



Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2019

Component Unit of Harford County, Maryland

Prepared by the Division of Business Services
Finance Department

102 South Hickory Avenue
Bel Air, Maryland 21014

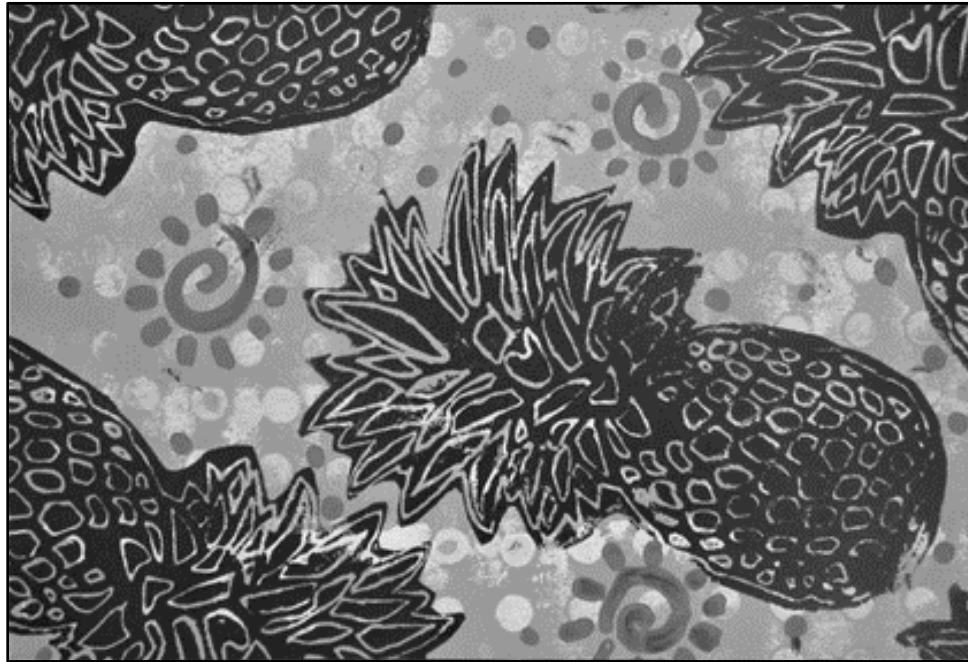
Harford County Public Schools Non-Discrimination Statement

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:

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Alyssa M. Paulat	5	Emmorton Elementary School	1
Breanna N. Vocke	12	Harford Technical High School	4
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**Alyssa Paulat, Grade 5
Emmorton Elementary School
Teacher: Carolyn Wolf**

Harford County Public Schools

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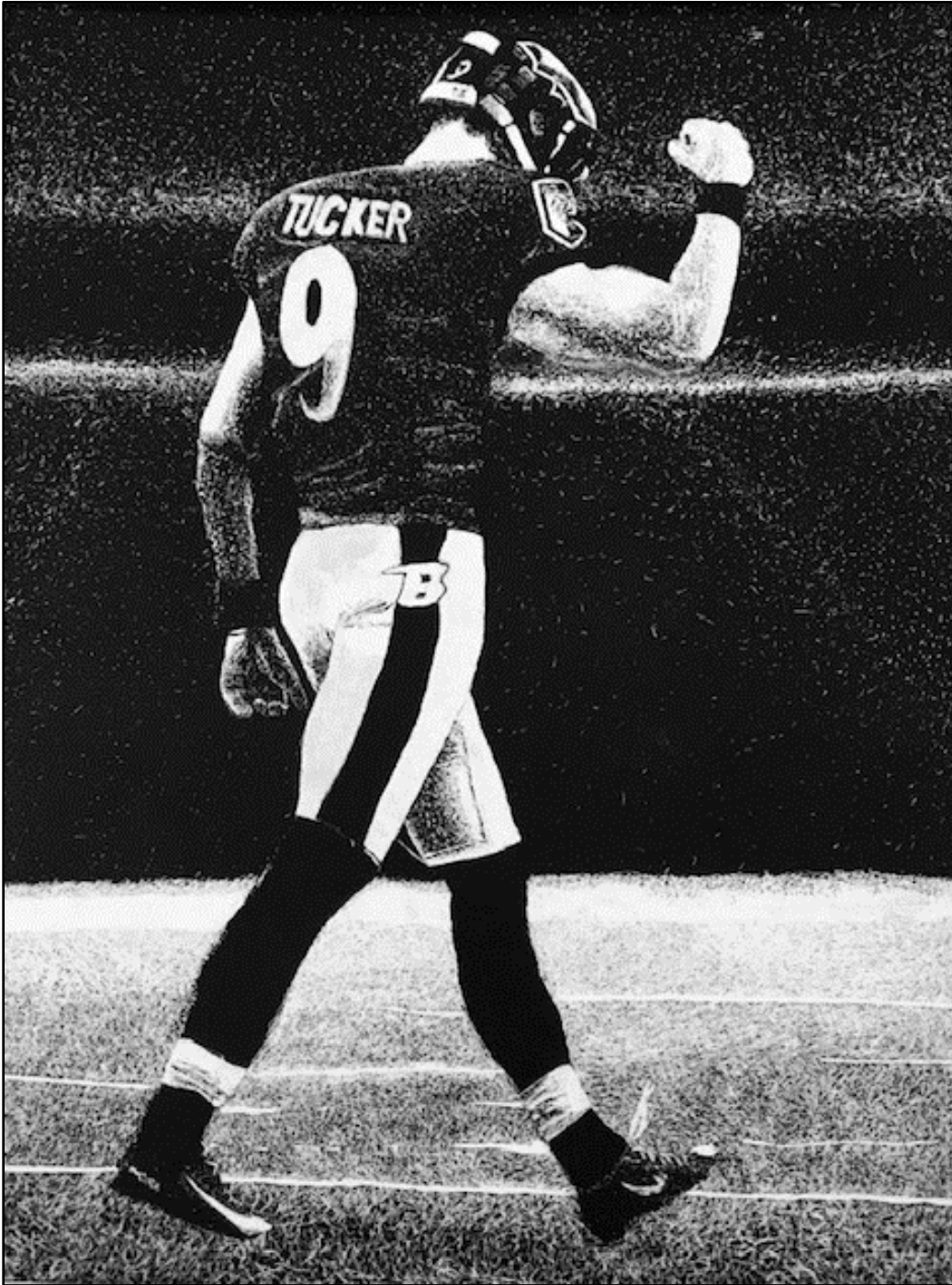
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Introductory Section



**Breanna Vocke, Grade 12
Harford Technical High School
Teacher: Laura Prevas**

Harford County Public Schools

Vision

Harford County Public Schools 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.

Board of Education of Harford County

The members of the Board as of June 30, 2019, 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	Joseph L. Voskuhl	Councilmanic District C	2019
Vice-President	Laura S. Runyeon	Appointed Member-at-Large	2019
Other members	Jansen M. Robinson	Councilmanic District A	2019
	Robert L. Frisch	Councilmanic District B	2019
	Nancy Reynolds	Councilmanic District D	2019
	Rachel Gauthier	Councilmanic District E	2019
	Thomas Fitzpatrick	Councilmanic District F	2019
	Joseph A. Hau	Appointed Member-at-Large	2019
Student member	Alfred L. Williamson	Appointed Member-at-Large	2019
	Joshua Oltarzewski	Student Member	2019
Secretary-Treasurer	Sean W. Bulson, Ed.D.	Superintendent of Schools	2022

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 June 30, 2019

Sean W. Bulson, Ed.D.
Superintendent of Schools

Patrick P. Spicer, Esquire
General Counsel

Eric A. Davis
Chief of Administration

Jean A. Mantegna
Assistant Superintendent for Human Resources

Cornell S. Brown, Jr.
Assistant Superintendent for Operations

Eric G. Clark
Director of Budget

Deborah L. Judd, CPA
Assistant Superintendent for Business Services

Bernard P. Hennigan
Director of Student Services

Patti Jo Beard
Executive Director of Facilities Management and Planning and Construction

H. Andrew Moore, II
Director of Information and Technology

Joseph A. Schmitz
Executive Director of Secondary School Instruction and Performance

Cathy E. Bendis
Director of Transportation

Renee L. Villareal
Executive Director of Elementary School Instruction and Performance

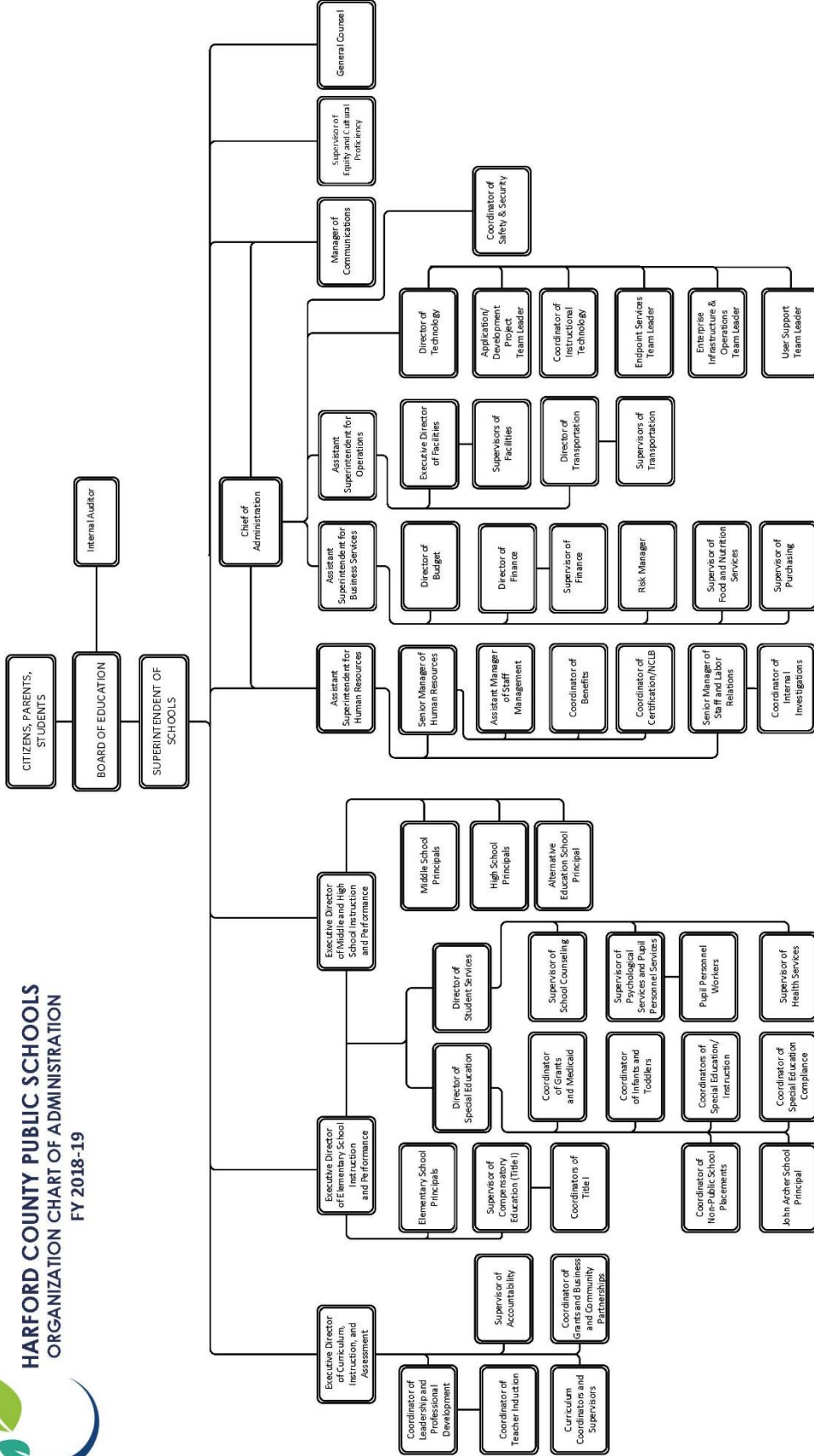
John G. Staab, CPA
Director of Finance

Susan P. Brown, Ed.D.
Executive Director of Curriculum, Instruction and Assessment

Michael J. Thatcher
Acting Director of Special Education



HARFORD COUNTY PUBLIC SCHOOLS
ORGANIZATION CHART OF ADMINISTRATION
FY 2018-19



Business Services

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

September 23, 2019

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, 2019.

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.

CliftonLarsenAllen, 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, 2019. 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 37,826 students in fiscal 2019. HCPS is the 160th largest school system¹ of the 13,598 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 4,991 FTE faculty and staff positions for fiscal 2020. Peak enrollment of 40,212 was reached in 2005, and has since dropped by 2,386 students, or 6.0%.

Citizens in the county have a choice of public or private schools. Harford County has 54 public schools and 41 non-public schools⁴ located within the county. The number of students attending private schools is unknown. The 2018 estimated population of Harford County is 253,956⁵. According to the U.S. Census Bureau, the school-age population in 2018 was 42,665⁵, of which 34,274 (HCPS enrollment less preschool and prekindergarten), or 80.3%, attended public schools.

The Board of Education of Harford County is 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 www.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 Economy*⁶

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 2019 taxable assessable base resulted in an increase over the fiscal year 2018 assessable base of 2.15%. The estimated increase in property taxes from fiscal year 2019's approved budget to fiscal year 2020's approved budget is 2.78% or \$7,510,000. The increase is due to the properties known as "Group 1" being reassessed. These properties are reassessed by the State Department of Assessments and Taxation every three years and account for one-third of the more than two million real property accounts in the state. The 2019 assessments for "Group 1" properties were based on an evaluation of 64,807 sales that occurred within the group over the last three years. If the reassessment resulted in a property value being adjusted, any increase in value will be phased-in

¹ U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey," 2015, Table 215.10

² U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey.", 2016-2017, 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, 2018, Table 12

⁴ Maryland State Department of Education, Student Publications, "Nonpublic School Enrollment State of Maryland, September 30, 2018," Table 5

⁵ United States Census Bureau, QuickFacts, Harford County, Maryland, Persons under 5 years / 18 years, V2018

⁶ Excerpts from the Harford County Government Comprehensive Annual Financial Report for the year ended June 30, 2018.

equally over the next three years, while any decrease in value will be fully implemented in the 2020 tax year. For the 2019 assessment, 87.5% of “Group 1” residential properties saw an increase in property value. Residential assessments increased by 6.2% and commercial assessments for Group 1 increased by 3.0% since their last assessment in December of 2016. This is the sixth 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 2019 using the modified accrual basis of accounting. The year over year increase for 2016 to 2017, 2017 to 2018, and 2018 to 2019 was 2.6%, 2.6% and 10.7%. Income tax is budgeted at \$233.5 million for fiscal year 2020.

Long-Term Financial Planning for the School System

The majority of all funding comes from Harford County and the State of Maryland. Although local funding has increased every year, the level of funding received each year has not been enough to cover ongoing expenses. HCPS has continued to make budgetary cuts so that revenues could be allocated with minimal impact to school-based programs and services. Funding remains a concern as HCPS continues to examine ways to reduce costs and still maintain a high level of service to our students and citizens. Because most funding received is allocated towards existing programs, contracts and mandates, there are limited resources available to allocate for new initiatives in general education programming. HCPS is required to provide special education services and additional programming has been implemented in order to provide more services within HCPS. This is a cost savings measure that allows students to return to HCPS from out-of-county placements when the services can be provided locally.

