

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013



Howard County Public School System

A Component Unit of Howard County, Maryland



Vision

Every student is inspired to learn and empowered to excel.

Mission

We cultivate a vibrant learning community that prepares students to thrive in a dynamic world.

Goals

Goal 1 - Every student achieves academic excellence in an inspiring, engaging, and supportive environment.

Goal 2 - Every staff member is engaged, supported, and successful.

Goal 3 - Families and the community are engaged and supported as partners in education.

Goal 4 - Schools are supported by world-class organizational practices.

Howard County Public School System

A Component Unit of Howard County, Maryland

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2013

Prepared By:

The Department of Finance

10910 Clarksville Pike
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Introductory Section





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Introductory Section

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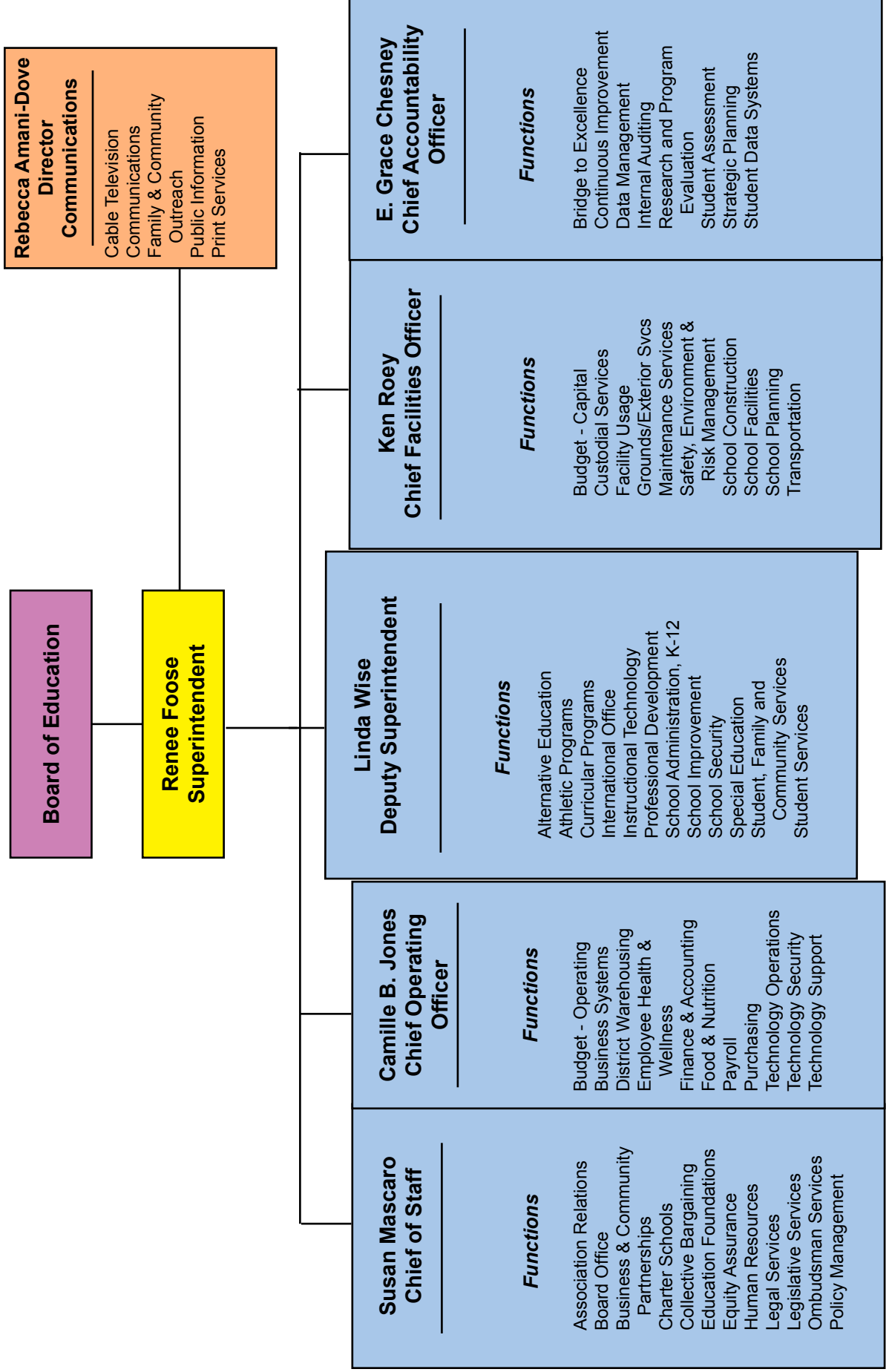
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Organizational Chart as of November 30, 2013

