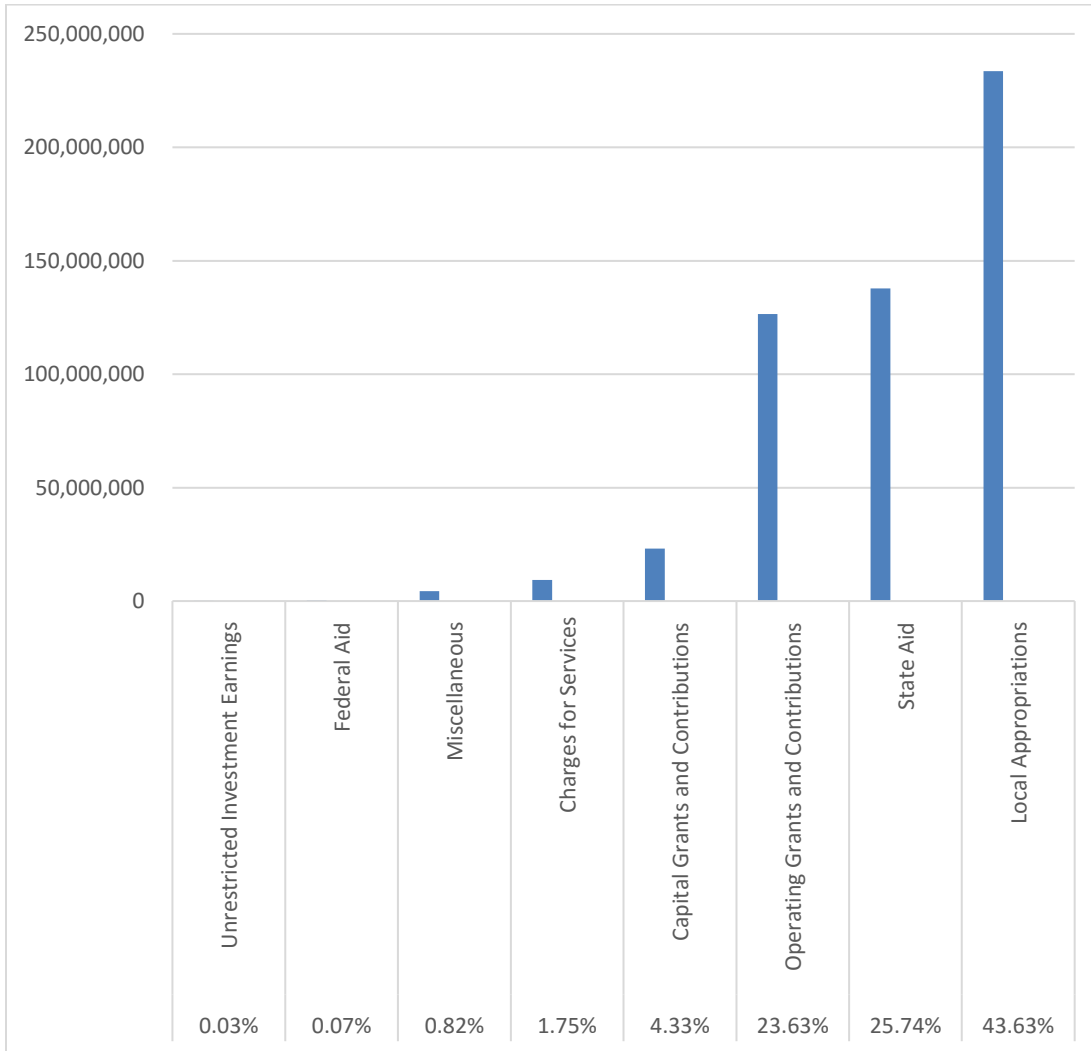
Harford County Public Schools Change in Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>% Change</u>
Revenues			
Program:			
Charges for services	\$ 9,340,685	\$ 9,045,817	3.26%
Operating grants and contributions	126,497,759	123,982,469	2.03%
Capital grants and contributions	23,167,814	33,010,832	-29.82%
Local appropriations	233,534,504	228,208,971	2.33%
General:			
State aid	137,762,611	136,328,259	1.05%
Federal aid	391,653	423,240	-7.46%
Miscellaneous	4,370,910	3,752,381	16.48%
Investment earnings	182,387	55,937	226.06%
Total revenues	<u>535,248,323</u>	<u>534,807,906</u>	<u>0.08%</u>
Expenses			
Instruction	377,227,786	365,818,509	3.12%
Support services:			
Administration	15,417,072	15,230,640	1.22%
Mid-level administration	40,276,220	37,941,253	6.15%
Pupil personnel services	2,525,190	2,531,025	-0.23%
Health services	6,162,595	6,217,563	-0.88%
Pupil transportation	40,242,679	38,694,705	4.00%
Operation of plant	45,834,120	42,617,841	7.55%
Maintenance of plant and equipment	20,797,441	21,274,832	-2.24%
Community services	578,225	565,724	2.21%
Food services	18,259,569	17,883,187	2.10%
Interest on long-term debt	298,779	315,404	-5.27%
Depreciation - unallocated	77,168	77,168	0.00%
Total expenses	<u>567,696,844</u>	<u>549,167,851</u>	<u>3.37%</u>
Change in Net Position	(32,448,521)	(14,359,945)	125.97%
Net position - beginning of year	<u>334,904,408</u>	<u>349,264,353</u>	<u>-4.11%</u>
Net position - end of year	<u>\$ 302,455,887</u>	<u>\$ 334,904,408</u>	<u>-9.69%</u>

Harford County Public Schools

Management's Discussion and Analysis (MD&A)
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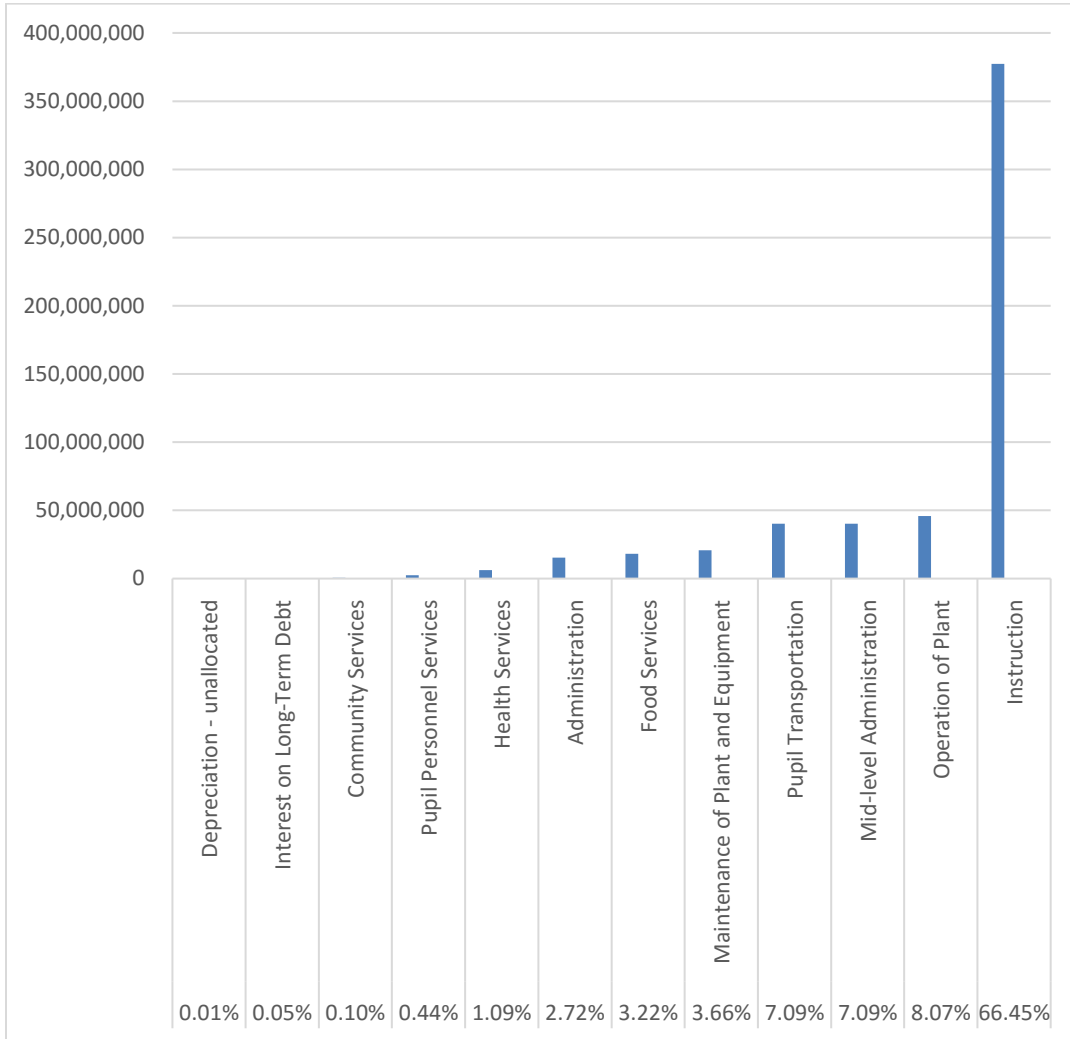
Sources of Revenues for Fiscal Year Ended June 30, 2017



Harford County Public Schools

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Expenditures for Fiscal Year Ended June 30, 2017



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Fund Performance

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

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

In the General Fund, revenues and expenditures are in line with the previous year with no significant increases or decreases warranting discussion. In the Food Services Fund, revenues and expenditures are in line with the previous year with no significant increases or decreases warranting discussion. In the Capital Projects Fund, revenues from local sources decreased by \$3.5 million (or 15.64%) and decreased from state sources by \$5.6 million (or 58.34%), respectively. The fluctuation is due to the funding streams each year for an elementary school replacement project that commenced in FY15.

Harford County Public Schools Changes in Fund Balance

	<i>General Fund</i>		<i>Food Services Fund</i>		<i>Capital Projects Fund</i>		<i>Total</i>	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenues								
Intergovernmental Revenues								
Local Sources	\$ 233,534,504	\$ 228,208,971	\$ -	\$ -	\$ 19,129,002	\$ 22,676,418	\$ 252,663,506	\$ 250,885,389
State Sources	223,985,285	220,625,733	369,406	447,479	3,963,370	9,514,383	228,318,061	230,587,595
Special State and Federal Programs	30,326,771	29,931,471	-	-	-	-	30,326,771	29,931,471
Federal Sources	391,653	423,240	9,414,747	9,164,711	-	-	9,806,400	9,587,951
Earnings on Investments	182,387	55,937	-	-	-	-	182,387	55,937
Charges for Services	-	-	7,122,890	7,141,875	-	-	7,122,890	7,141,875
Miscellaneous Revenues	6,588,704	5,656,323	164,161	141,334	75,442	820,031	6,828,307	6,617,688
Total revenues	<u>495,009,304</u>	<u>484,901,675</u>	<u>17,071,204</u>	<u>16,895,399</u>	<u>23,167,814</u>	<u>33,010,832</u>	<u>535,248,322</u>	<u>534,807,906</u>
						5,551,013		
Expenditures								
Administration	10,068,899	10,179,492	-	-	-	-	10,068,899	10,179,492
Mid-Level Administration	25,698,628	24,909,942	-	-	-	-	25,698,628	24,909,942
Instructional Salaries	158,061,131	154,869,308	-	-	-	-	158,061,131	154,869,308
Instructional Textbooks & Materials	6,625,353	6,597,578	-	-	-	-	6,625,353	6,597,578
Other Instructional Costs	4,335,794	2,794,518	-	-	-	-	4,335,794	2,794,518
Special Education	40,699,953	40,671,555	-	-	-	-	40,699,953	40,671,555
Student Personnel Services	1,714,689	1,691,700	-	-	-	-	1,714,689	1,691,700
Health services	3,355,933	3,271,663	-	-	-	-	3,355,933	3,271,663
Pupil transportation	30,808,113	29,201,312	-	-	-	-	30,808,113	29,201,312
Operation of plant	28,174,042	26,773,119	-	-	-	-	28,174,042	26,773,119
Maintenance of plant and equipment	12,986,079	12,562,071	-	-	-	-	12,986,079	12,562,071
Fixed Charges	136,560,470	134,132,686	-	-	-	-	136,560,470	134,132,686
Community services	495,829	470,002	-	-	-	-	495,829	470,002
Special State & Federal Programs	30,326,771	29,931,471	-	-	-	-	30,326,771	29,931,471
Costs of Operations -Food Services	-	-	17,243,662	16,799,748	-	-	17,243,662	16,799,748
Capital Outlay	604,150	511,212	-	-	23,576,768	33,285,201	24,180,918	33,796,413
Total expenditures	<u>490,515,834</u>	<u>478,567,629</u>	<u>17,243,662</u>	<u>16,799,748</u>	<u>23,576,768</u>	<u>33,285,201</u>	<u>531,336,264</u>	<u>528,652,578</u>
Net Change in Fund Balance	4,493,470	6,334,046	(172,458)	95,651	(408,954)	(274,369)	3,912,058	6,155,328
Fund Balances - beginning of year	30,111,774	23,777,728	3,071,126	2,975,475	2,128,445	2,402,814	35,311,345	29,156,017
Fund Balances - end of year	<u>\$ 34,605,244</u>	<u>\$ 30,111,774</u>	<u>\$ 2,898,668</u>	<u>\$ 3,071,126</u>	<u>\$ 1,719,491</u>	<u>\$ 2,128,445</u>	<u>\$ 39,223,403</u>	<u>\$ 35,311,345</u>

Harford County Public Schools

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General Fund - Unrestricted (Exhibit 7)

Changes made to the original budget during the fiscal year were supplemental appropriations for funding the OPEB Trust. Inter-categorical transfers were made from various categories to cover additional mid-level administrative support at schools, expenditures of materials of instruction and instructional equipment.

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

	<u>Original Budget</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Change</u>	<u>Final Budget</u>
REVENUE					
Local	\$ 233,534,504	\$ -	\$ -	\$ -	\$ 233,534,504
State	196,035,003	-	-	-	196,035,003
Federal	390,000	-	-	-	390,000
Earnings on investments	10,000	-	-	-	10,000
Other Sources	3,438,822	1,464,846	-	1,464,846	4,903,668
Prior year's fund balance	5,523,746	-	-	-	5,523,746
Total revenues	<u>\$ 438,932,075</u>	<u>\$ 1,464,846</u>	<u>\$ -</u>	<u>\$ 1,464,846</u>	<u>\$ 440,396,921</u>
EXPENDITURES					
Administration	\$ 10,654,299	\$ -	\$ (320,000)	\$ (320,000)	\$ 10,334,299
Mid-Level Administration	25,703,270	320,000	-	320,000	26,023,270
Instructional Salaries	160,452,648	-	(160,000)	(160,000)	160,292,648
Textbooks	7,037,435	-	(20,000)	(20,000)	7,017,435
Other Instructional Costs	2,822,916	2,120,000	-	2,120,000	4,942,916
Special Education	42,071,826	-	-	-	42,071,826
Student Personnel Services	1,741,126	-	-	-	1,741,126
Student Health Services	3,440,602	-	-	-	3,440,602
Student Transportation	31,816,998	-	(650,000)	(650,000)	31,166,998
Operation of Plant	29,490,168	-	(915,000)	(915,000)	28,575,168
Maintenance of Plant	13,615,431	-	(375,000)	(375,000)	13,240,431
Fixed Charges	108,977,281	1,464,846	-	1,464,846	110,442,127
Community Services	533,031	-	-	-	533,031
Capital Outlay	575,044	-	-	-	575,044
Total expenditures	<u>\$ 438,932,075</u>	<u>\$ 3,904,846</u>	<u>\$(2,440,000)</u>	<u>\$ 1,464,846</u>	<u>\$ 440,396,921</u>

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It is critical for the reader to understand that local and state revenues account for 92.43% of the total General Fund unrestricted revenue. In the past, both were stable and highly predictable; however, in recent years, state and local revenues have declined with the general condition of the economy. Enrollment reductions have also contributed to the reduction of revenues.