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

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

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 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. Final steps have yet to be determined and HCPS will monitor the progress closely.

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, 2018. This was the fifteenth 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.

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 CliftonLarsonAllen, LLP. Many other offices in the system contributed to provide data for this report, including the photographs published throughout the document. Our appreciation is extended to all who assisted in the timely closing of the school system's financial records and in the preparation of this report. Credit must also be given to the Superintendent and Board of Education for their unfailing support for maintaining the highest standards of professionalism in the management of HCPS' finances.

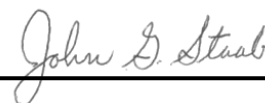
Sincerely,



Sean W. Bulson, Ed.D.
Superintendent



Deborah L. Judd, CPA
Assistant Superintendent for
Business Services



John G. Staab, CPA
Finance Director



**Michael Schmidt, Grade 2
North Bend Elementary School
Teacher: Dawn Stone**



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, 2018

Christopher P. Morill

Executive Director/CEO

Financial Section



Bethany Sugg, Grade 10
Fallston High School
Teacher: Mr. Tom Lyons



INDEPENDENT AUDITORS' REPORT

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, 2019, 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

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.

Auditors' Responsibility

Our responsibility is to express opinions 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 auditors' 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 HCPS' 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 HCPS' 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of HCPS as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the 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 discussion and analysis on pages 18-32 and the required supplementary information on pages 69-74 as listed in the 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HCPS' basic financial statements. The introductory, other supplementary information and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 them.

Members of the Board of
Education of Harford County

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HCPS' 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
September 23, 2019

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2019

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, 2019. 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 liabilities and deferred inflows for Harford County Public Schools exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$512.5 million due mainly to the Net OPEB Liability of \$1.3 billion.
- The General Fund unrestricted, unassigned fund balance on a GAAP basis slightly decreased by \$0.1 million to \$4.0 million. See Exhibit 7.
- The final General Fund budget increased by \$12.9 million during the year from the originally adopted budget. In the operating budget, monies were received and the budget adjusted due to Medicare Part D receipts. In the restricted budget, adjustments were made for new grants received during the fiscal year and to adjust for previous unspent monies, or carry-over funds, that are subsequently added to the current year budget. See Exhibit 7.
- The General Fund includes restricted and unrestricted funds. This fund's actual revenues were less than the final budget by \$4.8 million, or 0.96%. Expenditures were less than the final budget by \$12.3 million, or 2.44%. These variances were mainly due to unspent restricted funds that will be carried forward to the fiscal year 2020. The surplus of \$7.5 million is due mainly to the impact of the hiring and spending freeze that was in place during fiscal year 2019. Overall, 98.59% of the unrestricted operating budget was spent during the fiscal year. See Exhibit 7.

Harford County Public Schools

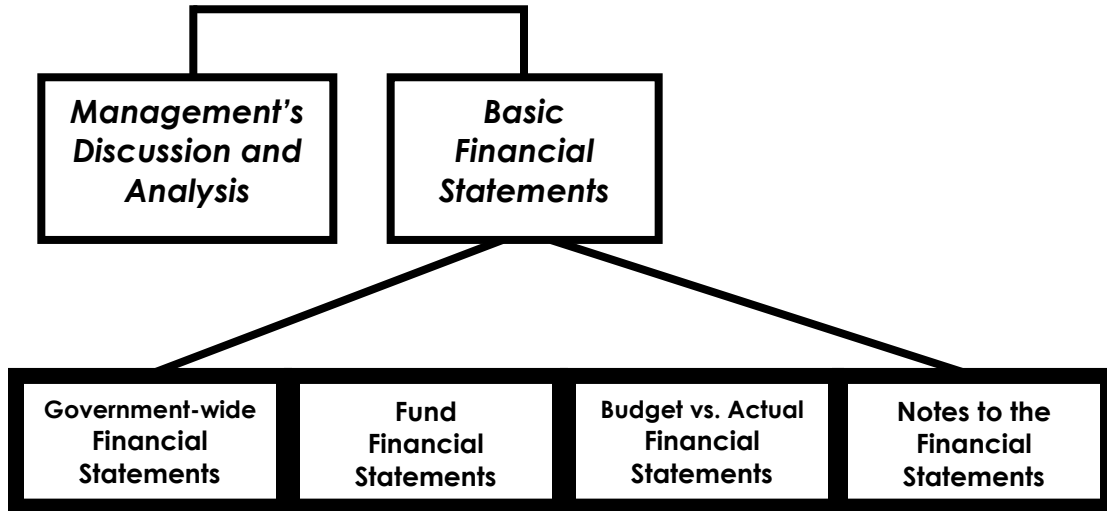
Management's Discussion and Analysis (MD&A)

June 30, 2019

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.

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 deferred outflows and liabilities and deferred inflows of HCPS with the difference between these 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.

Harford County Public Schools

Management's Discussion and Analysis (MD&A)

June 30, 2019

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. Funds are in two categories, governmental funds and fiduciary funds. Harford County Public Schools does not operate any enterprise activities that are reported as proprietary funds.

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

Accordingly, the modified accrual basis of accounting that measures these cash flows is used. In the case of Harford County Public Schools, open encumbrances are excluded from expenditures, 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.

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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.

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

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

Government-wide Financial Analysis

Net position over time may serve as a useful indicator of a government's financial position. The liabilities and deferred inflows for Harford County Public Schools exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$512.5 million due mainly to the Net OPEB Liability of \$1.3 billion. Net position decreased by \$93.8 million from June 30, 2018 to June 30, 2019 due mainly to the increase in deferred inflows related to OPEB. The unrestricted deficit as of June 30, 2019 of \$1.2 billion is due mainly to the net OPEB liability of \$1.3 billion.

By far, the largest portion of the 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 the investment in 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.

Current assets decreased \$9.7 million due mainly to a \$11.3 million reduction in cash and investments available at year-end. Capital Assets increased by \$19.1 million due mainly to the continued construction for Havre de Grace Middle/High School. The OPEB component of deferred outflows and inflows increased by \$123.2 million and \$335.0 million, respectively.

Additionally, 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, 2019. Of the total \$29.5 million of accrued compensated absences as of June 30, 2019, \$5.5 million is due within one year. The amount attributable to vacation leave is \$5.0 million and \$24.5 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. In addition to compensated absences, HCPS has obligations under a capital lease for the construction of the administration building totaling \$7.5 million. The remaining long-term liabilities are due to the net pension liability, \$24.8 million, and net OPEB liability, \$1.3 billion.

HCPS' net position as of June 30, 2019 and 2018, is illustrated in the table below and Exhibit 1.

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Harford County Public Schools Net Position

	June 30, 2019	June 30, 2018	\$ Change	% Change
ASSETS				
Current assets	\$ 37,790,373	\$ 47,483,647	\$ (9,693,274)	-20.41%
Capital assets, net	656,394,005	637,267,472	19,126,533	3.00%
Total assets	<u>694,184,378</u>	<u>684,751,119</u>	<u>9,433,259</u>	<u>1.38%</u>
Deferred outflows related to OPEB	509,067,000	385,870,000	123,197,000	31.93%
Deferred outflows related to pensions	<u>6,331,461</u>	<u>6,428,107</u>	<u>(96,646)</u>	<u>-1.50%</u>
Total deferred outflows	515,398,461	392,298,107	123,100,354	31.38%
LIABILITIES				
Current and other liabilities	11,808,194	13,242,063	(1,433,869)	-10.83%
Noncurrent liabilities	1,336,682,102	1,445,516,626	(108,834,524)	-7.53%
Total liabilities	<u>1,348,490,296</u>	<u>1,458,758,689</u>	<u>(110,268,393)</u>	<u>-7.56%</u>
Deferred inflows related to OPEB	368,870,000	33,889,000	334,981,000	988.47%
Deferred inflows related to pensions	<u>4,739,776</u>	<u>3,147,327</u>	<u>1,592,449</u>	<u>50.60%</u>
Total deferred inflows	373,609,776	37,036,327	336,573,449	908.77%
NET POSITION				
Net investment in capital assets	645,695,633	629,197,756	16,497,877	2.62%
Restricted	3,441,653	4,714,569	(1,272,916)	-27.00%
Unrestricted	(1,161,654,519)	(1,052,658,115)	(108,996,404)	10.35%
Total net position	<u>\$ (512,517,233)</u>	<u>\$ (418,745,790)</u>	<u>\$ (93,771,443)</u>	<u>22.39%</u>

Results of operations for HCPS, as a whole, are presented in Exhibit 2, the Statement of Activities. Approximately \$663.9 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. \$391.3 million in expenditures were supported using other general revenue sources not specifically attributed to a function or program.

The Special Revenue Fund, or Food Services Fund, 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 90.4% of the total cost of services are directly related to students' instruction and welfare. Of the remaining 9.6%, or \$64.0 million, \$63.0 million is used for the direct administration of schools and instructional support. It is important to note that in this report format,

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costs for employee benefits and depreciation on fixed assets are allocated to the appropriate program or function.

Harford County Public Schools Statement of Activities

	<u>June 30, 2019</u>	<u>Total Cost of Services</u>	<u>% Net Cost to Total</u>
Instruction	\$ 445,950,432	\$ 313,900,585	70.39%
Pupil personnel	3,194,316	3,050,013	95.48%
Health services	8,335,160	8,329,910	99.94%
Pupil transportation	45,149,779	31,910,424	70.68%
Operation and maintenance of plant	76,353,980	66,349,068	86.90%
Food services	20,912,201	2,843,894	13.60%
All others	64,031,786	58,639,209	91.58%
Total	<u>\$ 663,927,654</u>	<u>\$ 485,023,103</u>	<u>73.05%</u>
All others			
Administration	\$ 17,526,054	\$ 15,923,772	90.86%
Mid-level administration	45,438,882	42,109,209	92.67%
Community services	728,390	267,768	36.76%
Interest on debt	263,880	263,880	100.00%
Depreciation - unallocated	74,580	74,580	100.00%
Total	<u>\$ 64,031,786</u>	<u>\$ 58,639,209</u>	<u>91.58%</u>

Total revenues increased by \$24.1 million, or 4.4%, over the prior year, as shown in the following table. Increases in capital grants and contributions and local appropriations represent seventy-five percent of the increase. Investment earnings increased due to rising interest rates. 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 \$39.6 million, or 6.4%, due to general increases, including salary and benefits.

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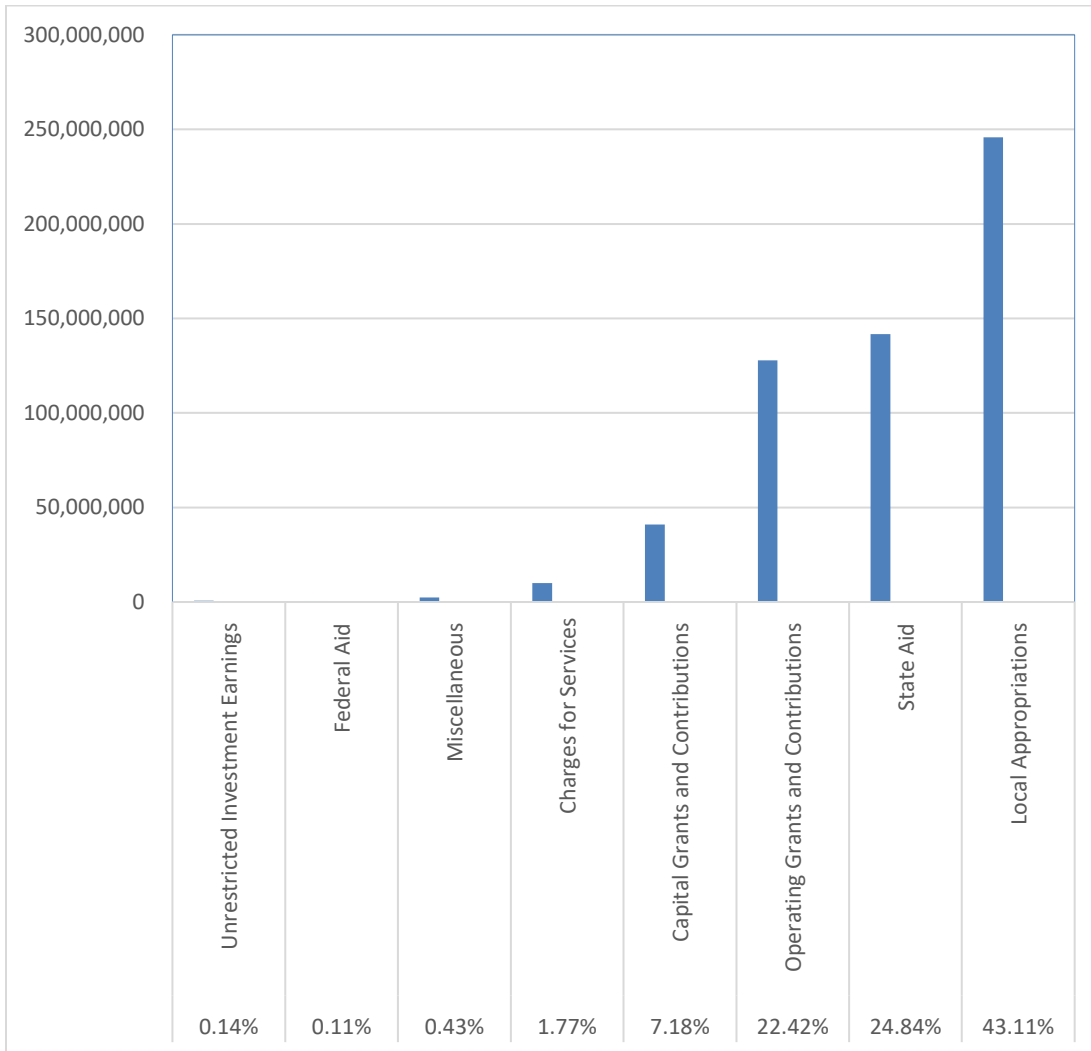
Harford County Public Schools Change in Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>% Change</u>
Revenues			
Program:			
Charges for services	\$ 10,082,456	\$ 9,464,628	6.53%
Operating grants and contributions	127,856,497	125,265,827	2.07%
Capital grants and contributions	40,965,598	29,731,922	37.78%
Local appropriations	245,815,645	238,715,645	2.97%
State aid	141,639,351	139,326,503	1.66%
Federal aid	589,519	408,977	44.14%
Miscellaneous	2,432,831	2,672,419	-8.97%
Investment earnings	774,314	515,259	50.28%
Total revenues	<u>570,156,211</u>	<u>546,101,180</u>	<u>4.40%</u>
Expenses			
Instruction	445,950,432	417,456,811	6.83%
Support services:			
Administration	17,526,054	16,900,989	3.70%
Mid-level administration	45,438,882	43,367,419	4.78%
Pupil personnel services	3,194,316	2,819,206	13.31%
Health services	8,335,160	7,461,418	11.71%
Pupil transportation	45,149,779	42,604,447	5.97%
Operation of plant	50,566,821	48,637,405	3.97%
Maintenance of plant and equipment	25,787,159	24,352,429	5.89%
Community services	728,390	593,737	22.68%
Food services	20,912,201	19,764,735	5.81%
Interest on long-term debt	263,880	281,610	-6.30%
Depreciation - unallocated	74,580	74,580	0.00%
Total expenses	<u>663,927,654</u>	<u>624,314,786</u>	<u>6.35%</u>
Change in Net Position	(93,771,443)	(78,213,606)	19.89%
Net position - beginning of year	<u>(418,745,790)</u>	<u>(340,532,184)</u>	<u>22.97%</u>
Net position - end of year	<u>\$ (512,517,233)</u>	<u>\$ (418,745,790)</u>	<u>22.39%</u>