Howard County Public School System Organizational Chart



Principal Officials as of November 30, 2013

Howard County Board of Education

10910 Clarksville Pike
Ellicott City, Maryland 21042-6198
Telephone (410) 313-6600
www.hcpss.org

Howard County Public Schools Officials Superintendent of Schools



Dr. Renee A. Foose Ed.D

Susan Mascaro

Chief of Staff

Camille B. Jones

Chief Operating Officer

Linda Wise

Deputy Superintendent of
Curriculum, Instruction, and
Administration

E. Grace Chesney

Chief Accountability Officer

Ken Roey

Chief Facilities Officer

Independent Auditor

CliftonLarsonAllen

Timonium Corporate Center
9515 Deereco Road, Suite 500
Timonium, Maryland 21093
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Board of Education

Sandra H. French

Chairman



Frank Aquino

Vice Chairman



Ann De Lacy

Member



Ellen Flynn Giles

Member



Brian J. Meshkin

Member



Janet Siddiqui, M.D.

Member



Cynthia L. Vaillancourt

Member





Howard County Public School System

November 30, 2013

Members of the Board of Education
And Citizens of Howard County, Maryland:

Maryland state law requires that local education agencies publish at the close of each year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. In compliance with that requirement, the Department of Finance (the Department) hereby submits the Comprehensive Annual Financial Report (CAFR) of the Howard County Public School System (HCPSS) for the fiscal year ended June 30, 2013.

This report has been prepared pursuant to Education Article Section 5-109 of the Annotated Code of Maryland. The report consists of management's representations concerning the finances of HCPSS. Management assumes full responsibility for the completeness, reliability and accuracy of the presented data. We believe the data as presented are accurate in all material aspects and are presented in a manner designed to set forth the financial position and results of operations of HCPSS as measured by the financial activity.

All matters relating to education and operations in HCPSS are governed and controlled by the Board of Education of Howard County (the Board), as provided by the Public School Laws of Maryland. The Board has the responsibility to maintain a reasonable, uniform system of public schools to provide quality education for all young people of Howard County. With the advice of the Superintendent, the Board establishes schools and determines geographical attendance areas for them. Upon recommendation of the Superintendent, the Board approves education policy and prescribes the rules and regulations for the management and conduct of the school system. The activities, funds, and entities related to HCPSS included in this Comprehensive Annual Financial Report are those for which the Board exercises oversight responsibility.

All funds and accounts of HCPSS are included in this Comprehensive Annual Financial Report. For financial reporting purposes the Board has been defined as a component unit of the Howard County Government. Therefore, HCPSS is included in the Comprehensive Annual Financial Report for Howard County, Maryland.

HCPSS financial statements have been audited by CliftonLarsonAllen LLP, an independent audit firm of licensed public accountants. The independent auditor's report is located at the front of the financial section of this report. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter and should be read in conjunction with it.