Other revenue includes tuition, facility rental, e-rate rebates, Medicare Part D receipts, dividends from MABE's insurance programs, and payments from health and dental insurance carriers. Major receipts in the other revenue account are from the following:

Health/Dental Insurance rebates & settlements*	\$ 189,837
Medicare Part D*	1,275,009

*Part of the Contribution to the OPEB Investment Trust Fund appropriated for FY17

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

As of June 30, 2017, HCPS had approximately \$861.3 million invested in a broad range of capital assets including land (over 1,891 acres), buildings (over 6.175 million square feet), improvements, furniture, vehicles and other equipment. Capital assets increased approximately \$22.9 million from the same time last year, excluding the effect of depreciation as shown in the table below.

Harford County Public Schools Changes to Capital Assets

	June 30, 2017	June 30, 2016	\$ Change	% Change
Land	\$ 9,672,942	\$ 10,318,494	\$ (645,552)	-6.26%
Construction in progress	54,746,878	59,580,332	(4,833,454)	-8.11%
School properties	749,589,230	723,054,918	26,534,312	3.67%
Furniture, fixtures and equipment	47,278,355	45,476,604	1,801,751	3.96%
Total Capital Assets	<u>\$ 861,287,405</u>	<u>\$ 838,430,348</u>	<u>\$ 22,857,057</u>	<u>2.73%</u>

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School districts in Maryland are in the uncommon position of owning assets but not the debt associated with those facilities as they are fully fiscally dependent on the state and county governments. Accordingly, HCPS carries no bond rating, but has an approved debt policy for lease transactions. In FY 2012, HCPS refinanced the capital lease for the Administration Building from an interest rate of 4.97% to a lower rate of 3.27%, resulting in a savings of \$1,146,908 in the remaining term of the debt, without extending the term of the debt.

Current Issues

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

Future Issues

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

- expected higher costs for state retirement due to the shift of a portion of the pension responsibility from the state to the school system;
- increasing number of homeless students, those newly immigrated to this country, and growing socioeconomically eligible population require greater services;
- the uncertain state of the federal budget affecting funding decisions at the state and local levels;
- the construction and completion of additional apartment complexes within Harford County that could potentially affect school enrollment and class sizes subsequent to the submission of official enrollment for the FY17-18 school year;
- future capital budgets with funding for renovations and additions to existing schools, including major systemic renovations to many of the older school facilities as well as the construction of new schools;
- the need for salary increases in order to be competitive with surrounding school systems in attracting highly qualified employees;

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- amount of budget reductions already realized leaves less budget flexibility for offsetting unexpected costs or any new initiatives; and
- projected increases in the cost of employee health and dental benefits.

The Governmental Accounting Standards Board (GASB) issued Statements No. 45, 74 and 75 that address how state and local governments account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. Collectively, these benefits are commonly referred to as *other postemployment benefits*, or *OPEB*.

HCPS made several policy changes with respect to benefits provided to retirees and committed to using excess monies in the health insurance rate stabilization account and federal Medicare Part D reimbursement to at least partially fund the OPEB liability. Currently, HCPS is participating in a multi-employer OPEB Investment Trust administered by the Maryland Association of Boards of Education (MABE). We believe this structure is unique in the country. While we have the vehicle to invest OPEB funds, the issue will be whether or not the County will fund OPEB contributions to meet our proposed 30 year timeframe to achieve full funding. The current economic climate has been, and is forecast to continue to be, prohibitive to this objective. Meanwhile the unfunded liability continues to grow.

Contacting Harford County Public Schools' Financial Management

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

If you have questions about this report or wish to request additional financial information, contact Deborah L. Judd, CPA, Assistant Superintendent for Business Services at (410) 588-5321; or by mail at Harford County Public Schools, Business Services, 102 South Hickory Avenue, Bel Air, Maryland 21014.



**Kylie Wagner, Grade 9,
C. Milton Wright High School
Teacher: Jenna Thomas**

Harford County Public Schools

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STATEMENT OF NET POSITION JUNE 30, 2017

Governmental Activities

ASSETS

Cash and cash equivalents	\$ 17,660,578
Investments	16,311,010
Due from other units of government	8,752,952
Other receivables	10,022,637
Inventory	572,417
Other assets	1,782
Capital assets:	
Construction in progress	54,746,878
School properties	759,262,172
Furniture, fixtures and equipment	47,278,355
Less: accumulated depreciation	(232,873,569)
Total capital assets, net of depreciation	<u>628,413,836</u>
Total assets	<u>681,735,212</u>
Deferred outflows related to pensions	<u>7,847,210</u>

LIABILITIES

Accounts payable	7,863,473
Accrued salaries and wages	686,865
Payroll taxes payable	1,143,006
Unearned revenue	2,690,087
Noncurrent liabilities:	
Due within one year	5,518,760
Due in more than one year	367,379,273
Total liabilities	<u>385,281,464</u>
Deferred inflows related to pensions	<u>1,845,071</u>

NET POSITION

Net investment in capital assets	619,801,908
Restricted for:	
Food services	2,898,668
Capital projects	1,719,491
Unrestricted	(321,964,180)
Total net position	<u><u>\$ 302,455,887</u></u>

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

Harford County Public Schools

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Governmental Activities</u>
Governmental activities:					
Instruction:					
Regular education	\$ 285,967,728	\$ 1,753,120	\$ 62,972,074	\$ 12,600,659	\$ (208,641,875)
Special education	91,260,058	-	35,737,024	-	(55,523,034)
Total instruction	<u>377,227,786</u>	<u>1,753,120</u>	<u>98,709,098</u>	<u>12,600,659</u>	<u>(264,164,909)</u>
Support services					
Administration	15,417,072	-	1,383,828	3,036	(14,030,208)
Mid-level administration	40,276,220	-	3,347,659	-	(36,928,561)
Pupil personnel services	2,525,190	-	145,160	-	(2,380,030)
Health services	6,162,595	-	-	-	(6,162,595)
Pupil transportation	40,242,679	-	12,648,205	1,539,920	(26,054,554)
Operation of plant	45,834,120	-	80,187	179,736	(45,574,197)
Maintenance of plant and equipment	20,797,441	-	216,074	8,844,463	(11,736,904)
Community services	578,225	464,675	19,234	-	(94,316)
Food services	18,259,569	7,122,890	9,948,314	-	(1,188,365)
Interest on long-term debt	298,779	-	-	-	(298,779)
Depreciation - unallocated	77,168	-	-	-	(77,168)
Total support services	<u>190,469,058</u>	<u>7,587,565</u>	<u>27,788,661</u>	<u>10,567,155</u>	<u>(144,525,677)</u>
Total governmental activities	<u>\$ 567,696,844</u>	<u>\$ 9,340,685</u>	<u>\$ 126,497,759</u>	<u>\$ 23,167,814</u>	<u>(408,690,586)</u>
General revenues:					
Local aid not restricted to specific purposes					233,534,504
State aid not restricted to specific purposes					137,762,611
Federal aid not restricted to specific purposes					391,653
Miscellaneous					4,370,910
Investment earnings					182,387
Total general revenues					<u>376,242,065</u>
Change in net position					(32,448,521)
Net position - beginning of year					<u>334,904,408</u>
Net position - end of year					<u>\$ 302,455,887</u>

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

Harford County Public Schools

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 14,999,370	\$ 2,661,208	\$ -	\$ 17,660,578
Investments	16,311,010	-	-	16,311,010
Due from other units of government	1,690,968	334,995	6,726,989	8,752,952
Other receivables	9,889,397	133,240	-	10,022,637
Due from other funds	215,519	-	1,179,054	1,394,573
Inventory	199,163	373,254	-	572,417
Other assets	1,782	-	-	1,782
Total assets	<u>\$ 43,307,209</u>	<u>\$ 3,502,697</u>	<u>\$ 7,906,043</u>	<u>\$ 54,715,949</u>
LIABILITIES				
Accounts payable	\$ 1,891,268	\$ 101,953	\$ 5,870,252	\$ 7,863,473
Accrued salaries and wages	686,865	-	-	686,865
Payroll taxes payable	1,143,006	-	-	1,143,006
Due to other funds	1,179,054	215,519	-	1,394,573
Unearned revenue	2,087,230	286,557	316,300	2,690,087
Compensated absences payable	1,714,542	-	-	1,714,542
Total liabilities	<u>8,701,965</u>	<u>604,029</u>	<u>6,186,552</u>	<u>15,492,546</u>
FUND BALANCES				
Non-spendable	199,163	373,254	-	572,417
Assigned	23,988,084	2,525,414	1,719,491	28,232,989
Unassigned	10,417,997	-	-	10,417,997
Total fund balances	<u>34,605,244</u>	<u>2,898,668</u>	<u>1,719,491</u>	<u>39,223,403</u>
Total liabilities and fund balances	<u>\$ 43,307,209</u>	<u>\$ 3,502,697</u>	<u>\$ 7,906,043</u>	<u>\$ 54,715,949</u>

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

Harford County Public Schools

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

Total fund balances - governmental funds (Exhibit 3)	\$ 39,223,403
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>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 \$861,287,405 and the accumulated depreciation is \$232,873,569.</p>	628,413,836
<p>Long-term liabilities are not due and payable from current resources and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of compensated absences payable (\$26,167,657), an obligation under capital lease (\$8,611,928), net OPEB obligation (\$308,742,929) and net pension liability (\$27,660,977).</p>	(371,183,491)
Deferred outflows related to pensions.	7,847,210
Deferred inflows related to pensions.	<u>(1,845,071)</u>
Total net position - governmental activities (Exhibit 1)	<u><u>\$ 302,455,887</u></u>

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

Harford County Public Schools

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Intergovernmental revenues:				
Local sources	\$ 233,534,504	\$ -	\$ 19,129,002	\$ 252,663,506
State sources	223,985,285	369,406	3,963,370	228,318,061
Special state and federal programs	30,326,771	-	-	30,326,771
Federal sources	391,653	9,414,747	-	9,806,400
Earnings on investments	182,387	-	-	182,387
Charges for services	-	7,122,890	-	7,122,890
Miscellaneous revenues	6,588,704	164,161	75,442	6,828,307
Total revenues	495,009,304	17,071,204	23,167,814	535,248,322
Expenditures				
Current:				
Administrative services	10,068,899	-	-	10,068,899
Mid-level administrative services	25,698,628	-	-	25,698,628
Instructional salaries	158,061,131	-	-	158,061,131
Instructional textbooks and supplies	6,625,353	-	-	6,625,353
Other instructional costs	4,335,794	-	-	4,335,794
Special education	40,699,953	-	-	40,699,953
Student personnel services	1,714,689	-	-	1,714,689
Health services	3,355,933	-	-	3,355,933
Pupil transportation services	30,808,113	-	-	30,808,113
Operation of plant	28,174,042	-	-	28,174,042
Maintenance of plant and equipment	12,986,079	-	-	12,986,079
Fixed charges	136,560,470	-	-	136,560,470
Community services	495,829	-	-	495,829
Special state and federal programs	30,326,771	-	-	30,326,771
Costs of operation - food services	-	17,243,662	-	17,243,662
Capital outlay	604,150	-	23,576,768	24,180,918
Total expenditures	490,515,834	17,243,662	23,576,768	531,336,264
Excess (deficiency) of revenues over expenditures	4,493,470	(172,458)	(408,954)	3,912,058
Net change in fund balances	4,493,470	(172,458)	(408,954)	3,912,058
Fund balances - beginning of year	30,111,774	3,071,126	2,128,445	35,311,345
Fund balances - end of year	\$ 34,605,244	\$ 2,898,668	\$ 1,719,491	\$ 39,223,403

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

Harford County Public Schools

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Total net change in fund balances - governmental funds (Exhibit 5)	\$ 3,912,058
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$24,402,329) exceeds depreciation expense (\$18,868,848) and loss on disposal of (\$78,937).	5,454,544
Capital lease provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position. 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 position. In the current year, the net effect of capital lease borrowings and repayment was \$525,043.	525,043
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 \$166,207.	(166,207)
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.	(43,022,000)
Pension costs reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	848,041
Change in net position of governmental activities (Exhibit 2)	\$ (32,448,521)

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

Harford County Public Schools

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted				Restricted				Variance - Favorable (Unfavorable)
	Original Budget	Final Budget	Actual (non-GAAP)	Variance - Favorable (Unfavorable)	Original Budget	Final Budget	Actual (non-GAAP)	Variance - Favorable (Unfavorable)	
Revenues									
Intergovernmental revenues:									
Local	\$ 233,534,504	\$ 233,534,504	\$ 233,534,504	\$ -	\$ -	\$ -	\$ -	\$ -	-
State	196,035,003	196,035,003	196,211,473	176,470	-	-	-	-	-
Federal	390,000	390,000	391,653	1,653	-	-	-	-	-
Special state and federal	-	-	-	-	29,965,484	38,242,237	30,351,483	(7,890,754)	-
Earnings on investments	10,000	10,000	132,185	122,185	-	-	-	-	-
Other sources	3,438,822	4,903,668	5,141,037	237,369	-	-	-	-	-
Prior year fund balance	5,523,746	5,523,746	5,523,746	-	-	-	-	-	-
Total revenues	<u>\$ 438,932,075</u>	<u>\$ 440,396,921</u>	<u>440,934,598</u>	<u>\$ 537,677</u>	<u>\$ 29,965,484</u>	<u>\$ 38,242,237</u>	<u>\$ 30,351,483</u>	<u>\$ (7,890,754)</u>	
Expenditures									
Current:									
Administrative services	\$ 10,654,299	\$ 10,334,299	10,059,039	\$ 275,260	\$ 560,000	\$ 760,249	\$ 564,556	\$ 195,693	
Mid-level administration	25,703,270	26,023,270	25,744,310	278,960	634,814	713,254	683,117	30,137	
Instructional salaries	160,452,648	160,292,648	158,061,131	2,231,517	4,126,655	5,324,433	4,526,175	798,258	
Instructional textbooks and supplies	7,037,435	7,017,435	6,697,094	320,341	457,066	2,507,987	1,473,787	1,034,200	
Other instructional costs	2,822,916	4,942,916	4,919,237	23,679	1,159,561	1,379,992	1,288,136	91,856	
Special education	42,071,826	42,071,826	40,705,258	1,366,568	17,560,005	21,507,547	15,928,358	5,579,189	
Student personnel services	1,741,126	1,741,126	1,714,422	26,704	-	-	-	-	
Student health services	3,440,602	3,440,602	3,373,446	67,156	-	-	-	-	
Student transportation	31,816,998	31,166,998	30,835,528	331,470	-	112,435	99,071	13,364	
Operation of plant	29,490,168	28,575,168	28,136,592	438,576	-	159,400	80,187	79,213	
Maintenance of plant	13,615,431	13,240,431	13,059,405	181,026	-	29,326	29,326	-	
Fixed charges	108,977,281	110,442,127	108,786,658	1,655,469	5,367,383	5,707,874	5,639,473	68,401	
Community services	533,031	533,031	495,829	37,202	-	7,908	7,904	4	
Capital outlay	575,044	575,044	566,673	8,371	100,000	31,832	31,393	439	
Total expenditures	<u>\$ 438,932,075</u>	<u>\$ 440,396,921</u>	<u>433,154,622</u>	<u>\$ 7,242,299</u>	<u>\$ 29,965,484</u>	<u>\$ 38,242,237</u>	<u>\$ 30,351,483</u>	<u>\$ 7,890,754</u>	
Excess of revenues over expenditures			7,779,976						
Total fund balance - beginning of year			16,276,966						
Prior year fund balance recognized as revenue above			(5,523,746)						
Total fund balance - end of year			18,533,196						
Fund balance - end of year - nonspendable			(199,163)						
- assigned			(7,691,218)						
Fund balance - end of year - unassigned			<u>\$ 10,642,815</u>						

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

Harford County Public Schools

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STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	Retiree Health Plan Trust	Agency Funds
Assets	<u> </u>	<u> </u>
Cash and cash equivalents	\$ -	\$ 2,455,974
Investments held in MABE Trust	45,943,067	-
Total assets	<u>45,943,067</u>	<u>2,455,974</u>
 Liabilities		
Scholarship funds payable	-	68,008
School activity funds payable	-	2,387,966
Total liabilities	<u>-</u>	<u>2,455,974</u>
 Net position		
Held in trust for retiree health plan benefits	<u>45,943,067</u>	<u>-</u>
Total net position	<u><u>\$ 45,943,067</u></u>	<u><u>\$ -</u></u>

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

Harford County Public Schools

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**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	Retiree Health Plan Trust
Additions	
Contributions	\$ 1,464,846
Net investment portfolio results	4,551,004
Total additions	<u>6,015,850</u>
Deductions	
Administrative expenses	<u>15,864</u>
Total deductions	<u>15,864</u>
Change in net position	5,999,986
Net position - beginning of year	<u>39,943,081</u>
Net position - end of year	<u><u>\$ 45,943,067</u></u>

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Education of Harford County (the Board) is a body politic and corporate established by the Public School Laws of Maryland. For financial reporting purposes, the Board (alternatively referred to herein as Harford County Public Schools) is a component unit of Harford County, Maryland (the County) by virtue of the County’s responsibility for levying taxes and incurring debt for the benefit of the Board, as well as its budgetary control over the Board. Accordingly, the financial statements of the Board are included in the financial statements of the County. The Board itself has no component units.