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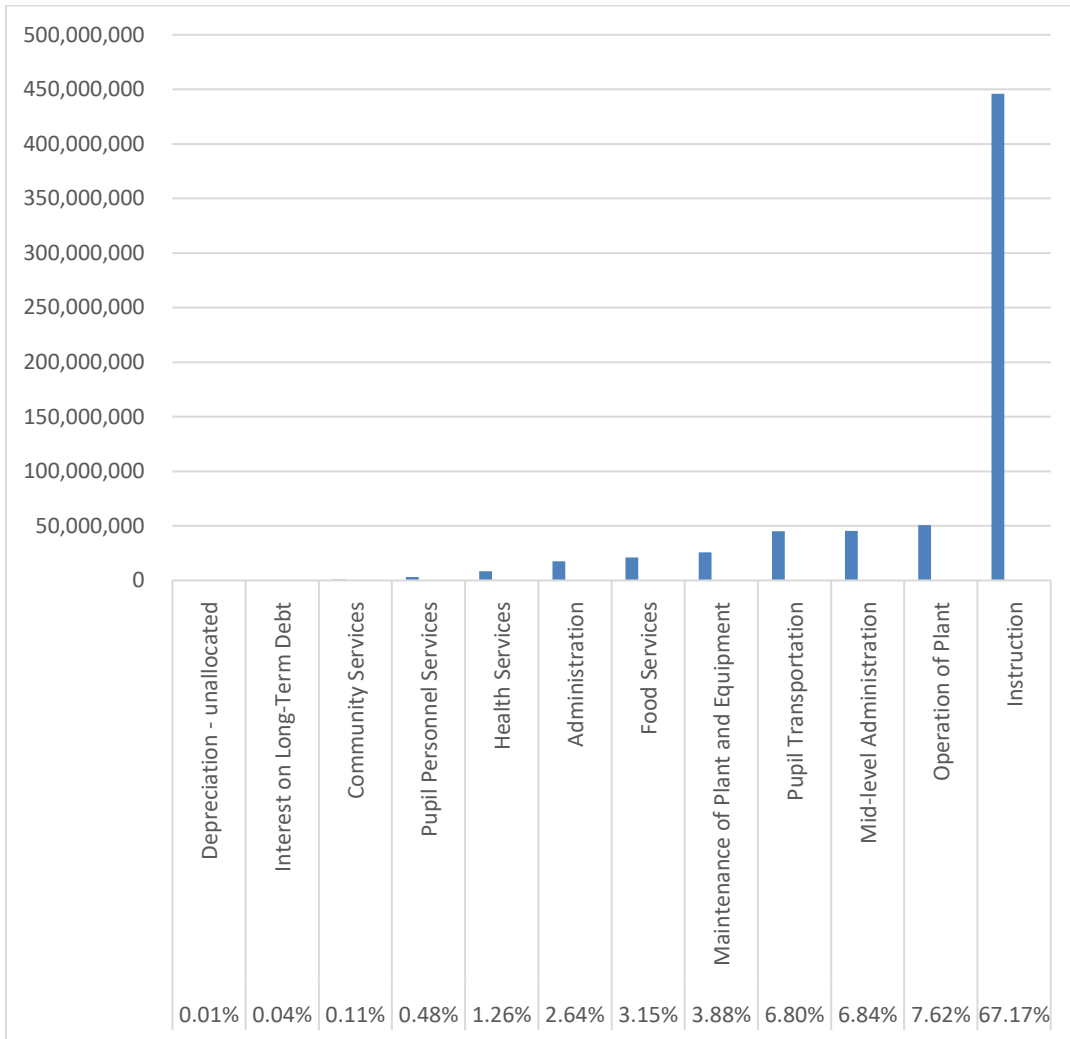
Sources of Revenues for Fiscal Year Ended June 30, 2019



Harford County Public Schools

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Expenditures for Fiscal Year Ended June 30, 2019



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Management's Discussion and Analysis (MD&A)

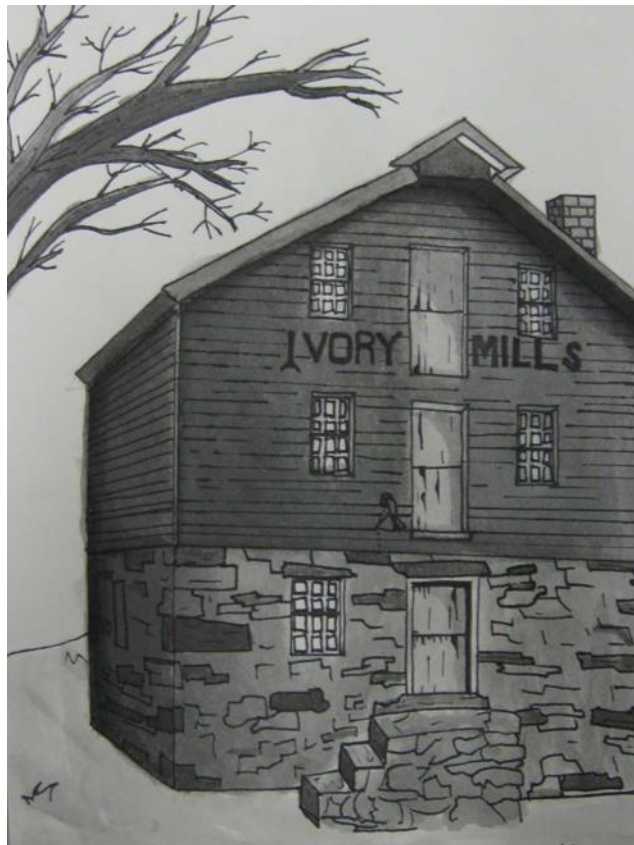
June 30, 2019

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 as expected for the year. In the Food Services Fund, revenues and expenditures are also in line with the previous year with no significant increases or decreases warranting discussion. In the Capital Projects Fund, revenues from local sources increased by \$3.5 million, or 19.5%, and increased from state sources by \$8.0 million, or 69.7%, respectively. The large increase in capital funding is due to the construction of Havre de Grace Middle/ High School.



**Thomas Murray, Grade 9
C. Milton Wright High School
Teacher: Keri Freburger**

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Harford County Public Schools Changes in Fund Balance

	<u>General Fund</u>		<u>Food Services Fund</u>		<u>Capital Projects Fund</u>		<u>Total</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Revenues								
Intergovernmental Revenues								
Local Sources	\$ 245,815,645	\$ 238,715,645	\$ -	\$ -	\$ 21,426,319	\$ 17,933,573	\$ 267,241,964	\$ 256,649,218
State Sources	228,296,073	224,907,960	392,332	358,730	19,377,532	11,416,550	248,065,937	236,683,240
Special State and Federal Programs	31,042,460	29,726,463	-	-	-	-	31,042,460	29,726,463
Federal Sources	589,519	408,977	9,612,191	9,460,551	-	-	10,201,710	9,869,528
Earnings on Investments	774,314	515,259	37,164	5,658	-	-	811,478	520,917
Charges for Services	-	-	7,910,992	7,407,284	-	-	7,910,992	7,407,284
Miscellaneous Revenues	4,604,295	4,729,763	115,628	132,968	161,747	381,799	4,881,670	5,244,530
Total revenues	<u>511,122,306</u>	<u>499,004,067</u>	<u>18,068,307</u>	<u>17,365,191</u>	<u>40,965,598</u>	<u>29,731,922</u>	<u>570,156,211</u>	<u>546,101,180</u>
Expenditures								
Administration	9,986,883	10,342,365	-	-	-	-	9,986,883	10,342,365
Mid-Level Administration	26,121,107	26,078,655	-	-	-	-	26,121,107	26,078,655
Instructional Salaries	167,799,472	161,840,177	-	-	-	-	167,799,472	161,840,177
Instructional Textbooks & Materials	5,689,107	6,526,546	-	-	-	-	5,689,107	6,526,546
Other Instructional Costs	3,115,637	5,452,074	-	-	-	-	3,115,637	5,452,074
Special Education	43,628,552	42,540,563	-	-	-	-	43,628,552	42,540,563
Student Personnel Services	1,790,127	1,745,524	-	-	-	-	1,790,127	1,745,524
Health services	3,938,865	3,774,325	-	-	-	-	3,938,865	3,774,325
Pupil transportation	32,223,215	31,552,046	-	-	-	-	32,223,215	31,552,046
Operation of plant	26,788,230	27,492,477	-	-	-	-	26,788,230	27,492,477
Maintenance of plant and equipment	12,744,712	13,605,690	-	-	-	-	12,744,712	13,605,690
Fixed Charges	152,730,576	142,127,704	-	-	-	-	152,730,576	142,127,704
Community services	519,270	505,390	-	-	-	-	519,270	505,390
Special State & Federal Programs	31,042,460	29,726,463	-	-	-	-	31,042,460	29,726,463
Costs of Operations -Food Services	-	-	17,924,674	17,557,612	-	-	17,924,674	17,557,612
Capital Outlay	38,632	58,360	-	-	42,382,147	30,518,578	42,420,779	30,576,938
Debt Service								
Capital Lease - principal	559,942	542,212	-	-	-	-	559,942	542,212
Capital Lease - interest	263,880	281,610	-	-	-	-	263,880	281,610
Total expenditures	<u>518,980,667</u>	<u>504,192,181</u>	<u>17,924,674</u>	<u>17,557,612</u>	<u>42,382,147</u>	<u>30,518,578</u>	<u>579,287,488</u>	<u>552,268,371</u>
Excess (deficiency) of revenues over expenditures	(7,858,361)	(5,188,114)	143,633	(192,421)	(1,416,549)	(786,656)	(9,131,277)	(6,167,191)
Other financing sources (uses):								
Transfers	-	(1,075,487)	-	-	-	1,075,487	-	-
Net change in fund balances	(7,858,361)	(6,263,601)	143,633	(192,421)	(1,416,549)	288,831	(9,131,277)	(6,167,191)
Fund Balances - beginning of year	28,341,643	34,605,244	2,706,247	2,898,668	2,008,322	1,719,491	33,056,212	39,223,403
Fund Balances - end of year	<u>\$ 20,483,282</u>	<u>\$ 28,341,643</u>	<u>\$ 2,849,880</u>	<u>\$ 2,706,247</u>	<u>\$ 591,773</u>	<u>\$ 2,008,322</u>	<u>\$ 23,924,935</u>	<u>\$ 33,056,212</u>

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General Fund Budget and Actual (Exhibit 7)

Changes made to the original budget during the fiscal year totaled \$12.9 million, or 2.6%. In the unrestricted budget, there were two supplemental appropriations. One was for \$1.4 million related to funding the OPEB Trust. The second appropriation was \$3.8 million related to reimbursing the rate stabilization fund for the health insurance call. In the restricted budget, the original budget was amended after July 1, 2019 for new grants of \$1.5 million received during the fiscal year and to adjust for previous unspent monies, or carry-over funds, that are subsequently added to the current year budget. The majority of carry-over funds are Medical Assistance funds totaling \$4.8 million. In addition, 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 General 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	\$ 245,815,645	\$ -	\$ -	\$ -	\$ 245,815,645
State	201,190,128	-	-	-	201,190,128
Federal	420,000	-	-	-	420,000
Special state and federal	29,664,021	7,724,888	-	7,724,888	37,388,909
Earnings on investments	300,000	-	-	-	300,000
Other Sources	3,038,960	1,360,618	-	1,360,618	4,399,578
Prior year's fund balance	10,902,716	3,778,217	-	3,778,217	14,680,933
Total revenues	<u>\$ 491,331,470</u>	<u>\$ 12,863,723</u>	<u>\$ -</u>	<u>\$ 12,863,723</u>	<u>\$ 504,195,193</u>
EXPENDITURES					
Administration	\$ 11,348,175	\$ 328,370	\$ -	\$ 328,370	\$ 11,676,545
Mid-Level Administration	27,777,972	-	(450,881)	(450,881)	27,327,091
Instructional Salaries	172,791,277	1,235,626	-	1,235,626	174,026,903
Textbooks	7,488,610	436,392	-	436,392	7,925,002
Other Instructional Costs	3,747,225	808,492	-	808,492	4,555,717
Special Education	60,578,911	4,404,994	-	4,404,994	64,983,905
Student Personnel Services	1,819,529	-	-	-	1,819,529
Student Health Services	3,951,315	30,250	-	30,250	3,981,565
Student Transportation	32,247,585	170,994	-	170,994	32,418,579
Operation of Plant	27,155,852	-	(144,151)	(144,151)	27,011,701
Maintenance of Plant	14,408,708	-	-	-	14,408,708
Fixed Charges	126,651,715	6,030,454	-	6,030,454	132,682,169
Community Services	544,653	13,000	-	13,000	557,653
Capital Outlay	819,943	183	-	183	820,126
Total expenditures	<u>\$ 491,331,470</u>	<u>\$475,974,446</u>	<u>\$ (595,032)</u>	<u>\$ 12,863,723</u>	<u>\$ 504,195,193</u>

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It is critical for the reader to understand that local and state revenues account for 95.6% of the total General Fund unrestricted revenue, as reflected in Exhibit 7. The operating revenues of Harford County Public Schools are largely dependent on the economy and legislation.

Other revenue include items such as tuition, facility rental, e-rate rebates, Medicare Part D receipts and dividends from MABE's insurance programs. Major receipts in the other revenue account are from \$1.4 million in Medicare Part D receipts, \$0.5 million in participation fees, \$0.4 million in rental of facilities, \$0.4 million in gate receipts, \$0.4 million in transportation fees and \$0.2 million in tuition revenue. Medicare Part D Funds, along with any healthcare and dental settlements are contributed to the OPEB Investment Trust Fund each year. For fiscal year 2019, \$1.4 million was contributed to the OPEB fund.

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

As of June 30, 2019, HCPS had approximately \$928.8 million invested in a broad range of capital assets including land (1,920.67 acres), buildings (6.2 million square feet), improvements, furniture, vehicles and other equipment. Capital assets increased approximately \$40.1 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, 2019	June 30, 2018	\$ Change	% Change
Land	\$ 9,672,942	\$ 9,672,942	\$ -	0.00%
Construction in progress	45,093,647	69,975,022	(24,881,375)	-35.56%
School properties	825,253,586	761,469,251	63,784,335	8.38%
Furniture, fixtures and equipment	48,780,914	47,588,595	1,192,319	2.51%
Total Capital Assets	<u>\$ 928,801,089</u>	<u>\$ 888,705,810</u>	<u>\$ 40,095,279</u>	<u>4.51%</u>

School districts in Maryland are in the uncommon position of owning assets but not the debt associated with those facilities as they are fully fiscally dependent on the state and county governments. Accordingly, HCPS carries no bond rating, but has an approved debt policy for lease transactions. In fiscal year 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.