Entity Services

HCPSS has been rated as one of the highest performing districts in Maryland for the last decade. With a guiding mission of “We cultivate a vibrant learning community that prepares students to thrive in a dynamic world”, HCPSS provides its students and parents with a variety of services. Located in central Maryland, HCPSS serves a diverse population exceeding 51,000 students. HCPSS has realized an increase of over 5,100 students over the last decade. Projections show that student enrollment will continue to increase, although at a decreasing rate. To provide for this growth, HCPSS has completed 65 additions/renovations to existing schools and built 11 new schools – 5 elementary schools, 2 middle schools, 2 special schools and 2 high schools – since 2001. HCPSS operated seventy four schools in the 2012-2013 academic year. A wide range of services are offered to Howard County students and parents through guidance counselors, nurses, psychologists and pupil personnel workers. Students with special needs are provided with an extensive special education program in preschool, elementary, middle and high school instructional levels.

This report includes the financial activities of HCPSS as they relate to the services provided for a public school education system of 40 elementary, 3 special schools, 19 middle, and 12 high schools.

Economic Condition and Outlook

HCPSS receives approximately 53 percent of its operating budget from Howard County and approximately 21 percent from Maryland State. The economic condition and outlook of the county, therefore, plays substantial roles in the economic condition of HCPSS. At the same time, HCPSS remains a cornerstone in the economic growth of the county, as people are drawn to the county because of the quality reputation of the school system. In addition, HCPSS is the largest employer in the county, and therefore an economic force itself.

Howard County is among the wealthiest counties in the United States based on median income. As a result, Howard County has not suffered as much as many other jurisdictions during the recession. Nonetheless, leading economic indicators have only slightly recovered from the effects of the national recession. Howard County' unemployment rate was 5.8% at June 30, 2013, only slightly increased from the 5.5% unemployment rate of June 30, 2012, though well below the national and state levels.

Maryland's information technology, telecommunications, aerospace, and defense contracting industries continue to bolster our state economy. Government contractors, with the exception of cyber security, have been affected by federal cutbacks. Additionally, while the Howard County real estate market has slowly increased from the prior period, loans are still difficult to obtain with changes in Federal Housing Administration (FHA) guidelines in May, 2013.

Looking ahead, the economic outlook for FY 2014 is cautiously optimistic. While there remains significant uncertainty, economists expect that real GDP growth to reach approximately 2.8% by 2014 and that the economy is forecast to grow moderately as it recovers slowly from the effects of the national recession and budget cuts caused by federal sequester.

School System Budget

The school system's final Approved Operating Budget for FY 2014 appropriations for revenue and expense totals \$725.2 million and represents a total increase of \$21.6 million or almost three percent. By maintaining the budget at levels comparable to the prior year, the County met its statutory obligation for maintenance of effort.

The FY 2014 Approved Operating Budget was crafted to maintain our momentum towards improved academic performance, with a very limited increase, including continuation of efforts to provide critical support services required to support the school system's Bridge to Excellence Master Plan. Therefore, the approved budget supported the school system's mission by addressing four priorities:

- (1) Accelerating student achievement in core curricular areas;
- (2) Ensuring that school facilities are safe, orderly and that school environments support teaching and learning;
- (3) Enhancing the quality of delivery of school system services through improvement of management effectiveness, efficiency, and accountability; and
- (4) Promoting recruitment, professional development, and retention of a quality work force.

Long-term Financial Planning

HCPSS's Bridge to Excellence Five-Year Master Plan reflects the district's commitment to educating our entire student population, one child at a time. The plan fulfills our obligation to the Maryland State Department of Education to integrate federal, state, and local funding and initiatives into a comprehensive master plan to improve achievement for all students and ensure that all student groups meet state standards.

Each year HCPSS prepares an annual operating budget that supports the Bridge to Excellence Five-Year Master Plan. School officials and the Board target funding to ensure the goals established in the HCPSS Master Plan are achieved.

Additionally, Superintendent Renee A. Foose presented her new five-year strategic plan for the HCPSS, Vision 2018: Fulfilling the Promise of Preparation. The strategic plan further outlines goals on the path to fulfilling our vision. Specifically, outcome 4.3: Resource and staffing allocations are aligned with strategic priorities, focuses on long term strategic planning. The strategies are outlined as follows:

- 4.3.1 Implement a zero-based budgeting process to invest in strategic priorities.
- 4.3.2 Annually report how budget priorities are aligned to the strategic plan.
- 4.3.3 Audit and adjust staffing and resource allocations to meet strategic goals.