The accounting policies of Harford County Public Schools conform to accounting principles generally accepted in the United States of America. Accordingly, the Board applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of significant accounting policies employed by the Board.

Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of Harford County Public Schools as a whole. The activities of the General Fund (Current Expense Fund), Special Revenue Fund (Food Service Fund) and Capital Projects Fund (School Construction Fund) have been presented as governmental activities in the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Local appropriations, state and federal aid and other items which are not classified as program revenues are presented as general revenues of the Board. The Board has no internal service funds and inter-fund services provided and used are negligible and are not eliminated in the process of consolidation.

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Governmental Funds

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

Food Service Fund (Special Revenue Fund) – The food service fund is used to account for the operations of the cafeterias and production facilities which provide for the preparation and sale of meals primarily to students. As a special revenue fund, the proceeds of specific revenue sources (other than major capital projects) are legally restricted to expenditures for specified purposes.

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

School Construction Fund (Capital Projects Fund) – The school construction fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds

Scholarship and School Funds (Agency Funds) - Agency funds are used to account for assets held by the Board in a trustee capacity. Scholarship funds account for monies that have been donated for scholarships but have not yet been awarded. The school funds account for student activities such as student organizations, yearbooks and field trips. School funds are the direct responsibility of the principals of the respective schools.

Retiree Health Plan Trust Fund – This fund was established to prefund other postemployment benefits (OPEB) that the Board provides to retirees of the Board and their dependents. It consists of contributions of the Board to establish a reserve to pay health and welfare benefits of future retirees. Contributions to the Trust qualify as contributions and are reported as additions using the economic resource measurement focus and the accrual basis of accounting, under which expenses (deduction) are recorded when the liability is incurred or the benefits are paid.

By definition, Fiduciary Funds assets are being held for the benefit of a third party and cannot be used to satisfy obligations of the Board, and are, therefore, not included in the government-wide financial statements.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents

Amounts in demand deposits and short-term investments with a maturity date of three months or less when purchased are considered cash and cash equivalents.

Due From Other Units of Government and Other Receivables

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

Accounts receivable are not collateralized but are primarily with other governmental units and related agencies. These entities rarely default on their obligations and management of the Board considers all amounts collectible as of June 30, 2017. Therefore, no valuation allowance is provided against the amounts due.

Inventory

Inventory in the general fund consists of supplies maintained in the distribution center and is recorded at cost. Inventory in the food service fund consists of expendable food and supplies held for consumption and is recorded at the lower of cost (first-in, first-out) or market. The cost is recorded as an asset at the time individual inventory items are purchased. As inventory is consumed, the cost is charged to expenditures.

Capital Assets

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

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
.....

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position or Equity (continued)

Capital Assets (continued)

Assets that 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.

Compensated Absences

As of June 30, 2017, annual and sick leave earned, applicable to governmental fund types, but not taken by Board employees, was \$27,882,199. This amount is based on vested accumulated leave as of June 30, 2017, for employees eligible to receive annual leave benefits at retirement. Sick leave is accrued for employees with at least ten years of service and calculated at 25% of their annual daily rate up to a maximum ranging from 200 to 300 days. An accrual in the amount of \$1,714,542 was made in the General Fund for the year ended June 30, 2017. This amount was an estimate of the accumulated annual and sick leave which is due and payable as of June 30, 2017 as it will be paid to retirees during the first month of the fiscal year ending June 30, 2018. The remaining liability for accumulated annual and sick leave earned in the amount of \$26,167,657 is reported as a noncurrent liability in the government-wide financial statements.

Pensions

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

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position or Equity (continued)

Deferred Outflows/Inflows of Resources

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

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

Encumbrances

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

Net Position and Fund Balance

The difference between fund assets and deferred outflows and liabilities and deferred inflows is “Net Position” on the government-wide and fiduciary fund statements and “Fund Balance” on governmental fund statements. Net Position is classified as “Net investment in capital assets,” legally “Restricted” for a specific purpose, or “Unrestricted” and available for appropriation for general purposes.

In the governmental fund financial statements, non-spendable and restricted fund balance represent amounts that are legally restricted by outside parties for use for a specific purpose or are otherwise not available for appropriation. Assigned fund balance represents the portion of fund balance that reflects the Board’s intended use of resources.

Use of Estimates in Preparing Financial Statements

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
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NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

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

The budgetary basis differs from GAAP, which is used for the fund financial statements, in that encumbrances, which represent commitments to purchase goods and services, are treated as expenditures of the current period rather than reservations of the fund balance, portions of the prior year's fund balance are included as revenues and retirement payments made on the Board's behalf by the State of Maryland are excluded from revenues and expenditures. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (non-GAAP basis) and Actual-General Fund is presented using the budgetary basis of accounting. By state law, major categories of expenditures may not exceed budgeted amounts. The state-mandated categories of expenditures include Administration, Mid-level Administration, Instructional Salaries, Textbooks and Instructional Supplies, Other Instructional Costs, Special Education, Pupil Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, Community Services and Capital Outlay.

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

Operating Budget (General Fund)

- 1) Early each fiscal year, budget questionnaires are distributed to principals and staff members. These questionnaires and supporting documents are due in the office of the Director of Budget at the beginning of October.
- 2) The Board may, at its discretion, discuss and establish its priorities for the operating budget at the regular monthly meetings in October and November.
- 3) At the regular monthly meeting in December, the Superintendent of Schools will present the recommended operating budget to the Board and the general public.
- 4) In January, the Board will hold a special meeting for the purpose of providing for a public hearing on the Superintendent's recommended operating budget.
- 5) At the regular monthly meeting in January, the Board will adopt an operating budget and submit the adopted operating budget to the County Executive.
- 6) After approval or adjustment by the County Council, the final operating budget is approved by the Board in June.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
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NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (continued)

Operating Budget (General Fund) (continued)

- 7) Budgets are normally adopted on a basis consistent with GAAP except for the inclusion of portions of the prior year’s fund balance as revenues, the inclusion of encumbrances as expenditures and the exclusion of retirement payments made on the Board’s behalf by the State of Maryland as revenues and expenditures. Budget comparisons presented are on a non-GAAP budgetary basis.
- 8) Transfers may be made within the major categories by the Board of Education without the approval of the County Council as budgetary control is at the major category level.
- 9) Requests for transfers between major categories must be submitted to the County Council for approval or denial. No action within thirty (30) days of submission constitutes approval.

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

Food Service Fund Budget (Special Revenue Fund)

The Food Service Fund Budget is not a legally adopted budget; therefore, a budget to actual presentation is not included in the basic financial statements. The comparison of the Food Services Fund Budget to actual revenues and expenditures is presented as a supplementary schedule to these financial statements. Revenue from federal sources in the Food Service Fund includes \$1,122,067 of donated commodities from the United States Department of Agriculture.

Capital Budget - School Construction Fund (Capital Projects Fund)

Annual budgetary comparisons to actual expenditures are not presented in the financial statements for the Capital Projects Fund.

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

Reconciliation of Budgetary Data

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (continued)

The differences between the two methods are set forth below:

Revenues (non-GAAP budgetary basis - unrestricted and restricted)	\$ 471,286,081
Fund balance at June 30, 2016 assigned to current year expenditures	(5,523,746)
Revenues adjusted by restricted encumbrances of expenditure driven grants	(24,712)
Pension contributions made directly by the State of Maryland	27,773,812
Interest earned on rate stabilization deposit	50,202
Changes in value of rate stabilization fund	<u>1,447,667</u>
Revenues (GAAP basis)	<u><u>\$ 495,009,304</u></u>
Expenditures (non-GAAP budgetary basis - unrestricted and restricted)	\$ 463,506,105
Net effect of encumbrances	(764,083)
Pension contributions made directly by the State of Maryland	<u>27,773,812</u>
Expenditures (GAAP basis)	<u><u>\$ 490,515,834</u></u>

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

Unassigned Fund Balance (non-GAAP budgetary basis)	\$ 10,642,815
Cumulative effect of:	
Revenues adjusted by encumbrances of expenditure driven grants	<u>(224,818)</u>
Unassigned fund balance (GAAP basis)	<u><u>\$ 10,417,997</u></u>

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

Assigned Fund Balance (non-GAAP budgetary basis)	\$ 7,691,218
Encumbrances	9,634,382
Rate stabilization fund balance	<u>6,662,484</u>
Assigned Fund Balance (GAAP basis)	<u><u>\$ 23,988,084</u></u>

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**
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NOTE 3 – CASH AND INVESTMENTS

Cash on Hand

At year end, cash on hand for petty cash and change funds was \$842.

Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Board may not be able to recover the deposits. The Annotated Code of Maryland requires that funds on deposit with a financial institution be fully secured by deposit insurance, surety bonds, obligations of the United States or its agencies, obligations of the State of Maryland or any of its agencies, or obligations of a county, other governmental authority, or municipal corporation in the State of Maryland. As of June 30, 2017, all of the Board’s deposits were either covered by FDIC insurance or collateral held by the financial institution in the Board’s name. As of June 30, 2017, the carrying amount of the Board’s deposits was \$20,115,710 and the bank balance was \$21,562,207.

Investments

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

The Board is a participant in the Maryland Local Government Investment Pool, which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAAM by Standard and Poors, their highest rating for money market funds. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked-to-market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. The pool is managed in a “Rule 2(a)-like” manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940, which is MLGIP’s share price. The Board has no unfunded commitments nor significant terms or conditions for redemption. The investment objectives of the Pool are to preserve the capital value of the dollars invested, to provide a competitive rate of return and to provide a readily available source of daily liquidity.

As of June 30, 2017, the Board's investment balances were as follows:

	<u>Fair Value</u>
Maryland Local Government Investment Pool	<u><u>\$16,311,010</u></u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
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NOTE 3 – CASH AND INVESTMENTS (continued)

Interest Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Board’s exposure to interest rate risk arising from increasing interest rates, the Board’s investment policy limits the term of investment maturities, except in the fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. The Board’s management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Board from having to sell investments below original cost for that purpose. The investments as of June 30, 2017, complied with the Board’s investment policy as of that date.

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 MLGIP, money market mutual funds, commercial paper and repurchase agreements secured by direct government or agency obligations.

Concentration of Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the Board will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The Board’s investment policy states that all investments must be fully collateralized. As of June 30, 2017, all of the Board’s investments were insured or registered, were held by the custodian in the Board’s name or were invested in MLGIP.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 – CASH AND INVESTMENTS (continued)

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

Cash on hand	\$ 842
Carrying amount of deposits	20,115,710
Carrying amount of investments	<u>62,254,077</u>
Total cash and investments	82,370,629
Less: Amounts in fiduciary funds	<u>48,399,041</u>
Total Cash and Investments per Statement of Net Position	<u><u>\$33,971,588</u></u>
Cash and cash equivalents	\$17,660,578
Investments	<u>16,311,010</u>
Total Cash and Investments per Statement of Net Position	<u><u>\$33,971,588</u></u>

Investment in External Investment Pool

The Board has funds designated for Other Postemployment Benefits (OPEB) that are held by Maryland Association of Boards of Education (MABE) in the MABE OPEB Trust (MABE Trust). The MABE Trust is administered by the MABE, and is a wholly-owned instrumentality of its members. The nine members who are sole contributors to the MABE Trust are the boards of education of the following counties in Maryland: Allegany, Caroline, Cecil, Charles, Harford, Kent, Prince George’s, St. Mary’s and Washington.

The investments of the MABE Trust are stated at fair value and are managed by the Wells Fargo Advisors and consist of money market funds, U.S. government and agency fixed income and asset backed securities, equity securities, mutual funds and exchange traded funds and corporate and corporate asset backed securities. The MABE Trust categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs. Although all of the investments of the MABE Trust are considered Level 1 and Level 2, the Board’s membership investment in the MABE Trust is considered Level 2. As of June 30, 2017, the pooled net position of the MABE Trust was \$292,672,933 in total, of which the Board’s allocated investment balance was \$45,943,067. The Board may terminate its membership in the MABE Trust and withdraw its allocated investment balance by providing written notice six months prior to the intended date of withdrawal.

The MABE Trust is audited annually by an independent CPA firm. Since 2010, Arthur Bell and Associates of Hunt Valley, Maryland performed this service. The audit report is usually issued by September 1st of each year, a copy of which can be obtained by sending a request to the following address: Administrator of the MABE Pooled Investment Trust, 621 Ridgely Road, Suite 300, Annapolis, MD 21401-1112.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017, were as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>June 30, 2017</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 10,318,494	\$ -	\$ (645,552)	\$ 9,672,942
Construction in progress	59,580,332	19,728,975	(24,562,429)	54,746,878
Total nondepreciable capital assets	<u>69,898,826</u>	<u>19,728,975</u>	<u>(25,207,981)</u>	<u>64,419,820</u>
Depreciable capital assets:				
Land improvements	17,696,719	349,068	645,552	18,691,339
Buildings	705,358,199	977,263	24,562,429	730,897,891
Furniture and equipment	45,479,604	3,347,023	(1,548,272)	47,278,355
Total depreciable capital assets	<u>768,534,522</u>	<u>4,673,354</u>	<u>23,659,709</u>	<u>796,867,585</u>
Less accumulated depreciation for:				
Land improvements	7,137,029	826,876	-	7,963,905
Buildings	175,648,451	14,760,490	-	190,408,941
Furniture and equipment	32,688,576	3,281,482	(1,469,335)	34,500,723
Total accumulated depreciation	<u>215,474,056</u>	<u>18,868,848</u>	<u>(1,469,335)</u>	<u>232,873,569</u>
Total depreciable capital assets, net	<u>553,060,466</u>	<u>(14,195,494)</u>	<u>25,129,044</u>	<u>563,994,016</u>
Governmental activities, capital assets, net	<u>\$ 622,959,292</u>	<u>\$ 5,533,481</u>	<u>\$ (78,937)</u>	<u>\$ 628,413,836</u>

Depreciation expense for the year ended June 30, 2017, was charged to governmental functions on the Statement of Activities as follows:

Depreciation not allocated to specific functions	\$ 77,168
Administration	262,205
Mid-level administration	1,140
Instruction	10,211,586
Special education	4,151
Transportation	430,139
Operations	4,145,625
Maintenance	3,505,400
Food Service	231,434
Total	<u>\$ 18,868,848</u>

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

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NOTE 4 - CAPITAL ASSETS (continued)

The Board has active school construction projects as of June 30, 2017, as follows:

Project:	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Center for Educational Opportunity Air Conditioning	\$ 4,433,248	\$ 24,952
Darlington Elementary HVAC	2,495,477	31,979
Havre de Grace High School	3,439,449	388,987
John Archer	83,045	-
Joppatowne High	169,450	-
Joppatowne High Roof	25,490	2,052,910
Old Post Rd Elementary Open Space Enclosure	611,881	1,760,829
Prospect Mill Elementary HVAC	4,535,405	41,376
Riverside Elementary HVAC	563,802	6,722,813
Wm. S. James Elementary Open Space Enclosure	374,453	1,034,513
Youth's Benefit Elementary Modernization	38,015,178	6,791,478
Total	<u>\$ 54,746,878</u>	<u>\$ 18,849,837</u>

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance as of			Balance as of	
	July 1, 2016	Increases	Reductions	June 30, 2017	Due Within One Year
Capital lease	\$ 9,136,971	\$ -	\$ 525,043	\$ 8,611,928	\$ 542,212
Compensated absences	27,497,531	5,304,772	4,920,104	27,882,199	4,976,548
OPEB obligation	265,720,929	67,040,000	24,018,000	308,742,929	-
Net pension liability	26,420,243	1,240,734	-	27,660,977	-
Total Governmental Activities	\$ 328,775,674	\$ 73,585,506	\$ 29,463,147	\$ 372,898,033	\$5,518,760

Compensated absences, net pension liability and net OPEB obligation have typically been liquidated by the General Fund in prior years.