Ongoing Challenges

The State of Maryland Bridge to Excellence in Public Schools and the Federal Every Student Succeeds Act (ESSA) 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, required testing of students, certification and assessment requirements for paraprofessionals, and extensive data tracking and reporting requirements. Additionally, the State of Maryland adopted the Maryland College and Career

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Ready Standards (MDCRRS), a set of high-quality academic expectations in English Language Arts/Literacy and mathematics that define the knowledge and skills all students should master by the end of each grade level. Along with the MDCRRS, Maryland implemented a new assessment program in 2014-15, the Partnership for Assessment of Readiness for College and Careers (PARCC). Students in Maryland took the PARCC assessments through the 2018-19 school year. Effective in the 2019-20 school year, the state assessment program was revised to the Maryland Comprehensive Assessment Program (MCAP). This new program will continue to assess the high-quality standards that are aligned to the MDCRRS. This program is computer based and allows for monitoring student growth over time. All of these requirements have significant cost impacts.

Future Challenges

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

- increasing number of homeless students, those newly immigrated to this country, and a growing socioeconomically eligible population require greater services;
- additional legislation requiring increased support for services to address the increasing mental health concerns of students, which is contributing to rising caseloads for HCPS student services staff;
- the uncertain state of the federal budget affecting funding decisions at the state and local levels;
- uncertain capital funding from the state and local governments which provide 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 and also for other capital items including buses and technology;
- uncertain final outcome of identified Kirwan funds which may necessitate absorbing some of the identified initiatives within the operating budget;
- the need for salary increases in order to be competitive with surrounding school systems in attracting highly qualified employees;
- budget reductions already realized leave less budget flexibility for offsetting unexpected costs or any new initiatives; and
- continued projected increases in the cost of employee health and dental benefits and state retirement costs.

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

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Management's Discussion and Analysis (MD&A)

June 30, 2019

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. HCPS will continue exploring ways to reduce the OPEB liability.

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.



**Nicole Dahler, Grade 8
Patterson Mill Middle School
Teacher: Erin Buckland**

Harford County Public Schools
**STATEMENT OF NET POSITION
JUNE 30, 2019**
Governmental Activities
ASSETS

Cash and cash equivalents	\$ 4,012,792
Investments	15,114,828
Due from other units of government	9,462,275
Other receivables	8,651,728
Inventory	543,098
Prepaid items	5,652
Capital assets not being depreciated:	
Land	9,672,942
Construction in progress	45,093,647
Capital assets, net of accumulated depreciation:	
Buildings and improvements	591,569,900
Furniture and equipment	10,057,516
Total assets	<u>694,184,378</u>

DEFERRED OUTFLOWS

Deferred outflows related to OPEB	509,067,000
Deferred outflows related to pensions	6,331,461
Total deferred outflows	<u>515,398,461</u>

LIABILITIES

Accounts payable	7,000,447
Accrued salaries and wages	501,170
Payroll taxes payable	3,672,524
Unearned revenue	634,053
Noncurrent liabilities:	
Due within one year	6,099,112
Due in more than one year	1,330,582,990
Total liabilities	<u>1,348,490,296</u>

DEFERRED INFLOWS

Deferred inflows related to OPEB	368,870,000
Deferred inflows related to pensions	4,739,776
Total deferred inflows	<u>373,609,776</u>

NET POSITION

Net investment in capital assets	645,695,633
Restricted for:	
Food services	2,849,880
Capital projects	591,773
Unrestricted	(1,161,654,519)
Total net position	<u>\$ (512,517,233)</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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
Instruction:					
Regular education	\$ 334,553,576	\$ 1,726,536	\$ 62,637,219	\$ 30,990,052	\$ (239,199,769)
Special education	111,396,856	-	36,696,040	-	(74,700,816)
Total instruction	<u>445,950,432</u>	<u>1,726,536</u>	<u>99,333,259</u>	<u>30,990,052</u>	<u>(313,900,585)</u>
Support services					
Administration	17,526,054	-	1,602,282	-	(15,923,772)
Mid-level administration	45,438,882	-	3,329,673	-	(42,109,209)
Pupil personnel services	3,194,316	-	144,303	-	(3,050,013)
Health services	8,335,160	-	5,250	-	(8,329,910)
Pupil transportation	45,149,779	-	12,983,067	256,288	(31,910,424)
Operation of plant	50,566,821	-	96,206	1,107,048	(49,363,567)
Maintenance of plant and equipment	25,787,159	-	189,448	8,612,210	(16,985,501)
Community services	728,390	444,928	15,694	-	(267,768)
Food services	20,912,201	7,910,992	10,157,315	-	(2,843,894)
Interest on long-term debt	263,880	-	-	-	(263,880)
Depreciation - unallocated	74,580	-	-	-	(74,580)
Total support services	<u>217,977,222</u>	<u>8,355,920</u>	<u>28,523,238</u>	<u>9,975,546</u>	<u>(171,122,518)</u>
Total governmental activities	<u>\$ 663,927,654</u>	<u>\$ 10,082,456</u>	<u>\$ 127,856,497</u>	<u>\$ 40,965,598</u>	(485,023,103)
General revenues:					
Local aid not restricted to specific purposes					245,815,645
State aid not restricted to specific purposes					141,639,351
Federal aid not restricted to specific purposes					589,519
Miscellaneous					2,432,831
Investment earnings					774,314
Total general revenues					<u>391,251,660</u>
Change in net position					(93,771,443)
Net position - beginning of year, as restated					<u>(418,745,790)</u>
Net position - end of year					<u>\$ (512,517,233)</u>

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

Harford County Public Schools

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,349,060	\$ 663,732	\$ -	\$ 4,012,792
Investments	13,114,828	2,000,000	-	15,114,828
Due from other units of government	1,417,283	562,479	7,482,513	9,462,275
Other receivables	8,506,331	145,397	-	8,651,728
Due from other funds	3,608,096	-	-	3,608,096
Inventory	156,576	386,522	-	543,098
Prepaid items	5,652	-	-	5,652
Total assets	<u>\$ 30,157,826</u>	<u>\$ 3,758,130</u>	<u>\$ 7,482,513</u>	<u>\$ 41,398,469</u>
LIABILITIES				
Accounts payable	\$ 3,221,707	\$ 185,076	\$ 3,593,664	\$ 7,000,447
Accrued salaries and wages	501,170	-	-	501,170
Payroll taxes payable	3,672,524	-	-	3,672,524
Due to other funds	-	397,217	3,210,879	3,608,096
Unearned revenue	221,899	325,957	86,197	634,053
Compensated absences payable	2,057,244	-	-	2,057,244
Total liabilities	<u>9,674,544</u>	<u>908,250</u>	<u>6,890,740</u>	<u>17,473,534</u>
FUND BALANCES				
Non-spendable	162,228	386,522	-	548,750
Assigned	17,293,045	2,463,358	591,773	20,348,176
Unassigned	3,028,009	-	-	3,028,009
Total fund balances	<u>20,483,282</u>	<u>2,849,880</u>	<u>591,773</u>	<u>23,924,935</u>
Total liabilities and fund balances	<u>\$ 30,157,826</u>	<u>\$ 3,758,130</u>	<u>\$ 7,482,513</u>	<u>\$ 41,398,469</u>

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

Harford County Public Schools

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019**

Total fund balances - governmental funds (Exhibit 3)	\$ 23,924,935
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$928,801,089 and the accumulated depreciation is \$272,407,084.	656,394,005
Long-term liabilities are not due and payable from current resources and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of compensated absences payable (\$27,491,992), an obligation under capital lease (\$7,509,774), net OPEB liability (\$1,274,863,000) and net pension liability (\$24,760,092).	(1,334,624,858)
Deferred outflows related to OPEB.	509,067,000
Deferred outflows related to pensions.	6,331,461
Deferred inflows related to OPEB.	(368,870,000)
Deferred inflows related to pensions.	<u>(4,739,776)</u>
Total net position - governmental activities (Exhibit 1)	<u><u>\$ (512,517,233)</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
6/30/2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Intergovernmental revenues:				
Local sources	\$ 245,815,645	\$ -	\$ 21,426,319	\$ 267,241,964
State sources	228,296,073	392,332	19,377,532	248,065,937
Special state and federal programs	31,042,460	-	-	31,042,460
Federal sources	589,519	9,612,191	-	10,201,710
Earnings on investments	774,314	37,164	-	811,478
Charges for services	-	7,910,992	-	7,910,992
Miscellaneous revenues	4,604,295	115,628	161,747	4,881,670
Total revenues	511,122,306	18,068,307	40,965,598	570,156,211
Expenditures				
Current:				
Administrative services	9,986,883	-	-	9,986,883
Mid-level administrative services	26,121,107	-	-	26,121,107
Instructional salaries	167,799,472	-	-	167,799,472
Instructional textbooks and supplies	5,689,107	-	-	5,689,107
Other instructional costs	3,115,637	-	-	3,115,637
Special education	43,628,552	-	-	43,628,552
Student personnel services	1,790,127	-	-	1,790,127
Health services	3,938,865	-	-	3,938,865
Pupil transportation services	32,223,215	-	-	32,223,215
Operation of plant	26,788,230	-	-	26,788,230
Maintenance of plant and equipment	12,744,712	-	-	12,744,712
Fixed charges	152,730,576	-	-	152,730,576
Community services	519,270	-	-	519,270
Special state and federal programs	31,042,460	-	-	31,042,460
Costs of operation - food services	-	17,924,674	-	17,924,674
Capital outlay	38,632	-	42,382,147	42,420,779
Debt service:				
Capital lease - principal	559,942	-	-	559,942
Capital lease - interest	263,880	-	-	263,880
Total expenditures	518,980,667	17,924,674	42,382,147	579,287,488
Excess (deficiency) of revenues over expenditures	(7,858,361)	143,633	(1,416,549)	(9,131,277)
Net change in fund balances	(7,858,361)	143,633	(1,416,549)	(9,131,277)
Fund balances - beginning of year	28,341,643	2,706,247	2,008,322	33,056,212
Fund balances - end of year	\$ 20,483,282	\$ 2,849,880	\$ 591,773	\$ 23,924,935

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, 2019**

Total net change in fund balances - governmental funds (Exhibit 5)	\$ (9,131,277)
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 (\$40,911,831) exceeds depreciation expense (\$21,729,274) and loss on disposal of (\$56,024).	19,126,533
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 \$559,942.	559,942
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 used exceeded the amounts earned by \$180,833.	180,833
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.	(101,602,000)
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.	(2,905,474)
Change in net position of governmental activities (Exhibit 2)	\$ (93,771,443)

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, 2019

	Unrestricted				Restricted				Variance - Positive (Negative)
	Original Budget	Final Budget	Actual (non-GAAP)	Variance - Positive (Negative)	Original Budget	Final Budget	Actual (non-GAAP)	Variance - Positive (Negative)	
Revenues									
Intergovernmental revenues:									
Local	\$ 245,815,645	\$ 245,815,645	\$ 245,815,645	\$ -	\$ -	\$ -	\$ -	\$ -	-
State	201,190,128	201,190,128	201,407,089	216,961	-	-	-	-	-
Federal	420,000	420,000	589,519	169,519	-	-	-	-	-
Special state and federal	-	-	-	-	29,664,021	37,388,909	31,667,123	(5,721,786)	-
Earnings on investments	300,000	300,000	608,604	308,604	-	-	-	-	-
Other sources	3,038,960	4,399,578	4,604,295	204,717	-	-	-	-	-
Prior year fund balance	10,902,716	14,680,933	14,680,933	-	-	-	-	-	-
Total revenues	<u>\$ 461,667,449</u>	<u>\$ 466,806,284</u>	<u>\$ 467,706,085</u>	<u>\$ 899,801</u>	<u>\$ 29,664,021</u>	<u>\$ 37,388,909</u>	<u>\$ 31,667,123</u>	<u>\$ (5,721,786)</u>	
Expenditures									
Current:									
Administrative services	\$ 10,737,230	\$ 10,737,230	\$ 9,915,813	\$ 821,417	\$ 610,945	\$ 939,315	\$ 784,329	\$ 154,986	
Mid-level administration	27,138,167	26,613,167	26,134,408	478,759	639,805	713,924	691,134	22,790	
Instructional salaries	168,207,577	168,507,577	167,799,472	708,105	4,583,700	5,519,326	4,750,042	769,284	
Instructional textbooks and supplies	6,859,042	6,339,042	5,533,849	805,193	629,568	1,585,960	1,210,265	375,695	
Other instructional costs	2,663,286	3,183,286	2,807,331	375,955	1,083,939	1,372,431	959,559	412,872	
Special education	44,771,309	44,771,309	43,643,523	1,127,786	15,807,602	20,212,596	16,523,215	3,689,381	
Student personnel services	1,819,529	1,819,529	1,790,216	29,313	-	-	-	-	
Student health services	3,951,315	3,976,315	3,903,919	72,396	-	5,250	5,250	-	
Student transportation	32,173,433	32,273,433	32,268,156	5,277	74,152	145,146	103,616	41,530	
Operation of plant	27,155,852	26,855,852	26,650,187	205,665	-	155,849	57,441	98,408	
Maintenance of plant	14,408,708	14,408,708	12,636,122	1,772,586	-	-	-	-	
Fixed charges	120,617,405	126,156,240	126,036,234	120,006	6,034,310	6,525,929	6,379,901	146,028	
Community services	544,653	544,653	519,270	25,383	-	13,000	4,431	8,569	
Capital outlay	619,943	619,943	598,574	21,369	200,000	200,183	197,940	2,243	
Total expenditures	<u>\$ 461,667,449</u>	<u>\$ 466,806,284</u>	<u>\$ 460,237,074</u>	<u>\$ 6,569,210</u>	<u>\$ 29,664,021</u>	<u>\$ 37,388,909</u>	<u>\$ 31,667,123</u>	<u>\$ 5,721,786</u>	
Excess of revenues over expenditures			7,469,011						
Total fund balance - beginning of year			17,376,162						
Prior year fund balance recognized as revenue above			(14,680,933)						
Total fund balance - end of year			10,164,240						
Fund balance -end of year - nonspendable			(162,228)						
- assigned			(6,000,000)						
Fund balance - end of year - unassigned			<u>\$ 4,002,012</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, 2019

	Retiree Health Plan Trust	Agency Funds
Assets	<u> </u>	<u> </u>
Cash and cash equivalents	\$ -	\$ 2,469,866
Investments held in MABE Trust	55,760,115	<u>-</u>
Total assets	<u>55,760,115</u>	<u>2,469,866</u>
 Liabilities		
Scholarship funds payable	-	59,139
School activity funds payable	<u>-</u>	<u>2,410,727</u>
Total liabilities	<u>-</u>	<u>\$ 2,469,866</u>
 Net position restricted for OPEB	<u>\$ 55,760,115</u>	

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

Harford County Public Schools

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Retiree Health Plan Trust
Additions	
Contributions	\$ 1,360,618
Net investment portfolio results	<u>3,632,881</u>
Total additions	<u>4,993,499</u>
Deductions	
Administrative expenses	<u>13,416</u>
Total deductions	<u>13,416</u>
Change in net position	4,980,083
Net position - beginning of year	<u>50,780,032</u>
Net position - end of year	<u><u>\$ 55,760,115</u></u>

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
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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, 2019
.....