Each year, HCPSS prepares a five year Capital Improvements Program (CIP) and a ten year Long Range Master Plan. The CIP identifies projected capital needs including new facilities and maintenance projects required to keep HCPSS facilities in good operating condition.

The development of the FY 2014 Operating Budget was influenced by the economic climate more than any other factor. Our strategy in developing the budget was to ensure that all programs and services which directly impact the classroom remain in place. This budget provides for critical needs and funds small strategic improvements by repurposing. This budget also benefits from strategic cost-saving strategies over the past several years.

The FY 2014 Approved Operating Budget provided funding for the following:

- Continuation of the current level of service and quality education
- Additional resources to address enrollment and program growth
- Costs for the operation of the newly constructed Duckett's Lane Elementary school
- Increased insurance, retirement, transportation and technology costs

Internal Controls

To assure the integrity of the financial records supporting the financial statements, consideration is given to the adequacy of internal accounting controls sufficient to provide reasonable assurance that assets are properly safeguarded, accounted for and are used only in accordance with management authorization. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The annual budget serves as the foundation of the Board's financial planning and budgetary controls. The objective of the budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board.

The Budget is subdivided into state-mandated categories of expenditures including 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 and Community Services.

Budgetary control is maintained at the various expenditure levels by the encumbrance of estimated purchase amounts prior to release of purchase orders to vendors. Purchase orders that result in an over-obligation of available balances are not released until additional appropriations are made available. Open encumbrances are reported as assigned fund balance at June 30, 2013.

Independent Audit

The financial statements for FY 2013 have been audited by CliftonLarsonAllen LLP in accordance with Section 5-109 of the Public School Laws of Maryland. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the OMB Circular A-133 Single Audit Act Amendments of 1996. The auditor's report on the financial statements is included in the Financial Section of this Report. We are pleased to report that the auditor's report on the School System's basic financial statements is without qualification, the highest possible outcome of the audit process.

System Achievements

The HCPSS graduating class of 2013 achieved outstanding scores on the SAT, with average scores of 544 on the Critical Reading, 561 in mathematics, and 543 in Writing for a combined score of 1648. Howard County's scores continue to outpace the state and national averages. A total of 3,443 HCPSS students, 85.1%, of the Class of 2013, participated in the SAT.

Students at all levels are demonstrating academic achievement. HCPSS students took a record setting 8,183 AP tests in 2013. Of these, 82.0 percent of the school system's seniors scored a 3 or higher on Advanced Placement Exams. A score of 3 on an AP exam is often used by universities to award credit for a college level course in that subject. To consistently have more than half of all tests receiving this score is an impressive achievement by HCPSS students.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Howard County Public School System for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This was the ninth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

In addition, the Association of School Business Officials (ASBO) International awarded Howard County Public School System its Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2012. This award reflects our commitment to the highest standards in school system reporting.

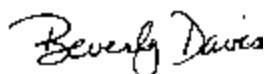
A Certificate of Excellence is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA and ASBO to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff in the Department of Finance. The high standard of conformity of this report reflects the professional competence of all the individuals responsible for its preparation. We wish to express our appreciation for a job well done.

Conclusion

This report has been prepared to provide financial information for the fiscal year ended June 30, 2013 in a manner consistent with the goals and objectives of the Board of Education of Howard County. Should you have any questions about the financial details, needs or plans for the Howard County Public School System, please do not hesitate to call or write. Contact information is included at the end of the MD&A.

Respectfully submitted,



Beverly Davis, CPA, RSBO
Director of Finance





Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Howard County Public School System

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading "Brian L. Mee".

Brian L. Mee, SFO, RSBA
President

A handwritten signature in black ink, reading "John D. Musso".