The Board entered into lease agreements as lessee in the amount of \$11,400,223 to construct the administration building, which was completed in January 2006. The lease agreement is for a period of twenty-five years. The debt was refinanced in May 30, 2012 at a rate of 3.25%. The term of the debt was not extended. The asset acquired and capitalized under the capital lease is as follows:

Building cost	\$ 10,852,395
Less:accumulated depreciation	<u>2,496,051</u>
Net Book Value	<u><u>\$ 8,356,344</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2018	\$ 823,822
2019	823,822
2020	823,822
2021	823,822
2022	823,822
2023 - 2027	4,119,110
2028 - 2030	<u>2,471,466</u>
Total minimum lease payments	10,709,686
Less: Amount representing interest	<u>2,097,758</u>
Present value of minimum lease payments	<u><u>\$ 8,611,928</u></u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 - FUND BALANCE

Fund balance as of June 30, 2017, consisted of the following:

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Capital Projects Fund</u>
Non-spendable for:			
Inventory	\$ 199,163	\$ 373,254	\$ -
Assigned to:			
Encumbrances:			
Contracted Services	1,421,356	8,834	559,893
Supplies and materials	973,693	13,221	499,736
Equipment and other	4,267,435	78,706	659,862
Total encumbrances	6,662,484	100,761	1,719,491
Fiscal year 2018 expenditures	5,466,052	-	-
Rate stabilization receivable	9,634,382	-	-
Future health insurance call	1,225,166	-	-
Emergency fuel reserve	1,000,000	-	-
Cost of Operation - Food Services	-	2,424,653	-
Total assigned	23,988,084	2,525,414	1,719,491
Unassigned	10,417,997	-	-
Total fund balances	<u>\$ 34,605,244</u>	<u>\$ 2,898,668</u>	<u>\$ 1,719,491</u>

Non-spendable fund balance reports resources that cannot be spent because of their form or due to legal or contractual requirements. Committed fund balance reports resources with self-imposed limitation approved by the Board to the end of the period. Formal action is required to remove or modify a constraint reflected in the committed fund balance. There were no committed fund balances as of June 30, 2017. Assigned fund balance records the portion of fund balance that reflects the Board's intended use of resources. For assigned fund balance, the Board's upper-level management is authorized to assign amounts to a specific purpose and is the highest level of decision-making for assigned fund balance. Unlike committed fund balance, formal action is not required to impose, remove, or modify assigned fund balance. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Fund, and Capital Projects Fund. Encumbrances outstanding at year-end are reported as assignments of fund balances since they do not constitute expenditures or liabilities. The general fund is the only fund that reports a positive unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Board considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Board considers amounts to have been spent first out of committed funds, then assigned funds,

HARFORD COUNTY PUBLIC SCHOOLS
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June 30, 2017
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NOTE 6 – FUND BALANCE (continued)

and finally, unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

NOTE 7 - PENSION PLANS

General Information about the Pension Plan

Plan description

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

Benefits provided

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

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

For most individuals who retired from either the TPS or ERS on or before June 30, 2006, the annual pension allowance equals 1.2% of the member’s AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member’s AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the TPS or ERS on or after July 1, 2006, the annual pension allowance equals 1.2% of the member’s AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member’s AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the TPS or ERS shall earn an annual pension allowance equal to 1.5% of the member’s AFC multiplied by the number of years of creditable service accumulated as a member of the TPS or ERS.

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June 30, 2017
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NOTE 7 - PENSION PLANS (continued)

General Information about the Pension Plan (continued)

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

Early Service Retirement

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

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

Disability and Death Benefits

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

Contributions (ERS)

The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The Board's contractually required contribution rate for ERS for the year ended June 30, 2017, was approximately \$2.2 million, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**
.....

NOTE 7 - PENSION PLANS (continued)

General Information about the Pension Plan (continued)

unfunded accrued liability. Contributions to ERS from the Board were approximately \$2.2 million for the year ended June 30, 2017.

Contributions (TPS)

The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The State of Maryland is responsible for the net pension liability of TPS. The Board's required contribution is for the normal cost and does not include any contribution for past service cost. As such, the State of Maryland is responsible for 100% of the net pension liability related to TPS and qualifies as a special funding situation. The State of Maryland's contribution on behalf of the Board for the year ended June 30, 2017, was approximately \$27.8 million. The Board's contractually required contribution rate for TPS for the year ended June 30, 2017, was approximately \$9.5 million, actuarially determined as an amount that, when combined with the State of Maryland and employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (state only).

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

As of June 30, 2017, the Board reported a liability of approximately \$27.7 million for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the ERS net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. As of June 30, 2017, the Board's proportion for ERS was 0.12%, which was substantially the same as its proportion measured as of June 30, 2016. For the year ended June 30, 2017, the Board recognized pension expense for ERS of approximately \$3.2 million. As of June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - PENSION PLANS (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
2017 contributions	\$2,216,065	\$ -
Changes in actuarial assumptions	1,142,067	-
Differences in expected vs. actual experience	-	708,868
Net difference between projected and actual earnings on pension plan investments	<u>4,489,078</u>	<u>1,136,203</u>
Total	<u><u>\$7,847,210</u></u>	<u><u>\$1,845,071</u></u>

The \$2,216,065 reported as deferred outflows of resources related to ERS resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the ERS net pension liability during the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows as of June 30, 2017:

Year Ending June 30,	Deferred Outflows	Deferred Inflows
2018	\$1,673,427	\$ (779,136)
2019	1,673,428	(779,135)
2020	1,598,346	(211,034)
2021	<u>685,944</u>	<u>(75,766)</u>
Total	<u><u>\$5,631,145</u></u>	<u><u>\$(1,845,071)</u></u>

As of June 30, 2017, the State of Maryland's proportionate share of the TPS net pension liability associated with the Board is approximately \$446,910,936. The TPS net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. State of Maryland's proportionate share of the TPS net pension liability associated with the Board was based on a projection of the state's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined.

Information Included in the MSRPS Financial Statements

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
.....

NOTE 7 - PENSION PLANS (continued)

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

The Board's proportionate share of the ERS net pension liability calculated using the discount rate of 7.55% is \$27,660,977. Additionally, the Board's proportionate share of the ERS net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.55%) is \$37,994,750 or 1-percentage-point higher (8.55%) is \$19,061,728.

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

Plan administration. The Board administers a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for retirees of the Board and their dependents.

In December 2007, the Board created the Retiree Benefit Trust of the Board of Education of Harford County (Benefit Trust) in order to facilitate the funding or partial funding of the actuarially calculated OPEB liability. The Benefit Trust established a trust account with, and became a member of, the Maryland Association of Boards of Education Pooled OPEB Investment Trust (MABE Trust). It is a member owned trust that provides the Board and the other nine-member boards a structure to pool assets to reduce investment costs and share administrative expenses. The Board reserves the right to establish and amend the provisions of its relationship with the MABE Trust with respect to participants, any benefit provided thereunder, or its participation therein, in whole or in part at any time, by resolution of its governing body and upon advance notice to the Trustees of the MABE Trust.

The MABE Trust was established to pool assets of its member Boards of Education for investment purposes only. Each member of the MABE Trust is required to designate a member trustee. The member trustees of the MABE Trust shall ensure that the MABE Trust keep such records as are necessary in order to maintain a separation of the assets of the MABE Trust from the assets of trusts maintained by other governmental employers. Assets of the member trusts are reported in their respective financial statements using the economic resources measurement focus and the accrual basis of accounting, under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, if available.

The MABE Trust issues a publicly available audited GAAP-basis report that includes financial statements and required supplementary information for the MABE Trust. This report may be obtained by writing to the Trust Administrator, Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401-1112, or calling 410-841-5414.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Plan membership. As of June 30, 2017, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	2,595
Inactive plan members entitled to but not yet receiving benefit payments	372
Active plan members	4,958
	<u>7,925</u>

Benefits provided and contributions. The Board provides medical, dental and life insurance benefits to eligible employees upon retirement. The employer’s contributions are financed on a pay-as-you-go basis, and the future payment of these benefits is contingent upon the annual approval of the operating budget. Details of the postemployment benefits provided are as follows:

Medical Benefits - Retirees are eligible for continued membership in one of the school system’s group medical plans. Dependent children can be covered until the child reaches age 26. Spouses are also covered. Surviving spouses can stay in the plan, but must pay the full cost to participate. All plans include prescription drug coverage. The full Board contribution is either 85%, 90% or 95% of medical insurance premiums, based on the plan chosen by the retiree. The medical benefits paid by the Board for the year ended June 30, 2017, was \$24,139,400. As of June 30, 2017, 2,523 of approximately 2,967 eligible retirees were receiving benefits.

Dental Benefits - Retirees are eligible for continued membership in one of the school system’s group dental plans. Coverage is the same as described above for medical benefits. The full Board contribution is 90% of dental insurance premiums, based on the plan chosen by the retiree. The dental benefits paid by the Board for the year ended June 30, 2017 was \$1,196,768. As of June 30, 2017, 2,595 of approximately 2,967 eligible retirees were receiving benefits.

Life Insurance Benefits - The full Board contribution is 90% of the life insurance premiums. The amount of insurance coverage is reduced to \$20,000 upon retirement and \$10,000 five years after retirement. The life insurance benefits paid by the Board for the year ended June 30, 2017 was \$62,577. As of June 30, 2017, 2,387 of approximately 2,967 eligible retirees were receiving benefits.

Whether the Board pays the full contribution rate for medical, dental and life insurance benefits depends upon the retiree’s hire date and their number of years of service as follows:

<i>Years of Service</i>	<i>Participants Hired Prior to 7/1/2006</i>	<i>Participants Hired After 7/1/2006</i>
0 – 9	None	None
10 - 19	Full Board Contribution	1/3 of Full Board Contribution
20 - 29	Full Board Contribution	2/3 of Full Board Contribution
30 or more	Full Board Contribution	Full Board Contribution

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Annual OPEB Cost and Net OPEB Obligation

The Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Board's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation:

Annual required contribution	\$ 69,997,000
Interest on net OPEB obligation	11,293,000
Amortization of net OPEB obligation	<u>(14,250,000)</u>
Annual OPEB cost (expense)	67,040,000
Contributions made	<u>24,018,000</u>
Increase in net OPEB obligation	43,022,000
Net OPEB obligation - beginning of year	<u>231,964,929</u>
Net OPEB obligation - end of year	<u><u>\$ 274,986,929</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$67,040,000	35.83%	\$ 308,742,929
6/30/2016	59,695,000	43.45%	265,720,929
6/30/2015	56,570,000	43.40%	231,964,929

Funded Status and Funding Progress

As of July 1, 2016, the plan was 4.90% funded. The actuarial accrued liability for benefits was \$815,357,000, and the actuarial value of assets was \$39,943,081, resulting in an unfunded actuarial accrued liability (UAAL) of \$775,413,919. The covered payroll (annual payroll of active employees covered by the plan) was \$272,318,027, and the ratio of the UAAL to the covered payroll was 284.74%.

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Funded Status and Funding Progress (continued)

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.

Investments

Investment policy. The MABE Trust’s policy in regard to the allocation of invested assets is established and may be amended by the Trustees by a majority vote of its members. It is the policy of the Trust to pursue an investment strategy that emphasizes growth of principal while avoiding excess risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index. The MABE Trust’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board’s adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	59.90%
Fixed Income	37.10%
Cash	3.00%
Total	<u>100.00%</u>

Rate of return. For the year ended June 30, 2017, the total rate of return, net of investment expense, was \$11.29%. The total rate of return represents a hypothetical return on the capital balance invested in the Trust during the entire year. Actual returns may vary due to the timing of capital contributions and redemptions.

Net OPEB Liability of the Board

The components of the net OPEB liability of the Board as of June 30, 2017, were as follows:

Total OPEB liability	\$997,674,000
Plan fiduciary net position	45,943,000
Board's net OPEB liability	<u>\$951,731,000</u>

Plan fiduciary net position as a percentage of the total OPEB liability 4.61%

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant valuation methods and assumptions are as follows:

Valuation Date	July 1, 2016
Actuarial Cost Method—GASB 45	Projected unit credit method
Actuarial Cost Method—GASB 74 and 75	Entry age normal
Amortization Method	Closed, level percent of payroll over 22 years (as of 7/1/16)
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Discount Rate – GASB 45	4.25%
Discount Rate – GASB 74/75	3.58%
Investment Rate of Return	7.00% per year compounded annually
Payroll Growth Rate	3.00%
Inflation Rate	2.80%
Healthcare Cost Trend Rates:	
Medical and prescription	8.00% initial year of valuation (not applicable to Life) 4.30% final year of valuation (not applicable to Life)
Dental	5.00%

The actuarial value of assets was determined using market value of assets. The trust is assumed to earn 7% interest and contributions are assumed to be made in the middle of the year.

The unfunded liability was amortized over a closed period of 22 years using closed, level percentage of payroll for the fiscal year ended June 30, 2017.

The total OPEB liability is based on July 1, 2016 valuation data rolled forward to June 30, 2017. The methods, assumptions, and participant data used are detailed in the fiscal year 2017 GASB45 actuarial valuation report dated June 23, 2017 with the exception of the actuarial cost method. These calculations are based on the Entry Age Normal (EAN) cost method as required by GASB74 and GASB75. The EAN actuarial cost method requires a salary scale assumption, we used the State of Maryland salary scale assumption for school employees.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Best estimates of real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, (see the discussion of the MABE Trust’s investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	5.73%
Fixed Income	2.48%
Cash	1.00%

Discount rate. The discount rate used to measure the total OPEB liability was 4.25 percent. The projection of cash flows used to determine the discount rate assumed that Board contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Board, as well as what the Board’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.25%) or 1-percentage-point higher (5.25%) than the current discount rate:

	1% Decrease <u>(2.58%)</u>	Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
Net OPEB liability	\$ 1,143,617,933	\$ 951,730,933	\$ 799,590,933

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Board, as well as what the Board’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower (7.0% decreasing to 3.3%) or 1 percentage-point higher (9.0% decreasing to 5.3%) than the current healthcare cost trend rates:

	1% Decrease <u>(7.0% decreasing to 3.3%)</u>	Healthcare Cost Trend Rates <u>(8.0% decreasing to 4.3%)</u>	1% Increase <u>(9.0% decreasing to 5.3%)</u>
Net OPEB liability	\$ 772,799,933	\$ 951,730,933	\$ 1,190,017,933

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
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NOTE 9 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Board participates in the MABE Group Insurance Pool and the Worker’s Compensation Self Insurance Fund.