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, 2019
.....

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 is 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, 2019
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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, 2019. 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 acquisition 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, 2019
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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, 2019, annual and sick leave earned, applicable to governmental fund types, but not taken by Board employees, was \$29,549,236. This amount is based on vested accumulated leave as of June 30, 2019, 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 \$2,057,244 was made in the General Fund for the year ended June 30, 2019. This amount was an estimate of the accumulated annual and sick leave which is due and payable as of June 30, 2019 as it will be paid to retirees during the first month of the fiscal year ending June 30, 2020. The remaining liability for accumulated annual and sick leave earned in the amount of \$27,491,992 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, 2019
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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, 2019
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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 assignments 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) No later than the regular monthly meeting in January, 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) No later than the regular monthly meeting in February, 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, 2019
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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 approved by the Board of Education 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 \$1,106,627 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, 2019

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)	\$ 499,373,208
Prior year fund balance	(14,680,933)
Revenues adjusted by restricted encumbrances of expenditure driven grants	(624,663)
Pension contributions made directly by the State of Maryland	26,888,984
Interest earned on rate stabilization deposit	<u>165,710</u>
Revenues (GAAP basis)	<u><u>\$ 511,122,306</u></u>
Expenditures (non-GAAP budgetary basis - unrestricted and restricted)	\$ 491,904,197
Net effect of encumbrances	118,248
Changes in value of rate stabilization fund	69,238
Pension contributions made directly by the State of Maryland	<u>26,888,984</u>
Expenditures (GAAP basis)	<u><u>\$ 518,980,667</u></u>

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

Unassigned Fund Balance (non-GAAP budgetary basis)	\$ 4,002,012
Cumulative effect of:	
Revenues adjusted by encumbrances of expenditure driven grants	<u>(974,003)</u>
Unassigned fund balance (GAAP basis)	<u><u>\$ 3,028,009</u></u>

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

Assigned Fund Balance (non-GAAP budgetary basis)	\$ 6,000,000
Encumbrances	2,994,332
Rate stabilization fund balance	<u>8,298,713</u>
Assigned Fund Balance (GAAP basis)	<u><u>\$ 17,293,045</u></u>

HARFORD COUNTY PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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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 \$50.

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, 2019, 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, 2019, the carrying amount of the Board's deposits was \$6,482,608 and the bank balance was \$8,790,665.

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 MLGIP, which is under the administration of the State Treasurer. The MLGIP was created as part 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 and the pool maintains \$1.00 per unit constant value. The pool is a Rule 2a7 like pool, which is not registered with the Securities and Exchange Commission, but generally operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. 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. The amortized cost of the pool is the same as the value of the pool shares.

As of June 30, 2019, the Board's investment balances were as follows:

	Total Governmental Funds	Total Fiduciary Funds	Total
Maryland Local Government Investment Pool	\$ 3,114,828	\$ -	\$ 3,114,828
Money Market Mutual Funds	12,000,000	-	12,000,000
MABE Trust	-	55,760,115	55,760,115
Total Investments	\$ 15,114,828	\$ 55,760,115	\$ 70,874,943

HARFORD COUNTY PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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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, 2019, complied with the Board's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2019:

Net interest and dividends	\$ 811,478
Less: Restricted net investment income	<u>37,164</u>
Total Net Investment Income Per Statement of Activities	<u>\$ 774,314</u>

Credit Risk

In order to control credit risk, State statutes authorize the Board to invest in obligations of the United States government, federal government agency obligations, secured time deposits in Maryland banks, bankers' acceptances, the 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, 2019, 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, 2019

NOTE 3 – CASH AND INVESTMENTS (continued)

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

Cash on hand	\$ 50
Carrying amount of deposits	6,482,608
Carrying amount of investments	70,874,943
Total cash and investments	77,357,601
Less: Amounts in fiduciary funds	58,229,981
Total Cash and Investments per Statement of Net Position	\$ 19,127,620
Cash and cash equivalents	\$ 4,012,792
Investments	15,114,828
Total Cash and Investments per Statement of Net Position	\$ 19,127,620

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 ten members who are sole contributors to the MABE Trust consist of Allegany Fiduciary Fund and the boards of education of the following Maryland counties: 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 Fidelity Brokerage Services, LLC 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, 2019, the pooled net position of the MABE Trust was \$397,278,841 in total, of which the Board’s allocated investment balance was \$55,760,115. 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. For the current year Cohen & Company 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, 2019

NOTE 4 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>June 30, 2019</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 9,672,942	\$ -	\$ -	\$ 9,672,942
Construction in progress	69,975,022	37,461,854	(62,343,229)	45,093,647
Total nondepreciable capital assets	<u>79,647,964</u>	<u>37,461,854</u>	<u>(62,343,229)</u>	<u>54,766,589</u>
Depreciable capital assets:				
Land improvements	19,118,890	195,110	-	19,314,000
Buildings	742,350,361	1,245,996	62,343,229	805,939,586
Furniture and equipment	47,588,595	2,008,871	(816,552)	48,780,914
Total depreciable capital assets	<u>809,057,846</u>	<u>3,449,977</u>	<u>61,526,677</u>	<u>874,034,500</u>
Less accumulated depreciation for:				
Land improvements	8,809,279	855,147	-	9,664,426
Buildings	206,173,570	17,845,690	-	224,019,260
Furniture and equipment	36,455,489	3,028,437	(760,528)	38,723,398
Total accumulated depreciation	<u>251,438,338</u>	<u>21,729,274</u>	<u>(760,528)</u>	<u>272,407,084</u>
Total depreciable capital assets, net	<u>557,619,508</u>	<u>(18,279,297)</u>	<u>62,287,205</u>	<u>601,627,416</u>
Governmental activities, capital assets, net	<u>\$637,267,472</u>	<u>\$ 19,182,557</u>	<u>\$ (56,024)</u>	<u>\$ 656,394,005</u>

Depreciation expense for the year ended June 30, 2019, was charged to governmental functions on the Statement of Activities as follows:

Depreciation not allocated to specific functions	\$ 74,580
Administration	274,050
Mid-level administration	1,140
Instruction	11,118,110
Special education	5,116
Transportation	586,925
Operations	4,047,334
Maintenance	5,408,526
Food Service	213,493
Total	<u>\$ 21,729,274</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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NOTE 4 - CAPITAL ASSETS (continued)

The Board has active school construction projects as of June 30, 2019, as follows:

Project:	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Aberdeen Middle Roof	\$ 162,623	\$ 3,429,129
Bel Air Elementary HVAC/Open Space Enclosure	6,303,743	55,584
C. Milton Wright High School Elevator Replacement	195,628	14,499
Fallston Middle Chiller	329,881	382,454
Havre de Grace High School	37,373,649	49,899,741
John Archer	83,045	-
Joppatowne High	189,073	-
North Harford Middle Domestic Water	268,504	15,800
North Harford Middle School Pool	187,501	303,582
Total	<u>\$ 45,093,647</u>	<u>\$ 54,100,789</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, 2019

NOTE 5 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Balance as of			Balance as of	Due
	July 1, 2018	Increases	Reductions	June 30, 2019	Within
					One Year
Capital lease	\$ 8,069,716	\$ -	\$ 559,942	\$ 7,509,774	\$ 578,253
Compensated absences	28,858,197	6,375,191	5,684,152	29,549,236	5,520,859
Net OPEB liability	1,385,045,000	-	110,182,000	1,274,863,000	-
Net pension liability	23,543,713	1,216,379	-	24,760,092	-
Total Governmental Activities	\$ 1,445,516,626	\$ 7,591,570	\$ 116,426,094	\$ 1,336,682,102	\$ 6,099,112

Compensated absences and net pension liability have typically been liquidated by the General Fund in prior years. The net OPEB obligation is expected to be liquidated by the General Fund going forward.

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 3.27%. 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	2,930,147
Net Book Value	\$ 7,922,248

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2020	\$ 823,822
2021	823,822
2022	823,822
2023	823,822
2024	823,822
2025 - 2029	4,119,110
2030	823,822
Total minimum lease payments	9,062,042
Less: amount representing interest	1,552,268
Present value of minimum lease payments	\$ 7,509,774

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - FUND BALANCE

Fund balance as of June 30, 2019, consisted of the following:

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Capital Projects Fund</u>
Non-spendable for:			
Inventory	\$ 156,576	\$ 386,522	\$ -
Prepaid items	5,652	-	-
Total non-spendable	<u>162,228</u>	<u>386,522</u>	<u>-</u>
Assigned to:			
Encumbrances:			
Contracted Services	1,179,224	31,115	591,773
Supplies and materials	1,243,187	-	-
Equipment and other	571,921	-	-
Total encumbrances	<u>2,994,332</u>	<u>31,115</u>	<u>591,773</u>
Fiscal year 2020 expenditures	5,000,000	-	-
Rate stabilization receivable	8,298,713	-	-
Emergency fuel reserve	1,000,000	-	-
Cost of Operation - Food Services	-	2,432,243	-
Total assigned	<u>17,293,045</u>	<u>2,463,358</u>	<u>591,773</u>
Unassigned	<u>3,028,009</u>	<u>-</u>	<u>-</u>
Total fund balances	<u><u>\$ 20,483,282</u></u>	<u><u>\$ 2,849,880</u></u>	<u><u>\$ 591,773</u></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, 2019. 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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
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NOTE 6 – FUND BALANCE (continued)

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, 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 https://sra.maryland.gov/sites/main/files/file-attachments/srps-cafr_2018-web.pdf.

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

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
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NOTE 7 - PENSION PLANS (continued)

General Information about the Pension Plan (continued)

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.

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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
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NOTE 7 - PENSION PLANS (continued)

General Information about the Pension Plan (continued)

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, 2019, was approximately \$2.6 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 unfunded accrued liability. Contributions to ERS from the Board were approximately \$2.6 million for the year ended June 30, 2019.

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, 2019, was approximately \$26.9 million. The Board’s contractually required contribution rate for TPS for the year ended June 30, 2019, was approximately \$10.4 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, 2019, the Board reported a liability of approximately \$24.8 million for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2018, 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, 2019, the Board’s proportion for ERS was 0.12%, which was substantially the same as its proportion measured as of June 30, 2018. For the year ended June 30, 2019, the Board recognized pension expense for ERS of approximately \$2.6 million. As of June 30, 2019, 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, 2019

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
Board contributions subsequent to measurement date	\$2,588,989	\$ -
Changes in actuarial assumptions	568,832	-
Differences in expected vs. actual experience	-	1,795,954
Net difference between projected and actual earnings on pension plan investments	998,609	-
Changes in proportion	2,132,532	2,216,220
Changes in proportionate share of contributions	42,499	727,602
Total	\$6,331,461	\$4,739,776

The \$2,588,989 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, 2020. 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, 2019:

Year Ending June 30,	Amortization of Pension Expense
2020	\$ 315,576
2021	(449,563)
2022	(935,687)
2023	(92,016)
2024	164,386
Total	\$ (997,304)

As of June 30, 2019, the State of Maryland's proportionate share of the TPS net pension liability associated with the Board is approximately \$277,587,636. The TPS net pension liability was measured as of June 30, 2018, 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.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
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NOTE 7 - PENSION PLANS (continued)

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/.

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 7.45% is \$24,760,092. 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 (6.45%) is \$35,663,030 or 1-percentage-point higher (8.45%) is \$15,711,438.

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.

HARFORD COUNTY PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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.

Plan membership. As of June 30, 2019, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	2,712
Inactive plan members entitled to but not yet receiving benefit payments	547
Active plan members	4,698
Total plan members	<u>7,957</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, 2019, was \$28,278,940.

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, 2019 was \$1,282,912.

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, 2019 was \$50,148.

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

Net OPEB Liability of the Board

The components of the net OPEB liability of the Board as of June 30, 2019, were as follows:

Total OPEB liability	\$1,330,623,000
Plan fiduciary net position	55,760,000
Board's net OPEB liability	<u>\$1,274,863,000</u>

Plan fiduciary net position as a percentage of the total OPEB liability 4.19%

The change in the Net OPEB Liability of the Board for the year ended June 30, 2019 were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2018	<u>\$1,435,826,000</u>	<u>\$ 50,781,000</u>	<u>\$ 1,385,045,000</u>
Changes for the year:			
Service cost	57,082,000	-	57,082,000
Interest	57,234,000	-	57,234,000
Differences between expected and actual experience	185,569,000	-	185,569,000
Changes of assumptions	(376,837,000)	-	(376,837,000)
Benefit payments	(28,251,000)	(28,251,000)	-
Contributions from the employer	-	29,612,000	(29,612,000)
Net investment income	-	3,631,000	(3,631,000)
Administrative expense	-	(13,000)	13,000
Net changes	<u>(105,203,000)</u>	<u>4,979,000</u>	<u>(110,182,000)</u>
Balance as of June 30, 2019	<u>\$1,330,623,000</u>	<u>\$ 55,760,000</u>	<u>\$ 1,274,863,000</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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	June 30, 2019
Actuarial Cost Method	Entry age normal cost method
Asset Valuation Method	Fair Market value
Actuarial Assumptions:	
Discount Rate	4.77%
Expected Return on Assets	6.50%
Salary Increases	4.25%
General Inflation	2.50%
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 6.50% interest and contributions are assumed to be made in the middle of the year.

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, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	61.00%
Fixed Income	29.60%
Cash	9.40%
Total	<u>100.00%</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Rate of return. For the year ended June 30, 2019, the total rate of return, net of investment expense, was 7.13%. 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.

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.

Best estimates of real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, (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	6.80%
Fixed Income	4.06%
Cash	2.60%

Discount rate. The discount rate used to measure the total OPEB liability was 4.77%. The OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The Board does not have a formal funding policy in place. Therefore, the existing OPEB Trust cannot be considered when determining the discount rate associated with the plan. As a result, the long-term expected rate of return on OPEB plan investments of 6.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability pursuant to paragraph 48 of GASB Statement 74.