These public entity risk pools are self-insurance funds for the various member Maryland Boards of Education to minimize the cost of insurance and related administrative expenses.

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

NOTE 10 - CONTINGENCIES AND COMMITMENTS

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

The Board leases certain equipment and properties for storage and other uses under long-term operating leases. Expenditures under operating leases amounted to approximately \$2,116,281 for the year ended June 30, 2017.

NOTE 11 - IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

During the year ended June 30, 2017, the Board adopted Governmental Accounting Standard Board (GASB) Statement No. 73, entitled Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68, and GASB Statement No. 74 entitled, Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans. Adoption of these statements did not have a material effect on the financial statements.

As of the year ended June 30, 2017, GASB issued GASB Statement No. 75 entitled, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; GASB Statement No. 81 Irrevocable Split-Interest Agreements; GASB Statement No. 84, Fiduciary Activities, GASB Statement No. 85, Omnibus 2017, and GASB Statement No. 87, Leases.

Other than GASB Statement No. 75, Accounting Financial Reporting for Postemployment Benefits Other Than Pensions, these statements may have a material effect on the Board’s financial statements once implemented. The Board will be analyzing the effects of these pronouncements and plans to adopt them by their respective effective dates.

**HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

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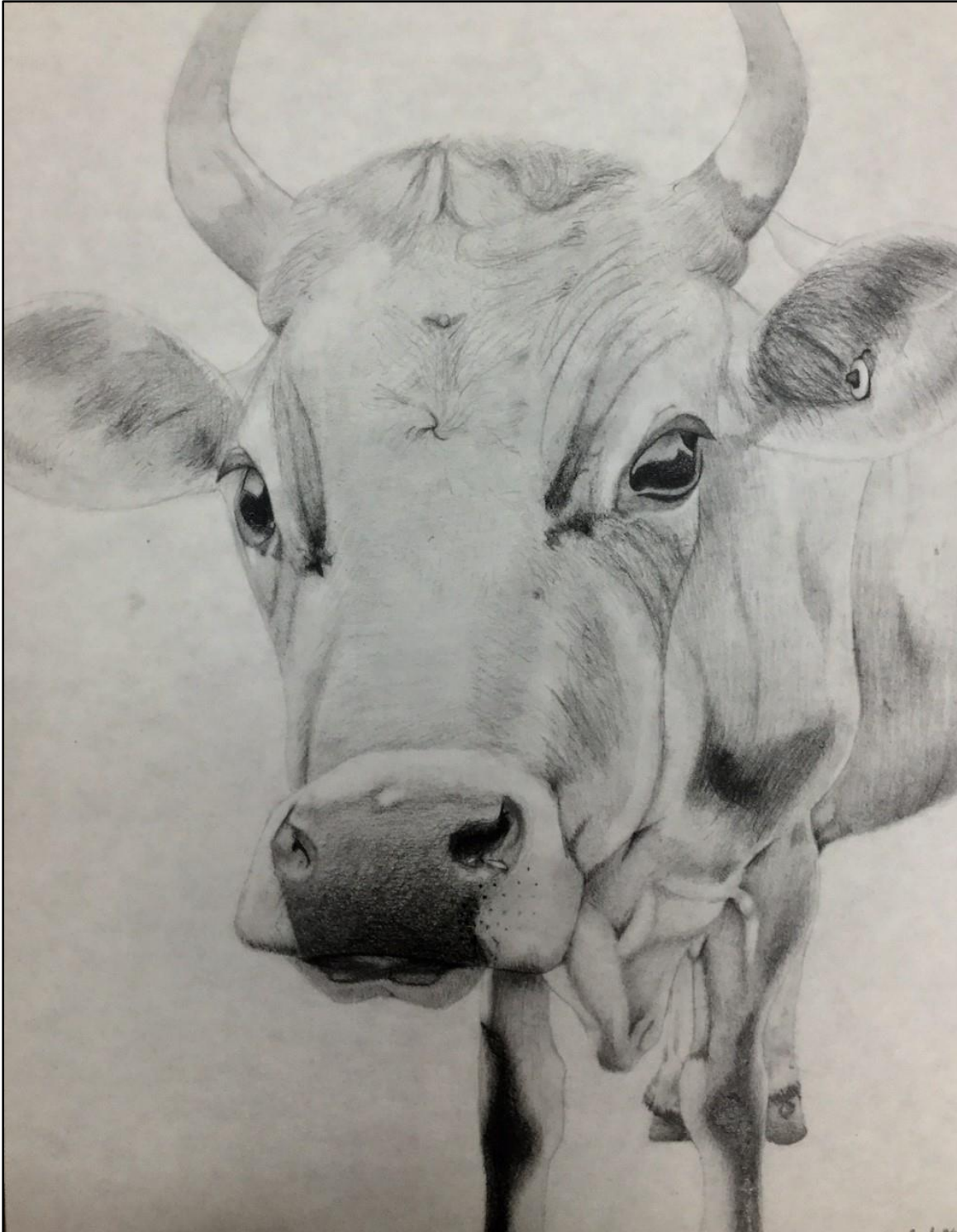
NOTE 11 - IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES (continued)

The Board expects implementation GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions to cause a reduction of net position of \$642,988,004.



**Tatiana Snyder, Grade 11, C. Milton Wright High School
Teacher: Carol Dunaway**

Required Supplemental Information



Sarah Fisher, Grade 12, Fallston High School
Teacher: Brenda McLeod

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

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Schedule of Funding Progress

	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2008	\$ 12,136,368	\$ 361,962,000	\$ 349,825,632	3.35%	\$ 274,153,946	127.60%
July 1, 2008	12,136,368	589,795,000	577,658,632	2.06%	278,038,509	207.76%
July 1, 2009	10,233,348	626,155,000	615,921,652	1.63%	278,636,614	221.05%
July 1, 2010	10,962,506	534,277,000	523,314,494	2.05%	278,479,993	187.92%
July 1, 2011	15,255,626	462,698,000	447,442,374	3.30%	276,823,307	161.63%
July 1, 2012	23,541,000	660,933,000	637,392,000	3.56%	273,638,115	232.93%
July 1, 2013	28,024,880	696,905,000	668,880,120	4.02%	265,952,457	251.50%
July 1, 2014	31,986,622	673,727,000	641,740,378	4.75%	262,514,165	244.46%
July 1, 2015	37,725,685	707,472,000	669,746,315	5.33%	265,888,092	251.89%

**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR OTHER POSTEMPLOYMENT BENEFIT PLAN
 June 30, 2017**

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Schedule of Changes in the Net OPEB Liability and Related Ratios
 Last 10 Fiscal Years
 (Dollar amounts in thousands)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total OPEB liability										
Service cost										\$ 32,230
Interest										30,624
Changes of benefit terms										-
Differences between expected and actual experience										7,859
Changes of assumptions										(135,516)
Benefit payments										(24,085)
Net change in total OPEB liability										(88,888)
Total OPEB liability—beginning										1,086,562
Total OPEB liability—ending (a)										<u>\$ 997,674</u>
Plan fiduciary net position										
Contributions—employer										\$ 27,139
Net investment income										4,551
Benefit payments										(24,085)
Administrative expense										(1,605)
Net change in plan fiduciary net position										6,000
Plan fiduciary net position—beginning										39,943
Plan fiduciary net position—ending (b)										<u>\$ 45,943</u>
Board's net OPEB liability—ending (a) - (b)										<u>\$ 951,731</u>
Plan fiduciary net position as a percentage of the total OPEB liability										4.61%
Covered-employee payroll										\$ 272,319
Board's net OPEB liability as a percentage of covered-employee payroll										349.49%

Information for FYE 2016 and earlier is not available

**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR OTHER POSTEMPLOYMENT BENEFIT PLAN
 June 30, 2017**

Schedule of Board Contributions
 Last 10 Fiscal Years
 (Dollar amounts in thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution											\$ 69,997
Contributions in relation to the actuarially determined contribution											24,018
Contribution deficiency (excess)											<u>\$ 45,979</u>
Covered-employee payroll											<u>\$ 272,319</u>
Contribution as a percentage of covered employee payroll											8.82%

Fiscal Years

Information for FYE 2016 and earlier is not available

Actuarially determined contribution
 Contributions in relation to the actuarially determined contribution
 Contribution deficiency (excess)
 Covered-employee payroll
 Contribution as a percentage of covered employee payroll

Notes to Schedule:

Valuation date: July 1, 2016
 Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
 Methods and assumptions used to determine contribution rates:
 Actuarial cost method
 Amortization method
 Amortization period
 Asset valuation method
 Inflation
 Healthcare cost trend rates
 Salary increases
 Investment rate of return
 Retirement age

Entry Age Normal
 Closed, level percent of payroll
 22 years (as of 7/1/16)
 Market value of Assets
 2.80%
 8.0% decreasing to 4.3%
 3.00%
 7.00% per year compounded annually
 Age 62 with 5 years of service or 30 years of service (regardless of age)

**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR OTHER POSTEMPLOYMENT BENEFIT PLAN
 June 30, 2017**

Schedule of Investment Returns
 Last 10 Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment											11.29%

Information for FYE 2016 and earlier is not available

**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR PENSIONS
 June 30, 2017**

**Schedule of Proportionate Share of Net Pension Liability
 Last 10 Fiscal Years**

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Board's proportion of the ERS net pension liability (asset)								0.117%	0.127%	0.117%
Board's proportionate share of the ERS net pension liability (asset)						\$ 20,760,817	\$ 26,420,243	\$ 27,660,977		
State's proportionate share of the TPS net pension liability (asset) associated with the Board						<u>275,650,000</u>	<u>377,628,809</u>	<u>446,910,936</u>		
Total						<u>\$296,410,817</u>	<u>\$404,049,052</u>	<u>\$474,571,913</u>		
						Information for FYE 2014 and earlier is not available				
Board's covered-employee payroll								\$ 262,514,165	\$265,888,092	\$272,318,927
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll								7.91%	9.94%	10.16%
Plan fiduciary net position as a percentage of the total pension liability								71.87%	68.78%	65.79%

**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR PENSIONS
 June 30, 2017**

**Schedule of Contributions
 Last 10 Fiscal Years**

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution (ERS)								\$ 2,679,603	\$ 2,283,877	\$ 2,216,065
Contributions in relation to the contractually required contribution								(2,679,603)	(2,283,877)	(2,216,065)
Contribution deficiency (excess)								\$ -	\$ -	\$ -
Board's covered-employee payroll								\$262,514,165	\$265,888,092	\$272,318,927
Contributions as a percentage of covered-employee payroll								1.02%	0.86%	0.81%

Information for FYE 2014 and earlier is not available

Other Supplemental Information



Emilia Dzedzic, Grade 9, Bel Air High School
Teacher: Nicole Jergensen

Harford County Public Schools

**FOOD SERVICES FUND
(SPECIAL REVENUE FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE COMPARED TO BUDGET (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Cafeteria sales	\$ 7,129,965	\$ 7,122,890	\$ (7,075)
<u>Federal Aid</u>			
School Lunch Program	5,941,620	5,616,097	(325,523)
School Breakfast Program	1,924,000	2,103,032	179,032
Summer Food Program	304,971	234,084	(70,887)
Fresh Fruits and Vegetables Program	30,000	16,116	(13,884)
Child and Adult Care Food Program	-	323,351	323,351
U.S.D.A. Commodities	975,000	1,122,067	147,067
Total federal aid	9,175,591	9,414,747	239,156
<u>State Aid</u>			
Child Feeding Program	457,290	369,406	(87,884)
<u>Local Aid</u>			
Local revenue	-	-	-
Interest earned	-	-	-
Miscellaneous revenue	123,863	164,161	40,298
Total revenues	<u>\$ 16,886,709</u>	17,071,204	184,495
Expenditures			
Salaries and wages	5,841,655	5,672,385	169,270
Contracted services	341,464	443,899	(102,435)
Supplies and materials	6,824,022	7,300,892	(476,870)
Other charges	2,724,460	2,658,993	65,467
Furniture and equipment	180,108	180,909	(801)
U.S.D.A. commodities	975,000	1,038,145	(63,145)
Total expenditures	<u>\$ 16,886,709</u>	17,295,223	(408,514)
Excess of revenues over expenditures		(224,019)	
Total fund balance - beginning of year		3,021,926	
Fund balance - end of year - assigned		<u>\$ 2,797,907</u>	

Notes:

1 . Expenditures (Schedule A above)	\$ 17,295,223
Net effect of encumbrances	(51,561)
Expenditures (Exhibit 5)	<u>\$ 17,243,662</u>
2 . Fund balance (Schedule A above)	\$ 2,797,907
Encumbrances - end of year	100,761
Fund balance (Exhibit 3)	<u>\$ 2,898,668</u>

Harford County Public Schools

**SCHOOL CONSTRUCTION FUND
(CAPITAL PROJECTS FUND)
SCHEDULE OF EXPENDITURES BY PROJECT
FOR THE YEAR ENDED JUNE 30, 2017**

Aberdeen High stadium and weight room upgrades	\$ 23,750
ADA improvements	23,800
Alarms	23,703
Building Envelope Improvements	282
Buses	1,539,920
Career and technology education equipment refresh	750
Center for Educational Opportunity air conditioning	1,865,682
Churchville Elementary roof	736,305
Darlington Elementary HVAC	2,055,009
Deerfield Elementary Modernization	20,100
Dublin Elementary HVAC	15,106
Edgewood High modernization	72,521
Energy conservation	4,951
Environmental compliance	93,029
Fallston High HVAC	63,299
Floor covering	536
Furniture	3,036
Havre de Grace High modernization	897,573
HVAC major repairs	86,799
Joppatowne High roof	27,610
Lockers	7,230
Magnolia Middle HVAC	12,462
Maintenance replacement vehicles	167
Norrisville Elementary HVAC	40,943
North Harford High modernization	160,882
North Harford Middle renovation	8,527
North Harford Middle domestic water improvements	83,674
Old Post Rd Elementary open space enclosure	606,018
Patterson Mill Middle/High	18,091
Prospect Mill Elementary HVAC	3,316,485
Ring Factory Elementary HVAC equipment	42,003
Riverside Elementary HVAC	576,830
Roofing projects	4,898
Security cameras	10,572
Septic pretreatment facilities	81,954
Storm Water Management, Erosion and Sediment Control	6,347
Special education facilities	7,826
Swimming pools	20,305
Technology education lab refresh	35,097
Technology refresh	82,672
Textbooks	188,749
William Paca Elementary air conditioning	750
Wm. S. James Elementary open space enclosure	348,325
Youth's Benefit Elementary Replacement	10,362,200
	\$ 23,576,768