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 (3.77%) or 1-percentage-point higher (5.77%) than the current discount rate:

	1% Decrease (3.77%)	Discount Rate (4.77%)	1% Increase (5.77%)
Net OPEB liability	\$ 1,526,965,000	\$ 1,274,863,000	\$ 1,075,412,000

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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 (varied decreasing to 3.50%) or 1 percentage-point higher (varied decreasing to 5.50%) than the current healthcare cost trend rates:

	1% Decrease (varied decreasing to 3.50%)	Trend Rates (varied decreasing to 4.50%)	1% Increase (varied decreasing to 5.50%)
Net OPEB liability	\$ 1,057,102,000	\$ 1,274,863,000	\$ 1,560,335,000

Deferred Outflows/Inflows

The following table illustrates deferred inflows and outflows as of June 30, 2019 under GASB 75:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected vs. actual experience	\$166,749,000	\$ 29,792,000
Net difference between projected and actual earnings on OPEB Trust investments	-	460,000
Changes in actuarial assumptions	342,318,000	338,618,000
Total	\$ 509,067,000	\$ 368,870,000

Amortization of Deferred Inflows/Outflows

Year Ending June 30,	Amortization
2020	\$ 20,229,000
2021	20,229,000
2022	20,230,000
2023	20,306,000
2024	20,361,000
Total thereafter	38,842,000
Total	<u>\$ 140,197,000</u>

HARFORD COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
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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 \$1,275,251 for the year ended June 30, 2019.

Required Supplementary Information



**Julianne Tenaglia, Grade 11
C. Milton Wright High School
Teacher: Keri Freburger**



**Chloe Kenley, Grade 6
Fallston Middle School
Teacher: Meredith Parkinson**

**HARFORD COUNTY PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
FOR OTHER POST-EMPLOYMENT BENEFITS PLAN
June 30, 2019**

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB liability										
Service cost	\$ 57,082	\$ 33,423	\$ 32,230							
Interest	57,234	36,491	30,624							
Changes of benefit terms		-	-							
Differences between expected and actual experience	185,569	(37,372)	7,859							
Changes of assumptions	(376,837)	429,422	(135,516)							
Benefit payments	(28,251)	(23,812)	(24,085)							
Net change in total OPEB liability	(105,203)	438,152	(88,888)							
Total OPEB liability—beginning	1,435,826	997,674	1,086,562							
Total OPEB liability—ending (a)	\$ 1,330,623	\$ 1,435,826	\$ 997,674							
Plan fiduciary net position										
Contributions—employer	\$ 29,612	\$ 25,248	\$ 27,139							
Net investment income	3,631	3,416	4,551							
Benefit payments	(28,251)	(23,812)	(24,085)							
Administrative expense	(13)	(14)	(1,605)							
Net change in plan fiduciary net position	4,979	4,838	6,000							
Plan fiduciary net position—beginning	50,781	45,943	39,943							
Plan fiduciary net position—ending (b)	\$ 55,760	\$ 50,781	\$ 45,943							
Board's net OPEB liability—ending (a) - (b)	\$ 1,274,863	\$ 1,385,045	\$ 951,731							
Plan fiduciary net position as a percentage of the total OPEB liability	4.19%	3.54%	4.61%							
Covered employee payroll	\$ 290,813	\$ 281,948	\$ 272,319							
Board's net OPEB liability as a percentage of covered employee payroll	438.38%	491.24%	349.49%							

Information for FYE 2016 and earlier is not available

**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR OTHER POST-EMPLOYMENT BENEFITS PLAN
 June 30, 2019**

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

	Fiscal Years									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 28,251	\$ 23,612	\$ 69,997							
Contributions in relation to the actuarially determined contribution	29,612	25,248	24,018							
Contribution deficiency (excess)	<u>\$ (1,361)</u>	<u>\$ (1,636)</u>	<u>\$ 45,979</u>							
Covered employee payroll	\$290,813	\$281,948	\$272,319							
Contribution as a percentage of covered employee payroll	10.18%	8.95%	8.82%							

Information for FYE 2016 and earlier is not available

Notes to Schedule:

Valuation Date: Because the contribution policy of the Harford County Public Schools is to contribute amounts as they become due, the actuarially determined contribution shown above have been set equal to the benefit payments that were paid during the applicable measurement period.

There were no significant changes to assumptions or benefit terms.

**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR OTHER POST-EMPLOYMENT BENEFITS PLAN
 June 30, 2019**

Schedule of Investment Returns
 Last 10 Fiscal Years

Fiscal Years									
<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2017</u>	<u>2018</u>

Annual money-weighted rate of return, net of investment	7.13%	7.40%	11.29%	Information for FYE 2016 and earlier is not available
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**HARFORD COUNTY PUBLIC SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR PENSIONS
 June 30, 2019**

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Employees' Retirement and Pension System:										
Board's proportion of the net pension liability	0.118008600%	0.108879200%	0.117237200%	0.127132200%	0.116983900%					
Board's proportionate share of the net pension liability	\$ 24,760,092	\$ 23,543,713	\$ 27,660,977	\$ 26,420,243	\$ 20,760,817					
Board's covered payroll	\$ 27,807,535	\$ 27,438,053	\$ 27,058,838	\$ 27,773,344	\$ 27,627,479					
Board's proportionate share of the net pension liability as a percentage of its covered payroll	89.04%	85.81%	102.23%	95.13%	75.15%					
Plan fiduciary net position as a percentage of the total pension liability	68.36%	66.71%	62.97%	66.26%	69.53%					

	Information for FYE 2014 and earlier is not available									
Teacher's Retirement and Pension System:										
Board's proportion of the net pension liability	0.0%	0.0%	0.0%	0.0%	0.0%					
Board's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -					
State's proportionate share of the net pension liability of the Board	\$ 277,587,636	\$ 295,072,229	\$ 322,486,680	\$ 288,471,061	\$ 222,273,040					
Total	\$ 277,587,636	\$ 295,072,229	\$ 322,486,680	\$ 288,471,061	\$ 222,273,040					
Board's covered payroll	\$ 254,140,491	\$ 244,880,874	\$ 238,829,254	\$ 234,740,821	\$ 238,324,978					
Board's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%					
Plan fiduciary net position as a percentage of the total pension liability	73.35%	71.41%	67.95%	70.76%	69.53%					

**HARFORD COUNTY PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
FOR PENSIONS
June 30, 2019**

**Schedule of Contributions
Last 10 Fiscal Years**

Employees' Retirement and Pension System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 2,588,989	\$ 2,353,181	\$ 2,216,065	\$ 2,283,877	\$ 2,679,603	\$ 2,726,147	\$ 2,438,035	\$ 2,946,759	\$ 2,838,311	\$ 1,968,143
Contributions in relation to the contractually required contribution	(2,588,989)	(2,353,181)	(2,216,065)	(2,283,877)	(2,679,603)	(2,726,147)	(2,438,035)	(2,946,759)	(2,838,311)	(1,968,143)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 29,085,789	\$ 27,807,835	\$ 27,438,053	\$ 27,058,838	\$ 27,773,344	\$ 27,627,479	\$ 27,270,292	\$ 27,356,555	\$ 27,017,240	\$ 26,022,349
Contributions as a percentage of covered payroll	8.90%	8.46%	8.08%	8.44%	9.65%	9.87%	8.94%	10.77%	10.51%	7.56%

Teachers Retirement and Pension System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 10,358,564	\$ 10,127,776	\$ 9,454,776	\$ 10,309,396	\$ 8,966,816	\$ 7,009,102	\$ 5,529,741	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	(10,358,564)	(10,127,776)	(9,454,776)	(10,309,396)	(8,966,816)	(7,009,102)	(5,529,741)	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 261,727,394	\$ 254,140,491	\$ 244,880,874	\$ 238,829,254	\$ 234,739,821	\$ 238,324,978	\$ 246,367,823	\$ 249,466,752	\$ 251,462,753	\$ 252,614,265
Contributions as a percentage of covered payroll	3.96%	3.99%	3.86%	4.32%	3.82%	2.94%	2.24%	0.00%	0.00%	0.00%

* The Board was not contractually required to contribute to the Teachers' Retirement and Pension System prior to fiscal year 2013.

Other Supplementary Information



**Mina Snider, Grade 11
Patterson Mill High School
Teacher: Ms. Alison Filicko**

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, 2019**

	<u>Budget</u>	<u>Actual</u>	Variance - Positive (Negative)
Revenues			
Cafeteria sales	\$ 7,287,110	\$ 7,910,992	\$ 623,882
<u>Federal Aid</u>			
School Lunch Program	5,949,249	5,696,401	(252,848)
School Breakfast Program	2,208,183	2,077,082	(131,101)
Summer Food Program	625,000	218,716	(406,284)
Fresh Fruits and Vegetables Program	-	48,523	48,523
Child and Adult Care Food Program	-	464,842	464,842
U.S.D.A. Commodities	1,025,000	1,106,627	81,627
Total federal aid	9,807,432	9,612,191	(195,241)
<u>State Aid</u>			
Child Feeding Program	400,000	392,332	(7,668)
Interest earned	-	37,164	37,164
Miscellaneous revenue	125,000	115,628	(9,372)
Total revenues	<u>\$ 17,619,542</u>	18,068,307	448,765
Expenditures			
Salaries and wages	5,896,881	5,779,432	117,449
Contracted services	454,000	469,820	(15,820)
Supplies and materials	7,318,072	7,306,993	11,079
Other charges	2,745,589	3,175,904	(430,315)
Furniture and equipment	180,000	86,845	93,155
U.S.D.A. commodities	1,025,000	1,095,504	(70,504)
Total expenditures	<u>\$ 17,619,542</u>	17,914,498	(294,956)
Excess of revenues over expenditures		153,809	
Total fund balance - beginning of year		2,664,956	
Fund balance - end of year - nonspendable		<u>(386,522)</u>	
Fund balance - end of year - assigned		<u>\$ 2,432,243</u>	

Harford County Public Schools

**SCHOOL CONSTRUCTION FUND
(CAPITAL PROJECTS FUND)
SCHEDULE OF EXPENDITURES BY PROJECT
FOR THE YEAR ENDED JUNE 30, 2019**

Aberdeen Middle roof	\$ 163,332
ADA improvements	239,297
Alarms	258,898
Athletic fields	107,281
Backflow prevention	7,020
Bel Air Elementary HVAC	5,895,605
Bleachers	7,912
Buses	1,331,775
Career and Technology education equipment refresh	3,138
Center for Educational Opportunity air conditioning	66,843
Darlington Elementary HVAC	52,666
Energy efficiency performance projects	552
Fallston High HVAC	73,857
Fallston Middle chiller	329,881
Havre de Grace High modernization	27,159,654
HVAC major repairs	364,760
Joppatowne High renovations	3,000
Joppatowne High roof	10,000
Lockers	3,791
North Harford Elementary roof	995,801
North Harford High aquaculture lab & greenhouse	695,371
North Harford High modernization	44,800
North Harford Middle domestic water improvements	271,731
Old Post Road Elementary open space enclosure	17,964
Playgrounds	6,451
Prospect Mill Elementary HVAC	16,759
Riverside Elementary HVAC	446,557
Roofing projects	196,149
Security Measures	337,122
Special education facilities	4,060
Swimming pools	155,474
Technology education lab refresh	5,388
Technology refresh	1,152,049
Textbooks	310,858
Youth's Benefit Elementary Replacement	1,646,351
	\$ 42,382,147

Harford County Public Schools

AGENCY FUNDS
SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

School Activity Funds

	Balance <u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2019</u>
<u>Elementary Schools</u>				
Abingdon	\$ 10,315	\$ 58,338	\$ 45,894	\$ 22,759
Bakerfield	15,476	39,483	36,151	18,808
Bel Air	10,554	43,313	41,797	12,070
Church Creek	23,733	48,914	50,201	22,446
Churchville	14,382	30,841	32,680	12,543
Darlington	14,844	18,747	20,876	12,715
Deerfield	38,220	37,219	34,570	40,869
Dublin	17,311	39,227	19,100	37,438
Edgewood	12,953	24,743	26,584	11,112
Emmorton	15,506	32,877	29,329	19,054
Forest Hill	12,647	66,297	50,072	28,872
Forest Lakes	7,251	48,318	32,607	22,962
Fountain Green	11,060	37,554	39,419	9,195
George D. Lisby at Hillsdale	9,818	29,486	29,660	9,644
Hall's Cross Roads	9,309	20,112	21,166	8,255
Harford Glen	2,263	1,345	1,537	2,071
Havre de Grace	2,891	28,364	27,775	3,480
Hickory	48,586	51,057	71,258	28,385
Homestead-Wakefield	23,095	87,758	85,664	25,189
Jarrettsville	30,843	97,489	88,605	39,727
John Archer	48,095	47,597	37,021	58,671
Joppatowne	19,708	47,767	41,733	25,742
Magnolia	5,006	6,354	4,642	6,718
Meadowvale	3,712	37,566	36,030	5,248
Norrisville	16,371	40,829	33,241	23,959
North Bend	20,593	20,605	32,125	9,073
North Harford	25,807	31,760	27,320	30,247
Prospect Mill	28,291	41,405	35,184	34,512
Red Pump	16,849	39,533	43,276	13,106
Ring Factory	25,600	64,331	63,910	26,021
Riverside	5,570	21,553	20,813	6,310
Roye-Williams	8,734	12,114	7,254	13,594
William S. James	23,668	43,470	50,058	17,080
William Paca - Old Post Rd	5,604	42,200	24,668	23,136
Youth's Benefit	15,078	69,568	71,266	13,380
Total elementary schools	599,743	1,408,134	1,313,486	694,391

Harford County Public Schools

**AGENCY FUNDS
SCHEDULE OF INCREASES, DECREASES AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

School Activity Funds

	<u>Balance</u> <u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>Middle Schools</u>				
Aberdeen	47,695	114,915	110,560	52,050
Bel Air	59,562	164,126	153,447	70,241
Edgewood	36,251	128,699	126,138	38,812
Fallston	54,554	168,193	159,674	63,073
Havre de Grace	20,983	107,549	108,689	19,843
Magnolia	17,881	61,358	64,183	15,056
North Harford	37,405	86,305	64,526	59,184
Patterson Mill	52,615	114,776	118,528	48,863
Southampton	29,629	154,009	151,132	32,506
Total middle schools	<u>356,575</u>	<u>1,099,930</u>	<u>1,056,877</u>	<u>399,628</u>
<u>High Schools</u>				
Aberdeen	119,190	291,010	285,983	124,217
Alternative Education	6,125	5,478	1,416	10,187
Bel Air	186,552	442,135	443,449	185,238
C. Milton Wright	156,771	420,316	441,093	135,994
Edgewood	134,014	275,701	276,042	133,673
Fallston	128,225	352,666	369,395	111,496
Harford Technical	165,420	488,228	515,614	138,034
Havre de Grace	150,816	307,944	329,950	128,810
Joppatowne	45,447	94,601	101,956	38,092
North Harford	202,682	421,670	449,694	174,658
Patterson Mill	126,388	383,501	373,580	136,309
Total high schools	<u>1,421,630</u>	<u>3,483,250</u>	<u>3,588,172</u>	<u>1,316,708</u>
Total - all School Activity Funds	<u>2,377,948</u>	<u>5,991,314</u>	<u>5,958,535</u>	<u>2,410,727</u>
Scholarship Funds	<u>68,072</u>	<u>67</u>	<u>9,000</u>	<u>59,139</u>
Total - Agency Funds	<u>\$ 2,446,020</u>	<u>\$ 5,991,381</u>	<u>\$ 5,967,535</u>	<u>\$ 2,469,866</u>

Harford County Public Schools

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AGENCY FUNDS COMBINING STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2019

	<u>Scholarship Funds</u>	<u>School Activity Funds</u>	<u>Total Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 59,139	\$ 2,410,727	\$ 2,469,866
Total assets	<u>\$ 59,139</u>	<u>\$ 2,410,727</u>	<u>\$ 2,469,866</u>
Liabilities			
Scholarship funds payable	\$ 59,139	\$ -	\$ 59,139
School activity funds payable	-	2,410,727	2,410,727
Total liabilities	<u>\$ 59,139</u>	<u>\$ 2,410,727</u>	<u>\$ 2,469,866</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, 2019

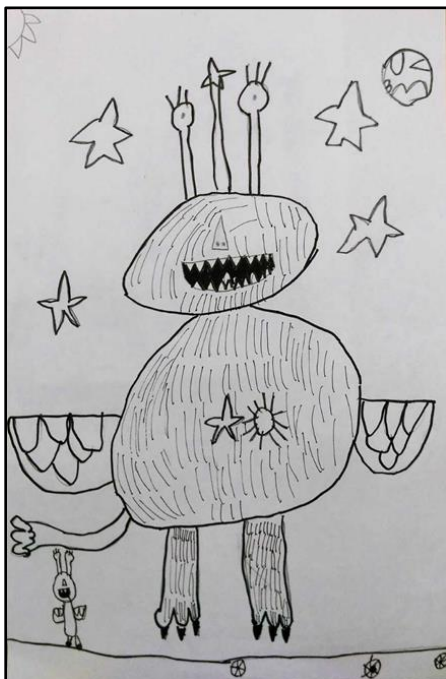
	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
SCHOLARSHIP FUNDS				
ASSETS				
Cash and cash equivalents	\$ 68,072	\$ 67	\$ 9,000	\$ 59,139
LIABILITIES				
Scholarship funds payable	\$ 68,072	\$ 67	\$ 9,000	\$ 59,139
SCHOOL ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,377,948	\$ 5,991,314	\$ 5,958,535	\$ 2,410,727
LIABILITIES				
Student activity funds payable	\$ 2,377,948	\$ 5,991,314	\$ 5,958,535	\$ 2,410,727
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,446,020	\$ 5,991,381	\$ 5,967,535	\$ 2,469,866
LIABILITIES				
Scholarship funds payable	\$ 68,072	\$ 67	\$ 9,000	\$ 59,139
Student activity funds payable	2,377,948	5,991,314	5,958,535	2,410,727
Total liabilities	\$ 2,446,020	\$ 5,991,381	\$ 5,967,535	\$ 2,469,866

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>	83 - 86
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>	87 - 88
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>	89 - 98

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year after June 30, 2009 and from the Independent Auditors' Report, Financial Statements and Supplementary Information for the relevant year prior to that.



Lily Welker, Grade 1
Homestead Wakefield Elementary School
Teacher: Ms. Melinda Glackin

Harford County Public Schools

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Invested in capital assets, net of related debt	\$533,572	\$560,834	\$568,870	\$577,748	\$584,119	\$598,747	\$614,347	\$619,802	\$629,198	\$645,696
Restricted for food services	2,196	2,408	2,755	2,624	2,802	2,975	3,071	2,899	2,706	2,850
Restricted for capital projects	7,551	7,454	9,079	7,675	3,778	2,403	2,128	1,719	2,008	592
Unrestricted	(84,761)	(110,678)	(128,086)	(166,286)	(205,029)	(254,861)	(284,642)	(321,964)	(1,052,658)	(1,161,655)
Total governmental activities net position	<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>	<u>(\$418,746)</u>	<u>(\$512,517)</u>

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Functions/Programs										
Expenses										
Governmental activities:										
Instruction:										
Regular education	\$294,136	\$289,527	\$285,182	\$296,379	\$283,661	\$277,887	\$274,701	\$285,968	\$314,366	\$334,553
Special education	89,247	94,112	86,373	89,896	90,529	88,484	91,118	91,260	103,091	111,397
Total Instruction	<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>	<u>417,457</u>	<u>445,950</u>
Support services:										
Administration	15,989	15,341	16,114	15,682	15,626	15,195	15,231	15,417	16,901	17,526
Mid-level administration	37,516	36,621	37,070	37,698	37,467	38,139	37,941	40,276	43,367	45,439
Pupil personnel services	2,338	2,223	2,322	2,353	2,501	2,424	2,531	2,525	2,819	3,194
Health services	5,069	4,850	5,255	5,915	5,843	6,292	6,218	6,163	7,461	8,335
Pupil transportation	33,647	35,424	37,332	39,754	39,504	38,827	38,695	40,243	42,605	45,150
Operation of plant	39,310	38,716	40,267	43,245	47,158	45,870	42,618	45,834	48,637	50,567
Maintenance of plant and equipment	15,130	15,789	16,989	18,211	19,022	19,509	21,275	20,797	24,352	25,787
Community services	399	451	421	497	530	532	565	578	594	728
Food services	15,391	14,848	15,829	16,515	16,731	16,719	17,883	18,260	19,765	20,912
Interest on long-term debt	527	512	615	246	328	328	315	299	282	264
Depreciation - unallocated	89	87	86	84	81	77	77	77	75	75
Total Support Services	<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>	<u>206,858</u>	<u>217,977</u>
Total governmental activities	<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>	<u>624,315</u>	<u>663,927</u>
Program revenues										
Charges for services:										
Regular education	1,648	1,471	1,214	1,135	1,327	1,450	1,468	1,753	1,603	1,726
Community services	338	348	348	422	414	428	436	465	455	445
Food services	7,839	7,875	7,858	7,254	6,928	7,103	7,142	7,123	7,407	7,911
Operating grants and contributions	122,436	136,196	128,527	124,751	124,007	125,875	123,982	126,498	125,265	127,856
Capital grants and contributions	85,054	47,667	28,383	35,159	25,115	32,295	33,011	23,168	29,732	40,965
Total governmental activities program revenues	<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>	<u>164,462</u>	<u>178,903</u>
Total governmental net expense	<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>	<u>(459,853)</u>	<u>(485,024)</u>
General Revenues and Other Changes in Net Position										
General revenues:										
Local appropriations	210,415	211,067	217,782	219,821	221,301	223,667	228,209	233,534	238,716	245,816
State Aid	147,510	140,638	143,456	140,879	137,722	137,404	136,328	137,763	139,327	141,640
Federal Aid	625	696	1,345	449	336	434	423	392	409	590
Miscellaneous	2,487	3,960	7,508	5,717	5,723	5,370	3,753	4,371	2,672	2,433
Unrestricted investment earnings	40	43	33	31	18	13	56	182	515	774
Total general revenues	<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>	<u>381,639</u>	<u>391,253</u>
Change in Net Position	<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>	<u>(78,214)</u>	<u>(93,771)</u>
Net position - beginning of year	215,528	245,132	246,592	239,191	421,761	385,671	349,264	334,904	302,456	(418,746)
Adjustment to Restate Beginning Net Position	-	-	-	-	-	(20,163)	-	-	(642,988)	-
Net position - beginning of year, as Restated	<u>215,528</u>	<u>245,132</u>	<u>246,592</u>	<u>239,191</u>	<u>421,761</u>	<u>365,508</u>	<u>349,264</u>	<u>334,904</u>	<u>(340,532)</u>	<u>(418,746)</u>
Net position - end of year	<u>\$245,132</u>	<u>\$246,592</u>	<u>\$239,191</u>	<u>\$208,334</u>	<u>\$385,671</u>	<u>\$349,264</u>	<u>\$334,904</u>	<u>\$302,456</u>	<u>(\$418,746)</u>	<u>(\$512,517)</u>

Harford County Public Schools

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Non Spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24	\$ 199	\$ 139	\$ 162
Assigned	2,405	12,976	12,628	18,650	18,320	17,370	21,784	23,988	24,443	17,293
Unassigned	22,626	13,143	13,169	4,330	3,072	6,408	8,304	10,418	3,760	3,028
Total general fund	<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>	<u>\$28,342</u>	<u>\$20,483</u>
All other governmental funds										
Non Spendable -										
Special Revenue Fund	\$278	\$294	\$237	\$187	\$142	\$105	\$31	\$373	\$352	\$387
Assigned - reported in:										
Special revenue fund	1,918	2,115	2,518	2,437	2,660	2,871	3,040	2,525	2,354	2,463
Capital projects fund	7,551	7,454	9,079	10,322	11,577	2,403	2,128	1,720	2,008	592
Unassigned - Capital projects fund	-	-	-	(2,647)	(7,799)	-	-	-	-	-
Total all other governmental funds	<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>	<u>\$4,714</u>	<u>\$3,442</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Intergovernmental revenues	\$275,213	\$241,501	\$230,041	\$231,802	\$229,680	\$240,351	\$250,885	\$252,664	\$256,649	\$267,242
Local sources										
State sources	247,758	242,653	251,283	241,824	233,251	238,723	230,588	228,318	236,683	248,066
Special state and federal programs	33,330	41,992	28,817	29,938	30,562	31,020	29,931	30,327	29,727	31,042
Federal sources	6,860	7,629	8,485	8,122	8,483	8,942	9,588	9,806	9,870	10,202
Earnings on investments	40	43	33	31	18	13	56	182	521	811
Charges for services	7,839	7,875	7,858	7,254	6,929	7,103	7,142	7,123	7,407	7,911
Miscellaneous revenues	7,352	8,268	9,937	16,647	13,968	7,887	6,618	6,828	5,244	4,882
Total revenues	<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>	<u>546,101</u>	<u>570,156</u>
Expenditures										
Current										
Administrative services	10,708	10,473	10,776	10,678	9,775	9,464	9,356	9,244	10,342	9,987
Mid-level administrative services	25,417	25,182	24,959	24,805	24,356	24,569	24,910	25,699	26,079	26,121
Instructional salaries	166,084	165,998	165,118	162,658	156,873	153,388	154,869	158,061	161,840	167,799
Instructional textbooks and supplies	7,758	7,316	8,067	6,689	6,849	7,101	6,598	6,625	6,527	5,689
Other instructional costs	2,904	3,173	2,839	2,446	2,392	3,340	2,795	4,336	5,452	3,116
Special education	39,030	39,674	40,322	39,951	40,088	40,714	40,672	40,700	42,541	43,628
Student personnel services	1,615	1,610	1,614	1,621	1,642	1,645	1,692	1,715	1,745	1,790
Health services	3,255	3,200	3,292	3,295	3,207	3,359	3,272	3,356	3,774	3,939
Pupil transportation services	27,655	29,522	30,917	31,151	30,300	30,113	29,201	30,808	31,552	32,223
Operation of plant	29,129	28,913	28,974	28,595	30,273	28,128	26,773	28,174	27,493	26,788
Maintenance of plant and equipment	11,014	11,757	12,607	12,249	12,110	12,707	12,562	12,986	13,605	12,745
Fixed charges	115,194	116,016	133,275	132,463	134,256	136,099	134,133	136,560	142,127	152,731
Community services	352	403	373	440	456	444	470	496	505	519
Special state and federal programs	33,330	41,992	28,817	29,938	30,562	31,020	29,931	30,327	29,727	31,042
Costs of operations - food services	14,315	14,911	15,275	15,440	15,431	15,968	16,726	17,244	17,558	17,925
Capital outlay	83,365	47,809	26,759	37,255	29,255	34,059	33,796	24,181	30,577	42,421
Debt service:										
Capital lease - principal	297	312	327	-	-	371	508	525	542	560
Capital lease - interest	527	512	615	246	328	328	315	299	282	264
Total expenditures	<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>	<u>552,268</u>	<u>579,287</u>
Excess (deficit) of revenues over expenditures	6,443	1,188	1,528	(4,302)	(5,262)	1,222	6,229	3,912	(6,167)	(9,131)
Other financing sources (uses)										
Proceeds from capital lease	-	-	178	-	-	-	-	-	-	-
Net change in fund balances	<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>	<u>(\$6,167)</u>	<u>(\$9,131)</u>

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

	<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>	<u>2018</u>
Elementary School:										
Prekindergarten	898	773	776	753	768	763	809	837	901	947
Kindergarten	2,734	2,681	2,792	2,740	2,819	2,648	2,587	2,651	2,646	2,605
Grade 1	2,736	2,808	2,715	2,820	2,787	2,831	2,704	2,605	2,694	2,696
2	2,873	2,757	2,809	2,703	2,830	2,788	2,875	2,724	2,694	2,737
3	2,670	2,904	2,796	2,809	2,751	2,829	2,822	2,920	2,797	2,720
4	2,925	2,691	2,919	2,815	2,851	2,775	2,859	2,847	2,982	2,865
5	<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>	<u>2,871</u>	<u>3,050</u>
Total Elementary School	<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>	<u>17,585</u>	<u>17,620</u>
Middle School:										
Grade 6	2,912	2,791	2,905	2,691	2,892	2,807	2,875	2,780	2,915	2,946
7	2,927	2,928	2,777	2,902	2,752	2,910	2,813	2,890	2,818	2,963
8	<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>	<u>2,930</u>	<u>2,871</u>
Total Middle School	<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>	<u>8,663</u>	<u>8,780</u>
High School:										
Grade 9	3,380	3,241	3,164	3,118	3,030	3,196	2,974	3,267	3,171	3,221
10	3,041	3,145	3,038	2,948	2,896	2,755	2,918	2,696	2,931	2,774
11	2,856	2,934	2,973	2,909	2,812	2,800	2,638	2,769	2,597	2,787
12	<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>	<u>2,711</u>	<u>2,523</u>
Total High School	<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>	<u>11,410</u>	<u>11,305</u>
Special Education	<u>147</u>	<u>143</u>	<u>128</u>	<u>125</u>	<u>113</u>	<u>119</u>	<u>127</u>	<u>126</u>	<u>122</u>	<u>121</u>
Total Enrollment	<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>	<u>37,780</u>	<u>37,826</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
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	12,508	23	32,535	1,517,703	3,296,515
2017	12,770	21	32,421	1,488,108	3,301,809
2018	13,005	20	32,558	1,431,954	3,238,451
2019	not available		32,540	1,405,746	3,244,101

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										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Instructional Buildings											
Elementary Schools	32	33	33	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
Harford Glen Environmental Center	1	1	1	1	1	1	1	1	1	1	1
Total	54	55	55	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
2018 Assessment Results**

SAT

	<u>Harford</u>	<u>State</u>	<u>Nation</u>
	<i>Average Score</i>		
Mathematics	562	535	531
Evidence-Based Reading and Writing	554	545	536

High School Assessment (HSA)

Class of 2018	
<u>Harford</u>	
<i>Percent Passing</i>	
Government	94.2%

Maryland Comprehensive Assessment Program (MCAP)

	<u>Harford</u>	<u>State</u>	<u>Harford</u>	<u>State</u>
Met and Exceeded Expectations	<i>Math</i>		<i>English Language Arts / Literacy</i>	
Grade 3	49.6%	42.3%	42.3%	38.8%
Grade 4	46.6%	38.8%	47.1%	43.1%
Grade 5	47.2%	38.0%	43.7%	42.1%
Grade 6	41.2%	31.8%	43.1%	38.6%
Grade 7	29.4%*	28.7%	50.7%	45.6%
Grade 8	10.9%*	15.9%	45.8%	41.3%
Grade 10	n/a	n/a	50.4%	38.8%
Algebra 1	38.7%	31.2%	n/a	n/a

*Middle school students enrolled in Algebra I took the high school MCAP Algebra I assessment and not the grade level MCAP mathematics assessment.