Harford County Public Schools

AGENCY FUNDS
SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

School Activity Funds

	Balance <u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2017</u>
<u>Elementary Schools</u>				
Abingdon	\$ 21,305	\$ 55,046	\$ 65,308	\$ 11,043
Bakerfield	5,998	34,962	29,887	11,073
Bel Air	12,054	28,551	27,312	13,293
Church Creek	20,957	40,711	37,732	23,936
Churchville	15,673	27,039	33,552	9,160
Darlington	6,134	14,404	15,508	5,030
Deerfield	37,528	34,596	36,943	35,181
Dublin	20,868	17,259	21,511	16,616
Edgewood	15,688	27,793	31,123	12,358
Emmorton	21,911	32,564	35,887	18,588
Forest Hill	12,179	38,038	35,971	14,246
Forest Lakes	27,357	29,692	46,704	10,345
Fountain Green	19,593	27,625	39,812	7,406
George D. Lisby at Hillsdale	16,347	30,398	39,849	6,896
Hall's Cross Roads	8,225	30,899	30,340	8,784
Harford Glen	3,582	301	828	3,055
Havre de Grace	16,016	40,605	46,789	9,832
Hickory	56,910	69,286	99,755	26,441
Homestead-Wakefield	25,322	82,542	84,110	23,754
Jarrettsville	34,715	63,914	54,591	44,038
John Archer	71,724	32,207	40,793	63,138
Joppatowne	22,781	35,219	40,278	17,722
Magnolia	3,891	10,103	9,571	4,423
Meadowvale	9,295	39,648	38,875	10,068
Norrisville	10,004	55,176	49,819	15,361
North Bend	16,381	30,378	30,499	16,260
North Harford	30,071	33,950	34,434	29,587
Prospect Mill	20,148	25,593	28,543	17,198
Red Pump	17,287	51,366	51,744	16,909
Ring Factory	10,875	69,493	56,013	24,355
Riverside	4,216	16,023	19,418	821
Roye-Williams	9,579	19,650	22,205	7,024
William S. James	29,344	35,300	35,058	29,586
William Paca - Old Post Rd	7,216	18,177	20,347	5,046
Youth's Benefit	15,945	55,357	53,225	18,077
Total elementary schools	677,119	1,253,865	1,344,334	586,650

Harford County Public Schools

AGENCY FUNDS
SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

School Activity Funds

	<u>Balance</u> <u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Middle Schools</u>				
Aberdeen	93,768	148,784	187,066	55,486
Bel Air	49,564	148,080	142,786	54,858
Edgewood	52,578	163,062	168,804	46,836
Fallston	37,755	132,680	124,793	45,642
Havre de Grace	22,115	81,615	83,467	20,263
Magnolia	27,507	52,016	55,070	24,453
North Harford	48,790	81,089	93,096	36,783
Patterson Mill	50,407	120,104	123,845	46,666
Southampton	31,786	154,995	157,047	29,734
Total middle schools	<u>414,270</u>	<u>1,082,425</u>	<u>1,135,974</u>	<u>360,721</u>
<u>High Schools</u>				
Aberdeen	137,705	364,027	351,692	150,040
Alternative Education	5,825	2,015	2,826	5,014
Bel Air	201,020	451,694	469,310	183,404
C. Milton Wright	165,398	516,469	501,292	180,575
Edgewood	105,722	290,797	280,176	116,343
Fallston	128,728	447,612	436,122	140,218
Harford Technical	129,431	530,082	511,261	148,252
Havre de Grace	137,190	213,485	210,697	139,978
Joppatowne	47,387	137,001	132,479	51,909
North Harford	173,543	423,141	419,435	177,249
Patterson Mill	104,655	435,294	392,336	147,613
Total high schools	<u>1,336,604</u>	<u>3,811,617</u>	<u>3,707,626</u>	<u>1,440,595</u>
Total - all School Activity Funds	<u>2,427,993</u>	<u>6,147,907</u>	<u>6,187,934</u>	<u>2,387,966</u>
Scholarship Funds	<u>80,533</u>	<u>79</u>	<u>12,604</u>	<u>68,008</u>
Total - Agency Funds	<u>\$ 2,508,526</u>	<u>\$ 6,147,986</u>	<u>\$ 6,200,538</u>	<u>\$ 2,455,974</u>

Harford County Public Schools

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

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

Harford County Public Schools

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AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
SCHOLARSHIP FUNDS				
ASSETS				
Cash and cash equivalents	\$ 80,533	\$ 79	\$ 12,604	\$ 68,008
LIABILITIES				
Scholarship funds payable	\$ 80,533	\$ 79	\$ 12,604	\$ 68,008
SCHOOL ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,427,993	\$ 6,147,907	\$ 6,187,934	\$ 2,387,966
LIABILITIES				
Student activity funds payable	\$ 2,427,993	\$ 6,147,907	\$ 6,187,934	\$ 2,387,966
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,508,526	\$ 6,147,986	\$ 6,200,538	\$ 2,455,974
LIABILITIES				
Scholarship funds payable	\$ 80,533	\$ 79	\$ 12,604	\$ 68,008
Student activity funds payable	2,427,993	6,147,907	6,187,934	2,387,966
Total liabilities	\$ 2,508,526	\$ 6,147,986	\$ 6,200,538	\$ 2,455,974



Maya Sauer, Grade 3, Emmorton Elementary School
Teacher: Carolyn Wolff



Megan Drumm, Grade 9, Bel Air High School
Teacher: Nicole Jergensen

Statistical Section

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the Board's financial performance and well-being have changed over time.</i>	85 - 88
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Board's financial activities take place.</i>	89 - 90
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Board's financial report relates to the services it provides and activities it performs.</i>	91 - 100

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

Harford County Public Schools

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Invested in capital assets, net of related debt	\$379,249	\$472,628	\$533,572	\$560,834	\$568,870	\$577,748	\$584,119	\$598,747	\$614,347	\$619,802
Restricted for food services	2,456	2,066	2,196	2,408	2,755	2,624	2,802	2,975	3,071	2,899
Restricted for capital projects	8,072	5,802	7,551	7,454	9,079	7,675	3,778	2,403	2,128	1,719
Unrestricted	(16,540)	(51,542)	(84,761)	(110,678)	(128,086)	(166,286)	(205,029)	(254,861)	(284,642)	(321,964)
Total governmental activities net position	<u>\$373,237</u>	<u>\$428,954</u>	<u>\$458,558</u>	<u>\$460,018</u>	<u>\$452,618</u>	<u>\$421,761</u>	<u>\$385,670</u>	<u>\$349,264</u>	<u>\$334,904</u>	<u>\$302,456</u>

Harford County Public Schools
**Changes in Net Position Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Functions/Programs										
Expenses										
Governmental activities:										
Instruction:										
Regular education	\$277,212	\$290,266	\$294,136	\$289,527	\$285,182	\$296,379	\$283,661	\$277,887	\$274,701	\$285,968
Special education	69,664	77,461	89,247	94,112	86,373	89,896	90,529	88,484	91,118	91,260
Total Instruction	<u>346,876</u>	<u>367,727</u>	<u>383,383</u>	<u>383,639</u>	<u>371,555</u>	<u>386,275</u>	<u>374,190</u>	<u>366,371</u>	<u>365,819</u>	<u>377,228</u>
Support services:										
Administration	15,093	15,934	15,989	15,341	16,114	15,682	15,626	15,195	15,231	15,417
Mid-level administration	35,358	36,855	37,516	36,621	37,070	37,698	37,467	38,139	37,941	40,276
Pupil personnel services	2,198	2,312	2,338	2,223	2,322	2,353	2,501	2,424	2,531	2,525
Health services	4,740	5,103	5,069	4,850	5,255	5,915	5,843	6,292	6,218	6,163
Pupil transportation	31,197	32,724	33,647	35,424	37,332	39,754	39,504	38,827	38,695	40,243
Operation of plant	36,304	37,614	39,310	38,716	40,267	43,245	47,158	45,870	42,618	45,834
Maintenance of plant and equipment	14,528	14,522	15,130	15,789	16,989	18,211	19,022	19,509	21,275	20,797
Community services	499	480	399	451	421	497	530	532	565	578
Food services	14,179	15,144	15,391	14,848	15,829	16,515	16,731	16,719	17,883	18,260
Interest on long - term debt	554	541	527	512	615	246	328	328	315	299
Depreciation - unallocated	89	89	89	87	86	84	81	77	77	77
Total Support Services	<u>154,739</u>	<u>161,318</u>	<u>165,405</u>	<u>164,862</u>	<u>172,300</u>	<u>180,200</u>	<u>184,791</u>	<u>183,912</u>	<u>183,349</u>	<u>190,469</u>
Total governmental activities	<u>501,615</u>	<u>529,045</u>	<u>548,788</u>	<u>548,501</u>	<u>543,855</u>	<u>566,475</u>	<u>558,981</u>	<u>550,283</u>	<u>549,168</u>	<u>567,697</u>
Program revenues										
Charges for services:										
Regular education	1,730	1,688	1,648	1,471	1,214	1,135	1,327	1,450	1,468	1,753
Community services	488	415	338	348	348	422	414	428	436	465
Food services	8,348	8,059	7,839	7,875	7,858	7,254	6,928	7,103	7,142	7,123
Operating grants and contributions	102,132	106,729	122,436	136,196	128,527	124,751	124,007	125,875	123,982	126,498
Capital grants and contributions	101,153	104,871	85,054	47,667	28,383	35,159	25,115	32,295	33,011	23,168
Total governmental activities program revenues	<u>213,851</u>	<u>221,762</u>	<u>217,315</u>	<u>193,557</u>	<u>166,330</u>	<u>168,721</u>	<u>157,791</u>	<u>167,151</u>	<u>166,039</u>	<u>159,007</u>
Total governmental net expense	<u>(287,764)</u>	<u>(307,283)</u>	<u>(331,473)</u>	<u>354,944</u>	<u>377,525</u>	<u>397,754</u>	<u>401,190</u>	<u>383,132</u>	<u>383,129</u>	<u>408,690</u>
General Revenues and Other Changes in Net Position										
General revenues:										
Local appropriations	199,615	206,979	210,415	211,067	217,782	219,821	221,301	223,667	228,209	233,534
State Aid	152,542	153,313	147,510	140,638	143,456	140,879	137,722	137,404	136,328	137,763
Federal Aid	340	279	625	696	1,345	449	336	434	423	392
Miscellaneous	5,083	2,204	2,487	3,960	7,508	5,717	5,723	5,370	3,753	4,371
Unrestricted investment earnings	1,264	226	40	43	33	31	18	13	56	182
Total general revenues	<u>358,844</u>	<u>363,001</u>	<u>361,077</u>	<u>356,404</u>	<u>370,124</u>	<u>366,897</u>	<u>365,100</u>	<u>366,888</u>	<u>368,769</u>	<u>376,242</u>
Change in Net Position	<u>71,080</u>	<u>55,718</u>	<u>29,604</u>	<u>1,460</u>	<u>(7,401)</u>	<u>(30,857)</u>	<u>(36,090)</u>	<u>(16,244)</u>	<u>(14,360)</u>	<u>(32,448)</u>
Net position - beginning of year	302,157	373,237	428,955	458,559	460,019	452,618	421,761	385,671	349,264	334,904
Adjustment to Restate Beginning Net Position	-	-	-	-	-	-	-	(20,163)	-	-
Net position - beginning of year, as Restated	<u>302,157</u>	<u>373,237</u>	<u>428,955</u>	<u>458,559</u>	<u>460,019</u>	<u>452,618</u>	<u>421,761</u>	<u>365,508</u>	<u>349,264</u>	<u>334,904</u>
Net position - end of year	<u>\$373,237</u>	<u>\$428,955</u>	<u>\$458,559</u>	<u>\$460,019</u>	<u>\$452,618</u>	<u>\$421,761</u>	<u>\$385,671</u>	<u>\$349,264</u>	<u>\$334,904</u>	<u>\$302,456</u>

Harford County Public Schools

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Assigned	\$2,937	\$2,261	\$2,405	\$12,976	\$12,628	\$18,650	\$18,320	\$17,370	\$21,784	\$23,988
Unassigned	16,152	18,113	22,626	13,143	13,169	4,330	3,072	6,408	8,328	10,617
Total general fund	<u>\$19,089</u>	<u>\$20,374</u>	<u>\$25,031</u>	<u>\$26,119</u>	<u>\$25,797</u>	<u>\$22,980</u>	<u>\$21,392</u>	<u>\$23,778</u>	<u>\$30,112</u>	<u>\$34,605</u>
All other governmental funds										
Non Spendable -										
Special Revenue Fund	\$122	\$186	\$278	\$294	\$237	\$187	\$142	\$105	\$31	\$373
Assigned - reported in:										
Special revenue fund	2,334	1,880	1,918	2,115	2,518	2,437	2,660	2,871	3,040	2,525
Capital projects fund	8,072	5,802	7,551	7,454	9,079	10,322	11,577	2,403	2,128	1,720
Unassigned - Capital projects fund	-	-	-	-	-	(2,647)	(7,799)	-	-	-
Total all other governmental funds	<u>\$10,528</u>	<u>\$7,868</u>	<u>\$9,747</u>	<u>\$9,863</u>	<u>\$11,834</u>	<u>\$10,299</u>	<u>\$6,580</u>	<u>\$5,379</u>	<u>\$5,199</u>	<u>\$4,618</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Intergovernmental revenues	\$278,735	\$299,449	\$275,213	\$241,501	\$230,041	\$231,802	\$229,680	\$240,351	\$250,885	\$252,664
Local										
State	245,316	241,878	247,758	242,653	251,283	241,824	233,251	238,723	230,588	228,318
Special state and federal programs	24,881	24,357	33,330	41,992	28,817	29,938	30,562	31,020	29,931	30,327
Federal	5,358	5,907	6,860	7,629	8,485	8,122	8,483	8,942	9,588	9,806
Earnings on investments	1,348	235	40	43	33	31	18	13	56	182
Charges for services	8,348	8,059	7,839	7,875	7,858	7,254	6,929	7,103	7,142	7,123
Miscellaneous revenues	8,709	4,878	7,352	8,268	9,937	16,647	13,968	7,887	6,618	6,828
Total revenues	<u>572,695</u>	<u>584,763</u>	<u>578,392</u>	<u>549,961</u>	<u>536,454</u>	<u>535,618</u>	<u>522,891</u>	<u>534,039</u>	<u>534,808</u>	<u>535,248</u>
Expenditures										
Current										
Administrative services	10,732	11,044	10,708	10,473	10,776	10,678	9,775	9,464	9,356	9,244
Mid-level administrative services	25,282	25,556	25,417	25,182	24,959	24,805	24,356	24,569	24,910	25,699
Instructional salaries	167,938	168,953	166,084	165,998	165,118	162,658	156,873	153,388	154,869	158,061
Instructional textbooks and supplies	9,962	8,405	7,758	7,316	8,067	6,689	6,849	7,101	6,598	6,625
Other instructional costs	2,848	3,406	2,904	3,173	2,839	2,446	2,392	3,340	2,795	4,336
Special education	35,782	38,054	39,030	39,674	40,322	39,951	40,088	40,714	40,672	40,700
Student personnel services	1,621	1,629	1,615	1,610	1,614	1,621	1,642	1,645	1,692	1,715
Health services	3,222	3,400	3,255	3,200	3,292	3,295	3,207	3,359	3,272	3,356
Pupil transportation services	26,889	27,321	27,655	29,522	30,917	31,151	30,300	30,113	29,201	30,808
Operation of plant	28,859	29,063	29,129	28,913	28,974	28,595	28,128	28,128	26,773	28,174
Maintenance of plant and equipment	11,269	10,701	11,014	11,757	12,607	12,249	12,110	12,707	12,562	12,986
Fixed charges	112,302	107,064	115,194	116,016	133,275	132,463	134,256	136,099	134,133	136,560
Community services	450	429	352	403	373	440	456	444	470	496
Special state and federal programs	24,880	24,357	33,330	41,992	28,817	29,938	30,562	31,020	29,931	30,327
Costs of operations - food services	13,977	14,435	14,315	14,911	15,275	15,440	15,431	15,968	16,726	17,244
Capital outlay	96,394	111,561	83,365	47,809	26,759	37,255	29,255	34,059	33,796	24,181
Debt service										
Principal	269	283	297	312	327	-	-	371	508	525
Interest	554	541	527	512	615	246	328	328	315	299
Total expenditures	<u>573,230</u>	<u>586,202</u>	<u>571,949</u>	<u>548,773</u>	<u>534,926</u>	<u>539,920</u>	<u>528,153</u>	<u>532,817</u>	<u>528,579</u>	<u>531,336</u>
Excess (deficit) of revenues over expenditures	(535)	(1,439)	6,443	1,188	1,528	(4,302)	(5,262)	1,222	6,229	3,912
Other financing sources (uses)										
Proceeds from capital lease	-	-	-	-	178	-	-	-	-	-
Net change in fund balances	<u>(\$535)</u>	<u>(\$1,439)</u>	<u>\$6,443</u>	<u>\$1,188</u>	<u>\$1,706</u>	<u>(\$4,302)</u>	<u>(\$5,262)</u>	<u>\$1,222</u>	<u>\$6,229</u>	<u>\$3,912</u>

Harford County Public Schools

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Capacity #s	Capacity %
Abingdon Elementary	769	795	766	798	893	882	836	845	809	830	864	96.06%
Bakerfield Elementary	463	477	457	444	366	409	396	429	415	428	500	85.60%
Bel Air Elementary	487	512	508	505	488	484	516	496	477	466	500	93.20%
Church Creek Elementary	736	743	774	781	699	745	785	786	798	796	793	100.38%
Churchville Elementary	359	363	371	376	375	395	378	382	373	367	388	94.59%
Darlington Elementary	126	125	123	123	124	115	131	133	122	114	157	72.61%
Deerfield Elementary	545	520	514	633	797	793	805	787	797	795	816	97.43%
Dublin Elementary	246	247	247	246	289	299	301	288	266	262	295	88.81%
Edgewood Elementary	419	393	434	422	451	426	421	447	391	399	511	78.08%
Emmorton Elementary	667	676	704	732	539	505	551	547	550	560	549	102.00%
Forest Hill Elementary	575	564	579	550	557	507	493	470	474	469	581	80.72%
Forest Lakes Elementary	695	664	682	681	511	483	482	462	460	463	546	84.80%
Fountain Green Elementary	662	651	604	567	562	513	521	477	492	494	571	86.51%
George D. Lisby Elementary at Hillsdale	311	350	333	347	427	434	428	408	437	459	455	100.88%
Halls Cross Roads Elementary	437	430	446	492	475	463	507	491	519	515	562	91.64%
Havre de Grace Elementary	373	393	416	424	443	421	405	431	450	457	566	80.74%
Hickory Elementary	693	702	687	720	653	681	687	706	677	687	655	104.89%
Homestead-Wakefield Elementary	919	905	937	937	892	897	901	938	949	954	907	105.18%
Jarrettsville Elementary	443	414	416	434	470	480	460	452	441	420	548	76.64%
Joppatowne Elementary	515	546	548	581	667	629	597	573	558	566	653	86.68%
Magnolia Elementary	526	536	563	466	385	470	495	476	500	538	518	103.86%
Meadowvale Elementary	549	545	538	512	532	535	554	522	524	520	568	91.55%
Norrisville Elementary	206	192	170	181	199	186	182	185	183	198	252	78.57%
North Bend Elementary	399	402	389	401	377	378	360	338	324	308	500	61.60%
North Harford Elementary	502	469	490	453	442	432	421	407	405	411	500	82.20%
Prospect Mill Elementary	980	951	931	902	651	612	557	580	587	585	680	86.03%
Red Pump Elementary	-	-	-	-	596	669	688	676	675	681	696	97.84%
Ring Factory Elementary	527	500	513	511	542	549	557	546	538	512	548	93.43%
Riverside Elementary	547	504	502	523	501	505	520	477	458	446	522	85.44%
Roye-Williams Elementary	493	426	440	388	440	474	543	533	549	533	683	78.04%
William Paca/Old Post Road Elementary	1,010	1,020	1,005	845	663	766	806	827	837	844	954	88.47%
William S. James Elementary	501	487	481	521	514	451	421	403	423	413	522	79.12%
Youths Benefit Elementary	1,067	1,072	1,041	1,029	998	973	962	990	997	987	958	103.03%
Total Elementary Schools	17,747	17,574	17,609	17,525	17,518	17,561	17,667	17,508	17,455	17,477	19,318	90.47%
Aberdeen Middle	1,095	1,120	1,095	1,087	1,043	1,034	1,113	1,108	1,184	1,127	1,444	78.05%
Bel Air Middle	1,244	1,249	1,267	1,291	1,296	1,271	1,287	1,251	1,257	1,324	1,318	100.46%
Edgewood Middle	1,151	1,028	1,046	1,022	1,073	1,046	1,109	1,066	1,062	1,073	1,370	78.32%
Fallston Middle	925	905	892	887	929	879	875	856	879	873	1,105	79.00%
Havre de Grace Middle	609	613	584	530	529	532	545	544	567	524	775	67.61%
Magnolia Middle	874	785	795	735	710	688	717	756	761	739	1,073	68.87%
North Harford Middle	1,153	1,134	1,113	1,056	1,019	974	974	958	966	951	1,243	76.51%
Patterson Mill Middle	735	763	775	753	732	700	685	665	698	690	711	97.05%
Southampton Middle	1,252	1,295	1,256	1,270	1,276	1,235	1,260	1,213	1,251	1,185	1,540	76.95%
Total Middle Schools	9,038	8,892	8,823	8,631	8,607	8,359	8,565	8,417	8,625	8,486	10,579	80.22%
Aberdeen High	1,569	1,504	1,464	1,459	1,411	1,411	1,420	1,444	1,453	1,485	1,679	88.45%
Bel Air High	1,403	1,380	1,431	1,574	1,633	1,647	1,656	1,670	1,581	1,564	1,668	93.76%
C. Milton Wright High	1,746	1,587	1,591	1,555	1,491	1,494	1,403	1,425	1,447	1,469	1,678	87.54%
Edgewood High	1,177	1,123	1,194	1,226	1,211	1,236	1,291	1,322	1,310	1,338	1,743	76.76%
Fallston High	1,453	1,365	1,209	1,113	1,090	1,064	1,074	1,076	1,056	1,044	1,529	68.28%
Harford Technical High	1,056	1,040	1,026	1,024	1,019	1,010	1,013	1,022	1,018	997	920	108.37%
Havre de Grace High	769	764	775	745	691	674	585	582	605	607	850	71.41%
Joppatowne High	1,004	969	952	940	872	840	762	696	666	694	1,126	61.63%
North Harford High	1,385	1,367	1,393	1,383	1,447	1,420	1,358	1,298	1,219	1,231	1,603	76.79%
Patterson Mill High	436	701	949	964	991	941	922	871	833	839	924	90.80%
Total High Schools	11,998	11,800	11,984	11,983	11,856	11,737	11,484	11,406	11,188	11,268	13,720	82.13%
Total Secondary Schools	21,036	20,692	20,807	20,614	20,463	20,096	20,049	19,823	19,813	19,754	24,299	81.30%
Center for Educational Opportunity	155	106	76	112	86	86	84	93	53	69	250	27.60%
Restoration Academy (Charter)	78	79	-	-	-	-	-	-	-	-	-	-
John Archer	159	159	147	143	128	125	113	119	127	126	210	60.00%
Total Special Schools	392	344	223	255	214	211	197	212	180	195	460	42.39%
Total All Schools	39,175	38,610	38,639	38,394	38,222	37,868	37,913	37,543	37,448	37,426	44,077	84.91%
Teachers & Therapists Staff (1)	2,884	2,913	2,879	2,896	2,903	2,903	2,846	2,772	2,787	2,766		
Student/Teacher Ratio*	13.58	13.26	13.42	13.26	13.17	13.05	13.32	13.54	13.44	13.53		

Source: Monthly Report on Enrollment at September 30.

Source (1): MSDE Budget Certification data

Teachers - Staff with duties relating to instructing students, including classroom teachers, home and hospital teachers, distance learning teachers,

Therapists - Staff who perform activities related to physical or occupational methods of treatment and rehabilitation of students

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

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

Restoration Academy's charter was revoked after the 2008 school year.

Harford County Public Schools
**Enrollment by Grade Last Ten Years
as of September 30**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Elementary School:										
Prekindergarten	866	874	898	773	776	753	768	763	809	837
Kindergarten	2,823	2,704	2,734	2,681	2,792	2,740	2,819	2,648	2,587	2,651
Grade 1	2,603	2,836	2,736	2,808	2,715	2,820	2,787	2,831	2,704	2,605
2	2,848	2,643	2,873	2,757	2,809	2,703	2,830	2,788	2,875	2,724
3	2,761	2,862	2,670	2,904	2,796	2,809	2,751	2,829	2,822	2,920
4	2,906	2,762	2,925	2,691	2,919	2,815	2,851	2,775	2,859	2,847
5	<u>2,940</u>	<u>2,893</u>	<u>2,773</u>	<u>2,911</u>	<u>2,711</u>	<u>2,921</u>	<u>2,861</u>	<u>2,874</u>	<u>2,799</u>	<u>2,893</u>
Total Elementary School	<u>17,747</u>	<u>17,574</u>	<u>17,609</u>	<u>17,525</u>	<u>17,518</u>	<u>17,561</u>	<u>17,667</u>	<u>17,508</u>	<u>17,455</u>	<u>17,477</u>
Middle School:										
Grade 6	2,948	2,904	2,912	2,791	2,905	2,691	2,892	2,807	2,875	2,780
7	3,042	2,967	2,927	2,928	2,777	2,902	2,752	2,910	2,813	2,890
8	<u>3,090</u>	<u>3,069</u>	<u>2,991</u>	<u>2,923</u>	<u>2,941</u>	<u>2,775</u>	<u>2,930</u>	<u>2,711</u>	<u>2,948</u>	<u>2,832</u>
Total Middle School	<u>9,080</u>	<u>8,940</u>	<u>8,830</u>	<u>8,642</u>	<u>8,623</u>	<u>8,368</u>	<u>8,574</u>	<u>8,428</u>	<u>8,636</u>	<u>8,502</u>
High School:										
Grade 9	3,340	3,285	3,380	3,241	3,164	3,118	3,030	3,196	2,974	3,267
10	3,029	3,005	3,041	3,145	3,038	2,948	2,896	2,755	2,918	2,696
11	2,869	2,841	2,856	2,934	2,973	2,909	2,812	2,800	2,638	2,769
12	<u>2,951</u>	<u>2,806</u>	<u>2,776</u>	<u>2,764</u>	<u>2,778</u>	<u>2,839</u>	<u>2,821</u>	<u>2,737</u>	<u>2,700</u>	<u>2,589</u>
Total High School	<u>12,189</u>	<u>11,937</u>	<u>12,053</u>	<u>12,084</u>	<u>11,953</u>	<u>11,814</u>	<u>11,559</u>	<u>11,488</u>	<u>11,230</u>	<u>11,321</u>
Special Education	<u>159</u>	<u>159</u>	<u>147</u>	<u>143</u>	<u>128</u>	<u>125</u>	<u>113</u>	<u>119</u>	<u>127</u>	<u>126</u>
Total Enrollment	<u>39,175</u>	<u>38,610</u>	<u>38,639</u>	<u>38,394</u>	<u>38,222</u>	<u>37,868</u>	<u>37,913</u>	<u>37,543</u>	<u>37,448</u>	<u>37,426</u>

Source: Monthly Report on Enrollment at September 30.

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

Harford County Public Schools

Operating Indicators by Function

Fiscal Year	Per Pupil Expenditures ¹		Number of School Bus Riders ²	Food Services ³	
	Dollars	State Rank		Breakfasts Served	Lunches Served
2008	11,141	17	33,797	865,842	3,554,739
2009	11,542	18	33,386	902,890	3,531,171
2010	11,869	19	34,236	959,941	3,585,643
2011	12,504	15	33,992	1,064,341	3,667,354
2012	12,520	14	33,873	1,237,425	3,622,066
2013	12,534	17	33,716	1,303,755	3,504,788
2014	12,443	19	32,760	1,346,713	3,381,641
2015	12,481	20	32,944	1,484,007	3,385,988
2016	not available		32,535	1,517,703	3,296,515
2017	not available		32,421	1,488,108	3,301,809

¹ Maryland State Department of Education, Selected Financial Data, Part 3 - Analysis of Costs, Table 2: "Cost per Pupil Belonging* for Current Expenses," for relevant year

² HCPS Department of Transportation

³ HCPS Department of Food and Nutrition Services

Harford County Public Schools

Capital Asset Statistics by Function

	Fiscal Year										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Instructional Buildings											
Elementary Schools	32	32	32	33	33	33	33	33	33	33	33
Middle Schools ¹	9	9	9	9	9	9	9	9	9	9	9
High Schools ¹	10	10	10	10	10	10	10	10	10	10	10
Special Needs School	1	1	1	1	1	1	1	1	1	1	1
Alternative Education Ctr/Staff Training Ctr	1	1	1	1	1	1	1	1	1	1	1
Charter School	1	-	-	-	-	-	-	-	-	-	-
Harford Glen Environmental Center	1	1	1	1	1	1	1	1	1	1	1
Total	55	54	54	55	55	55	55	55	55	55	55
Support Buildings											
Central Administration Building	1	1	1	1	1	1	1	1	1	1	1
Transportation/Facilities Operations Ctr	1	1	1	1	1	1	1	1	1	1	1
Food Services/Warehouse Facility	1	1	1	1	1	1	1	1	1	1	1
Total	3	3	3	3	3	3	3	3	3	3	3

¹Patterson Mill Middle/High School is a joint building and is reflected in both the Middle and High School counts.

Source: HCPS Planning and Construction Office

Harford County Public Schools

Student Academic Performance 2016 Test Results

SAT

	<u>Harford</u>	<u>State</u>	<u>Nation</u>
	<u>Average Score</u>		
Mathematics	528	490	508
Critical Reading	511	490	494
Writing	482	476	482

High School Assessment (HSA)

	<u>Grade 12</u>	
	<u>Harford</u>	<u>State</u>
	<u>Percent Passing</u>	
Biology	92.5%	83.5%

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

	<u>Harford</u>	<u>State</u>	<u>Harford</u>	<u>State</u>
Met and Exceeded Expectations	<u>Math</u>		<u>English Language Arts / Literacy</u>	
Grade 3	57.8%	44.0%	51.7%	37.5%
Grade 4	44.2%	37.0%	52.1%	40.3%
Grade 5	43.1%	36.6%	54.5%	39.4%
Grade 6	43.2%	30.3%	52.7%	37.0%
Grade 7*	29.8%	24.2%	53.3%	39.4%
Grade 8*	16.9%	21.9%	47.9%	38.6%
Grade 10	n/a	n/a	60.7%	44.4%
Algebra 1	54.1%	37.5%	n/a	n/a

*Middle school students enrolled in Algebra I during the 2015-2016 school year participated in PARCC Algebra I and not the grade level PARCC mathematics assessment.