Source: The Office of Accountability

Harford County Public Schools
Insurance Summary FY 2020

Type of Coverage	Name of Company	Policy Number	Policy Period	Limits
Workers Compensation	MABE Group Self-Insurance Fund	N/A	7/1/19-6/30/20	Statutory up to \$500,000
Excess Workers Compensation	Safety National	SP 4055303	7/1/19-6/30/20	Statutory excess of \$500,000
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/1/19-6/30/20	\$400,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Liability	MABE Group Insurance Pool	N/A	7/1/19-6/30/20	\$400,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	N/A	7/1/19-6/30/20	\$400,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Protection	MABE Group Insurance Pool	N/A	7/1/19-6/30/20	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/1/19-6/30/20	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	N/A	7/1/19-6/30/20	\$400,000 per loss
Criminal Proceeding and Intentional Conduct Defense Reimbursement	MABE Group Insurance Pool	N/A	7/1/19-6/30/20	\$50,000 per covered person \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/1/19-6/30/20	\$500,000 per occurrence
Excess Property	Alliant Property Insurance Program (APIP)	017471590/06	7/1/19-6/30/20	\$1 billion per occurrence excess of \$500,000
Excess Boiler and Machinery	Federal Insurance Company	76431229	7/1/19-6/30/20	\$100 million per occurrence excess of \$100,000
Crime	MABE Group Insurance Pool Travelers Casualty and Surety Axis Insurance Company	N/A 105957875 MNN781566/01/2019	7/1/19-6/30/20 7/1/19-6/30/20 7/1/19-6/30/20	\$25,000 per loss \$2,500,000 per loss, excess of \$25,000 \$2,500,000 excess of Travelers
School Board Legal Liability Reinsurance Law Enforcement Liability	MABE Group Insurance Pool MABE Group Insurance Pool	N/A N/A	7/1/19-6/30/20 7/1/19-6/30/20	\$250,000 per occurrence \$250,000 per occurrence
School Board Legal Liability Reinsurance Law Enforcement Liability Reinsurance	United Educators Insurance United Educators Insurance	RPS20190430701 RPS20190430701	7/1/19-6/30/20 7/1/19-6/30/20	\$5,000,000 per occurrence excess of \$250,000
Catastrophic Student Accident	AIG	9151308	8/1/19-8/1/20	\$6,000,000 Medical Expense \$1,000,000 Catastrophic Cash
Cyber	APIP / Lloyd's-Beazley Syndicate AXA Greenwich	017471590/05 MTE903528602	7/1/19-6/30/20 7/1/19-6/30/20	\$2,000,000 per occurrence \$3,000,000 excess of \$2,000,000 Lloyd's

Harford County Public Schools

**Facilities Information
as of June 30, 2019**

	Gross Square Feet	Acres	Year Constructed	Age in Years	Gross Square Feet	Acres	Year Constructed	Age in Years
Central Offices								
102 S. Hickory	73,122	0.77	2005	14	91,229	28.49	1992	27
Hickory Annex	39,930	7.15	various	n/a	65,691	10.00	1961	58
Forest Hill Annex	33,895	5.96	various	n/a	49,748	6.31	1984	35
Woodbridge Center Land	-	19.80	n/a	n/a	85,801	20.51	1994	25
Box Hill South Land	-	17.86	n/a	n/a	52,360	6.46	1931	88
Campus Hills Land	-	31.15	n/a	n/a	24,237	7.89	1938	81
Harford Glen Environmental Center	31,647	245.23	1804 to 2000	n/a	103,200	20.76	2010	9
John Archer	63,984	15.00	1971	48	44,385	24.69	1941	78
Center for Educational Opportunity	107,087	6.40	1965	54	67,341	36.95	1969	50
High Schools								
1 Aberdeen High	230,134	47.03	2004	15	68,971	20.03	1997	22
2 Bel Air High	262,454	53.17	2009	10	64,722	8.44	2000	19
3 C. Milton Wright High	220,910	60.00	1980	39	60,000	23.87	1993	26
4 Edgewood High	268,354	44.35	2010	9	56,295	20.01	1968	51
5 Fallston High	233,500	62.00	1977	42	63,082	12.73	1943	76
6 Harford Technical High	218,225	55.00	1978	41	65,085	10.25	1949	70
7 Havre de Grace High	144,815	35.00	1955	64	77,958	33.11	1950	69
8 Joppatowne High	184,070	65.16	1972	47	115,458	36.53	1958	61
9 North Harford High	245,238	73.00	1950	69	61,275	27.44	1962	57
10 Patterson Mill High ¹	132,500	39.92	2007	12	89,985	17.19	1965	54
Middle Schools								
11 Aberdeen Middle	196,800	43.83	1973	46	59,900	17.19	1975	44
12 Bel Air Middle	164,900	25.84	1961	58	69,000	13.26	1959	60
13 Edgewood Middle	166,530	34.86	1965	54	37,417	11.54	1967	52
14 Fallston Middle	130,284	34.59	1993	26	60,221	18.23	1991	28
15 Havre de Grace Middle	102,000	37.34	1967	52	49,703	20.00	1984	35
16 Magnolia Middle	149,100	69.33	1979	40	75,538	15.00	1973	46
Patterson Mill Middle ¹	132,500	39.92	2007	12	100,573	23.67	2011	8
17 North Harford Middle	173,728	40.00	1976	43	59,132	34.26	1990	29
18 Southampton Middle	188,134	35.99	1970	49	55,711	13.18	1968	51
					78,126	28.00	1953	66
					112,417	46.00	1964	55
					58,500	15.00	1976	43
					149,694	26.18	2017	2
					6,229,596	1,920.86		
					Total			

¹ Patterson Mill Middle and High are one building. The gross square feet and acres are split on the chart.
Source: Educational Facilities Master Plan 2017

Harford County Public Schools

Principal Employers in Harford County Current Fiscal Year and Ten Years Ago

	Fiscal Year 2019		
	Number of Employees	Rank	Percentage of Total County Employment
U.S. Army Aberdeen Proving Ground	21,000	1	22.47%
Harford County Public Schools	5,231	2	5.60%
UM Upper Chesapeake Medical Center	3,300	3	3.53%
US Army Research Laboratory (ARL)	2,000	4	2.14%
Harford County Government	1,541	5	1.65%
Klein's ShopRite of Maryland	1,200	6	1.28%
Kohl's E-Fulfillment Center	1,200	7	1.28%
Rite Aid Mid-Atlantic Customer Support Center	1,030	8	1.10%
Harford Community College	1,011	9	1.08%
Jacobs Technology	874	10	0.94%
<i>Total</i>	<u>38,387</u>		<u>41.08%</u>
<i>Total County Employment</i>	<u>93,443</u>		<u>100.00%</u>

	Fiscal Year 2010		
	Number of Employees	Rank	Percentage of Total County Employment
U.S. Army Aberdeen Proving Ground	16,944	1	24.18%
Harford County Public Schools	5,350	2	7.63%
Upper Chesapeake Health System	2,426	3	3.46%
Harford County Government	1,609	4	2.30%
Harford Community College	1,219	5	1.74%
Rite Aid Mid-Atlantic Customer Support Center	1,198	6	1.71%
Jacobs Technology	785	7	1.12%
SAIC	700	8	1.00%
Shop Rite	635	9	0.91%
Saks Fifth Avenue	528	10	0.75%
<i>Total</i>	<u>31,394</u>		<u>44.80%</u>
<i>Total County Employment</i>	<u>70,078</u>		<u>100.00%</u>

Source: Data from the Harford County, Maryland Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019;
Table 15, Page 181

Harford County Public Schools

Outstanding Capital Lease Direct Debt as of June 30, 2019

Fiscal Year	Principal	Interest	Total Debt Service
2020	\$ 578,252	\$ 245,570	\$ 823,822
2021	597,161	226,661	823,822
2022	616,689	207,133	823,822
2023	636,854	186,968	823,822
2024	657,679	166,143	823,822
2025	679,186	144,636	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	797,736	26,086	823,822
	<u>\$ 7,509,774</u>	<u>\$ 1,552,268</u>	<u>\$ 9,062,042</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 2010 - 2019

State Category	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration	123	124	126	123	120	120	120	117	117	117
Mid-Level - Office of the Principal	282	281	306	298	294	294	289	290	287	287
Mid-Level - Admin & Supervision	74	76	54	54	56	56	62	62	63	55
Instructional Salaries	2,848	2,868	2,835	2,781	2,696	2,705	2,675	2,645	2,600	2,565
Special Education	1,028	1,124	1,085	1,070	1,046	1,040	1,044	1,021	1,024	1,004
Student Services	20	20	20	20	21	20	25	26	30	21
Health Services	71	71	72	72	72	73	73	72	73	70
Transportation	193	203	211	217	217	217	217	217	188	188
Operation of Plant	333	334	342	345	345	345	337	340	340	338
Maintenance of Plant	126	124	125	126	126	126	125	126	126	128
Community Services	1	1	1	1	1	1	1	1	1	1
Totals¹	5,099	5,227	5,177	5,107	4,994	4,997	4,968	4,917	4,849	4,774

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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Principal & Interest	\$ 823,822	\$ 823,822	\$ 823,822	\$ 246,568	\$ 327,544	\$ 698,803	\$ 823,822	\$ 823,822	\$ 823,822	\$ 823,822
Total Expenditures	571,948,961	548,772,658	534,926,033	539,920,427	528,153,229	532,816,898	528,578,856	531,336,264	552,268,371	579,287,488
Less capitalized net activity	60,646,936	26,950,319	8,080,063	8,878,160	6,370,716	13,748,105	15,075,210	5,454,544	8,853,636	19,126,533
Net expenditures	<u>\$511,302,025</u>	<u>\$521,822,339</u>	<u>\$526,845,970</u>	<u>\$531,042,267</u>	<u>\$521,782,513</u>	<u>\$519,068,793</u>	<u>\$513,503,646</u>	<u>\$525,881,720</u>	<u>\$543,414,735</u>	<u>\$560,160,955</u>
Ratio of Principal & Interest to Net Expenditures	0.16%	0.16%	0.16%	0.05%	0.06%	0.13%	0.16%	0.16%	0.15%	0.15%

Harford County Public Schools

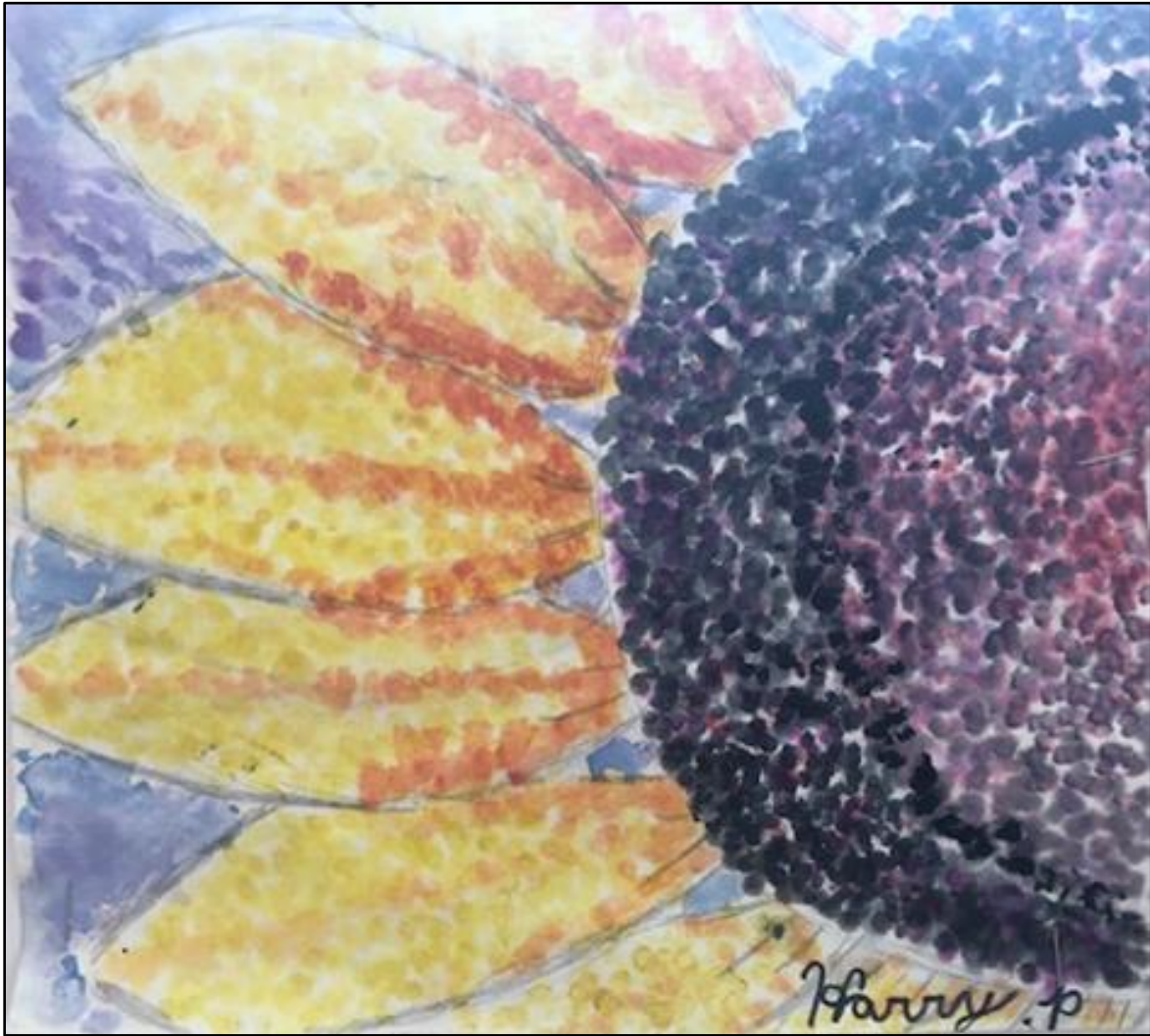
**Schedule of Total Debt Service to Student Enrollment
(accrual basis of accounting)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Principal balance	\$10,284,642	\$9,972,929	\$10,016,647	\$10,016,647	\$10,016,647	\$9,645,389	\$9,136,971	\$8,611,929	\$8,069,717	\$7,509,774
Student Enrollment	38,639	38,394	38,222	37,868	37,913	37,543	37,448	37,426	37,780	37,826
Balance to Student Enrollment	\$ 266.17	\$ 259.75	\$ 262.06	\$ 264.51	\$ 264.20	\$ 256.92	\$ 243.99	\$ 230.11	\$ 213.60	\$ 198.53

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



Harry Plaisted, Grade 4
Forest Lakes Elementary School
Teacher: Heather Johnson



INDEPENDENT AUDITORS' 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 the 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), a component unit of Harford County, Maryland, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise HCPS' basic financial statements, and have issued our report thereon dated September 23, 2019.

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

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 HCPS' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HCPS' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
September 23, 2019