Maryland School Assessment (MSA) - Science

	<u>Harford</u>	<u>State</u>
	<u>Percent Passing</u>	
	Proficient and Advanced	
Grade 5	70.6%	60.2%
Grade 8	79.5%	65.0%

Source: Maryland Department of Education, www.mdreportcard.org

Harford County Public Schools
Insurance Summary FY 2018

Type of Coverage	Name of Company	Policy Number	Policy Period	Limits
Workers Compensation	MABE Group Self-Insurance Fund	N/A	7/1/17-6/30/18	Statutory up to \$500,000
Excess Workers Compensation	Safety National	SP 4055303	7/1/17-6/30/18	Statutory excess of \$500,000
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/1/17-6/30/18	\$400,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Liability	MABE Group Insurance Pool	N/A	7/1/17-6/30/18	\$400,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	N/A	7/1/17-6/30/18	\$400,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Protection	MABE Group Insurance Pool	N/A	7/1/17-6/30/18	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/1/17-6/30/18	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	N/A	7/1/17-6/30/18	\$400,000 per loss
Criminal Proceeding and Intentional Conduct Defense Reimbursement	MABE Group Insurance Pool	N/A	7/1/17-6/30/18	\$50,000 per covered person \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/1/17-6/30/18	\$500,000 per occurrence
Excess Property	Alliant Property Insurance Program (APIP)	017471590/04	7/1/17-6/30/18	\$1 billion per occurrence excess of \$500,000
Excess Boiler and Machinery	Federal Insurance Company	76431229	7/1/17-6/30/18	\$100 million per occurrence excess of \$100,000
Crime	MABE Group Insurance Pool Travelers Casualty and Surety Axis Insurance Company	N/A 105957875 MNN781566/01/2017	7/1/17-6/30/18 7/1/17-6/30/18 7/1/17-6/30/18	\$25,000 per loss \$2,500,000 per loss, excess of \$25,000 \$2,500,000 excess of Travelers
School Board Legal Liability	MABE Group Insurance Pool	N/A	7/1/17-6/30/18	\$250,000 per occurrence
School Board Legal Liability Reinsurance	United Educators Insurance	RPS20170430701	7/1/17-6/30/18	\$5,000,000 per occurrence excess of \$250,000
Catastrophic Student Accident	AIG	SRG 91151308	8/1/17-8/1/18	\$6,000,000 Medical Expense \$1,000,000 Catastrophic Cash
Cyber	AIG	01-580-92-14	7/1/17-6/30/18	\$1,000,000 per occurrence

Source: HCPS Risk Management Office

Harford County Public Schools

Facilities Information as of June 30, 2017

	Gross Square Feet	Acres	Year Constructed	Age in Years
Central Offices				
102 S. Hickory	73,122	0.77	2005	12
Hickory Annex	39,930	7.15	various	n/a
Forest Hill Annex	33,895	5.96	various	n/a
Woodbridge Center Land	-	19.80	n/a	n/a
Box Hill South Land	-	17.86	n/a	n/a
Campus Hills Land	-	31.15	n/a	n/a
Harford Glen Environmental Center	31,647	245.23	1804 to 2000	n/a
John Archer Center for Educational Opportunity	63,984 107,087	15.00 6.40	1971 1965	46 52
High Schools				
1 Aberdeen High	230,134	47.03	2004	13
2 Bel Air High	262,454	53.17	2009	8
3 C. Milton Wright High	220,910	60.00	1980	37
4 Edgewood High	268,354	44.35	2010	7
5 Fallston High	233,500	62.00	1977	40
6 Harford Technical High	218,225	55.00	1978	39
7 Havre de Grace High	144,815	35.00	1955	62
8 Joppatowne High	184,070	65.16	1972	45
9 North Harford High	245,238	73.00	2007	10
10 Patterson Mill High ¹	132,500	39.92	2007	10
Middle Schools				
11 Aberdeen Middle	196,800	43.83	1973	44
12 Bel Air Middle	164,900	25.84	1961	56
13 Edgewood Middle	166,530	34.86	1965	52
14 Fallston Middle	130,284	34.59	1993	24
15 Havre de Grace Middle	102,000	37.34	1967	50
16 Magnolia Middle	149,100	69.33	1979	38
Patterson Mill Middle ¹	132,500	39.92	2007	10
17 North Harford Middle	173,728	40.00	1976	41
18 Southampton Middle	188,134	35.99	1970	47
Elementary Schools				
19 Abingdon Elementary	91,229	28.49	1992	25
20 Bakerfield Elementary	65,691	10.00	1961	56
21 Bel Air Elementary	49,748	6.31	1984	33
22 Church Creek Elementary	85,801	20.51	1994	23
23 Churchville Elementary	52,360	6.46	1931	86
24 Darlington Elementary	24,237	7.89	1938	79
25 Deerfield Elementary	103,200	20.76	2010	7
26 Dublin Elementary	44,385	24.69	1941	76
27 Edgewood Elementary	67,341	36.95	1969	48
28 Emmorton Elementary	63,000	22.04	1994	23
29 Forest Hill Elementary	64,722	8.44	2000	17
30 Forest Lakes Elementary	68,971	20.03	1997	20
31 Fountain Green Elementary	60,000	23.87	1993	24
32 George D. Lisby Elementary	56,295	20.01	1968	49
33 Hall's Cross Roads Elementary	63,082	12.73	1943	74
34 Havre de Grace Elementary	65,085	10.25	1949	68
35 Hickory Elementary	77,958	33.11	1950	67
36 Homestead-Wakefield Elementary	115,458	36.53	1958	59
37 Jarrettsville Elementary	61,275	27.44	1962	55
38 Joppatowne Elementary	89,985	17.19	1965	52
39 Magnolia Elementary	59,900	17.00	1975	42
40 Meadowvale Elementary	69,000	13.26	1959	58
41 Norrisville Elementary	37,417	11.54	1967	50
42 North Bend Elementary	60,221	18.23	1991	26
43 North Harford Elementary	49,703	20.00	1984	33
44 Prospect Mill Elementary	75,538	15.00	1973	44
45 Red Pump Elementary	100,573	23.67	2011	6
46 Ring Factory Elementary	59,132	34.26	1990	27
47 Riverside Elementary	55,711	13.18	1968	49
48 Roye Williams Elementary	78,126	28.00	1953	64
49 William Paca/Old Post Rd. Elementary	112,417	46.00	1964	53
50 William S. James Elementary	58,500	15.00	1976	41
51 Youth's Benefit Elementary ²	96,616	26.18	1953	64
Total	6,176,518	1,920.67		

¹ Patterson Mill Middle and High are one building. The gross square feet and acres are split on the chart.

² Original building constructed in 1953 and an addition to the campus in 1973. For the 2016-2017 school year, grades K-2 moved into the new YBES.

Grades 3-5 remained in the 1973 addition and will relocate to the new building in the 2017-2018 school year. The data in the chart will be updated at that time.

Source: Educational Facilities Master Plan 2017

Harford County Public Schools

Principal Employers in Harford County

	2016 ¹			2008		
	<u>Employees²</u>	<u>Rank</u>	<u>% of Total Jobs in Harford County</u>	<u>Employees³</u>	<u>Rank</u>	<u>% of Total Jobs in Harford County</u>
Government Sector:						
Aberdeen Proving Ground	21,000	1	22.4%	12,500	1	15.1%
Harford County Public Schools	4,968 ⁴	2	5.3%	5,049 ⁴	2	6.1%
Harford County Government	1,938 ⁵	4	2.1%	1,588	4	1.9%
Private Sector:						
Upper Chesapeake Health Systems	3,300	3	3.5%	2,464	3	3.0%
Kohl's	1,140	5	1.2%	-	-	-
Rite Aid Mid-Atlantic Customer Distrib Ctr	1,100	6	1.2%	1,270	5	1.5%
Harford Community College	1,012 ⁶	7	1.1%	939 ⁷	6	1.1%
Kleins Shoprite	1,000	8	1.1%	-	-	-
Walmart	900	9	1.0%	597	9	0.7%
Jacobs Technology, Inc.	875	10	0.9%	656	8	0.8%
SAIC	-			797	7	1.0%
Saks Fifth Avenue	-			495	10	0.6%
Top Employers' Jobs	<u>37,233</u>		39.8%	<u>26,355</u>		31.9%
Total Jobs in Harford County⁸	<u>93,604</u>		100.0%	<u>82,593</u>		100.0%

Sources:

¹2016 data is the most current yearly information available

²Data from the Harford County Office of Economic Development; Harford County Brief Economic Fact Sheet 2016

³Data from the Harford County, Maryland Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008; Table 16, pg 149

⁴Data from the Harford County Public Schools Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016; Table 14, pg 91

⁵Data from the Harford County, Maryland Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016; Table 15, pg 160

⁶Quick Facts, Harford Community College, 2016.

⁷Quick Facts, Harford Community College, 2008.

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

Harford County Public Schools

**Outstanding Capital Lease
Direct Debt
as of June 30, 2017**

Fiscal Year	Principal	Interest	Total Debt Service
2018	\$ 542,212	\$ 281,610	\$ 823,822
2019	559,942	263,880	823,822
2020	578,252	245,570	823,822
2021	597,161	226,661	823,822
2022	616,688	207,134	823,822
2023	636,854	186,968	823,822
2024	657,679	166,143	823,822
2025	679,185	144,637	823,822
2026	701,395	122,427	823,822
2027	724,330	99,492	823,822
2028	748,016	75,806	823,822
2029	772,476	51,346	823,822
2030	797,737	26,086	823,823
	<u>\$ 8,611,929</u>	<u>\$ 2,097,758</u>	<u>\$ 10,709,686</u>

Capital lease is for the Administration Building.

The original capital lease was executed in 2005 and refunded in May 2012.

There is no overlapping debt.

Harford County Public Schools

Full-time Equivalent Employees by Function
Fiscal 2008 - 2017

State Category	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration	124	124	123	124	126	123	120	120	120	117
Mid-Level - Office of the Principal	275	277	282	281	306	298	294	294	289	290
Mid-Level - Admin & Supervision	80	79	74	76	54	54	56	56	62	62
Instructional Salaries	2,912	2,868	2,848	2,868	2,835	2,781	2,696	2,705	2,675	2,645
Special Education	936	941	1,028	1,124	1,085	1,070	1,046	1,040	1,044	1,021
Student Services	20	20	20	20	20	20	21	20	25	26
Health Services	71	71	71	71	72	72	72	73	73	72
Transportation	171	183	193	203	211	217	217	217	217	217
Operation of Plant	332	333	333	334	342	345	345	345	337	340
Maintenance of Plant	128	126	126	124	125	126	126	126	125	126
Community Services	1	1	1	1	1	1	1	1	1	1
Totals¹	5049	5022	5097	5225	5177	5107	4994	4997	4968	4917

Information supplied by HCPS Budget Office from the MSDE Budget Certification Reports.

Data includes employee count from the Unrestricted and Restricted Funds, referred to as the Current Expense Fund.

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

Harford County Public Schools

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Principal & Interest	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822	\$ 246,568	\$ 327,544	\$ 698,803	\$ 823,822	\$ 823,822
Total Expenditures	573,229,967	586,201,560	571,948,961	548,772,658	534,926,033	539,920,427	528,153,229	532,816,898	528,578,856	531,336,264
Less capitalized net activity	81,373,305	93,096,620	60,646,936	26,950,319	8,080,063	8,878,160	6,370,716	13,748,105	15,075,210	5,454,544
Net expenditures	\$491,856,662	\$493,104,940	\$511,302,025	\$521,822,339	\$526,845,970	\$531,042,267	\$521,782,513	\$519,068,793	\$513,503,646	\$525,881,720
Ratio of Principal & Interest to Net Expenditures	0.17%	0.17%	0.16%	0.16%	0.16%	0.05%	0.06%	0.13%	0.16%	0.16%

Hatford County Public Schools

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Principal balance	\$10,864,415	\$10,581,571	\$10,284,642	\$ 9,972,929	\$10,016,647	\$10,016,647	\$10,016,647	\$9,645,389	\$9,136,971	\$8,611,929
Student Enrollment	39,175	38,610	38,639	38,394	38,222	37,868	37,913	37,543	37,448	37,426
Balance to Student Enrollment	\$ 277.33	\$ 274.06	\$ 266.17	\$ 259.75	\$ 262.06	\$ 264.51	\$ 264.20	\$ 256.92	\$ 243.99	\$ 230.11

Refunded original capital lease May 2012. New capital lease amount \$10,016,647, which included 2% prepayment penalty and three months of accrued interest. Interest-only payments occurred during first two years of new capital lease.

Enrollment Source: Monthly Report on Enrollment at September 30.

Compliance Section



Isabella Mooney, Grade 9, C.Milton Wright High School
Teacher: Kerri Freburger



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**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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harford County Public Schools (HCPS) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise HCPS' basic financial statements, and have issued our report thereon dated September 20, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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Compliance and Other Matters

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

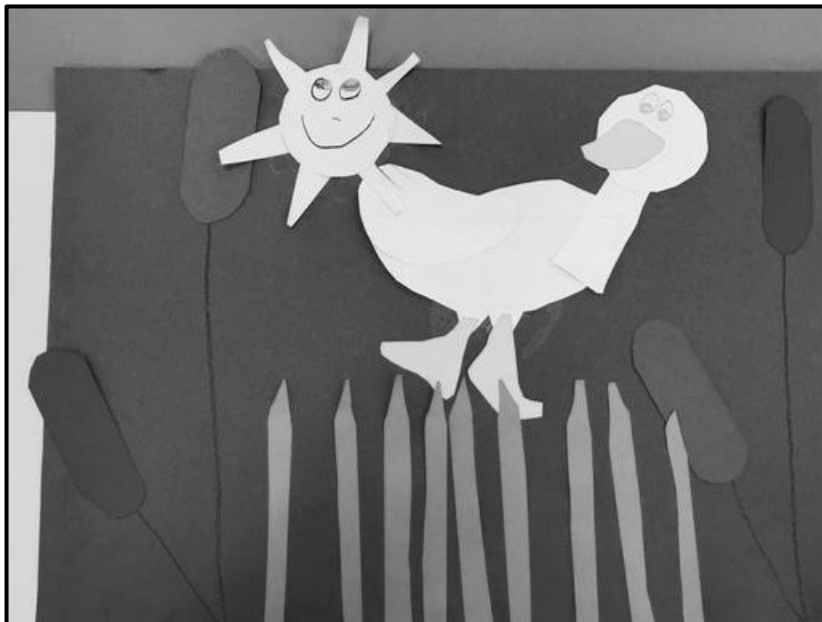
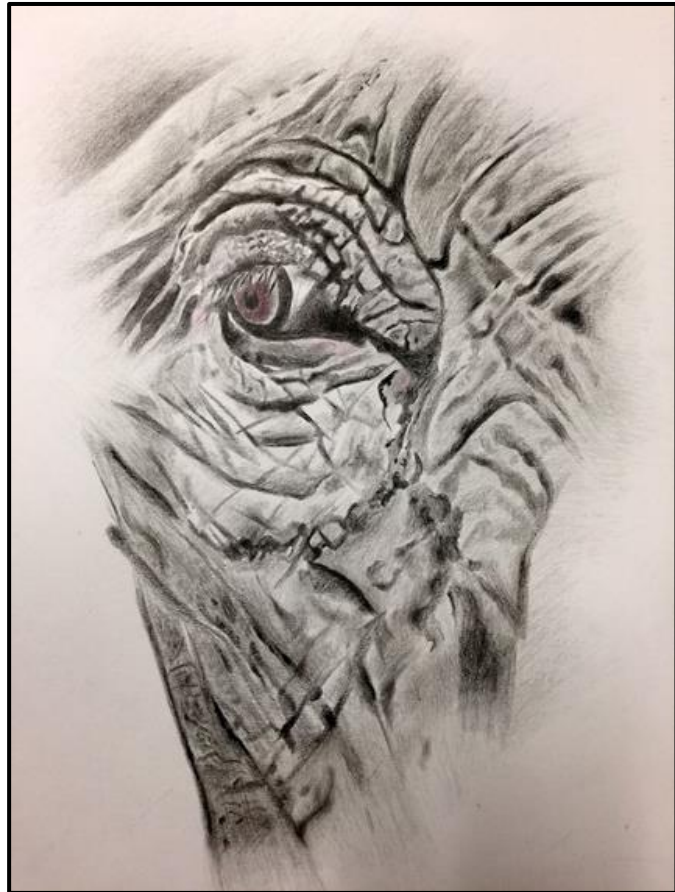
Purpose of this Report

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

Hunt Valley, Maryland
September 20, 2017

SB & Company, LLC

Jasmin Santiago, Grade 12,
Joppatowne High School
Teacher: Cynthia Hendrick



JeSai Jones, Grade K
Hickory Elementary School
Teacher:
MaryLynne McBain



2016-2017 new teachers who are also graduates of Harford County Public Schools.



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