John D. Musso, CAE, RSBA
Executive Director



Government Finance Officers Association

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

Presented to

**Howard County
Public School System
Maryland**

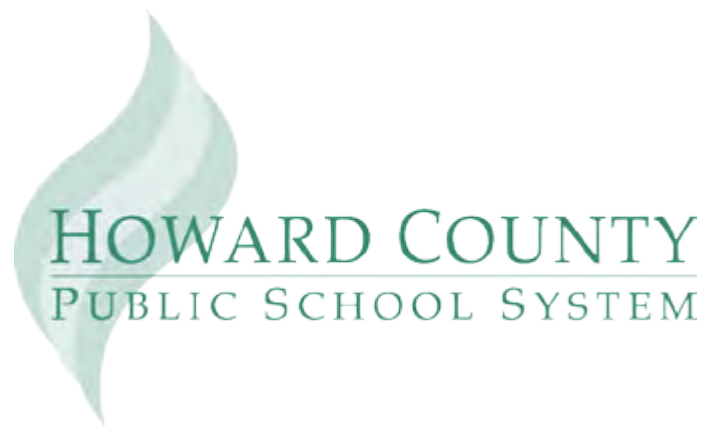
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



Financial Section







INDEPENDENT AUDITORS' REPORT

Members of the Board of Education
of Howard County, Maryland
Ellicott City, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Howard County Public School System (HCPSS), a component unit of Howard County, Maryland, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise HCPSS's 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, the business-type activities, each major fund, and the aggregate remaining fund information of HCPSS as of June 30, 2013, and the respective changes in financial position and, where



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Financial Section

applicable, cash flows thereof 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 and budgetary comparison information, 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 HCPSS's basic financial statements. The other supplementary information, as listed in the table of contents, 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 are 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, other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

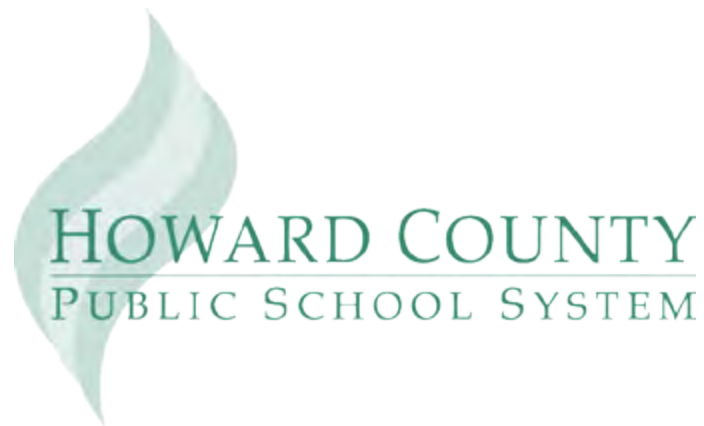
In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013, on our consideration of HCPSS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HCPSS's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 30, 2013

Management's Discussion and Analysis





Management's Discussion and Analysis



Introduction

As Management of the Howard County Public School System (HCPSS, School System, Board), we have prepared the following discussion and analysis to inform readers of HCPSS annual financial report about the financial information that the enclosed statements present for the year ended June 30, 2013, with selected comparative data for the year ended June 30, 2012.

We encourage readers to consider the discussion and analysis along with the other information in this report, including the summary of significant accounting policies and notes to the basic financial statements. In this section we have provided an overview of the basic financial statements, selected condensed data and highlights, and analysis of HCPSS financial position and changes in financial position.

Financial Highlights for FY 2013

Government-wide financial statements

The School System's financial status as of June 30, 2013 and as reflected in total net position, increased by \$60.4 million to \$1,054.1 million from \$993.7 million, presenting a stronger financial condition at fiscal year end. The increase in total net position reflects increases in capital assets of \$63.4 million as well as decreases in current and other assets of \$3.5 million, offset by a decrease in liabilities of \$.5 million. The investment made in capital assets was used for new school construction, renovations and additions as well as technology improvements.

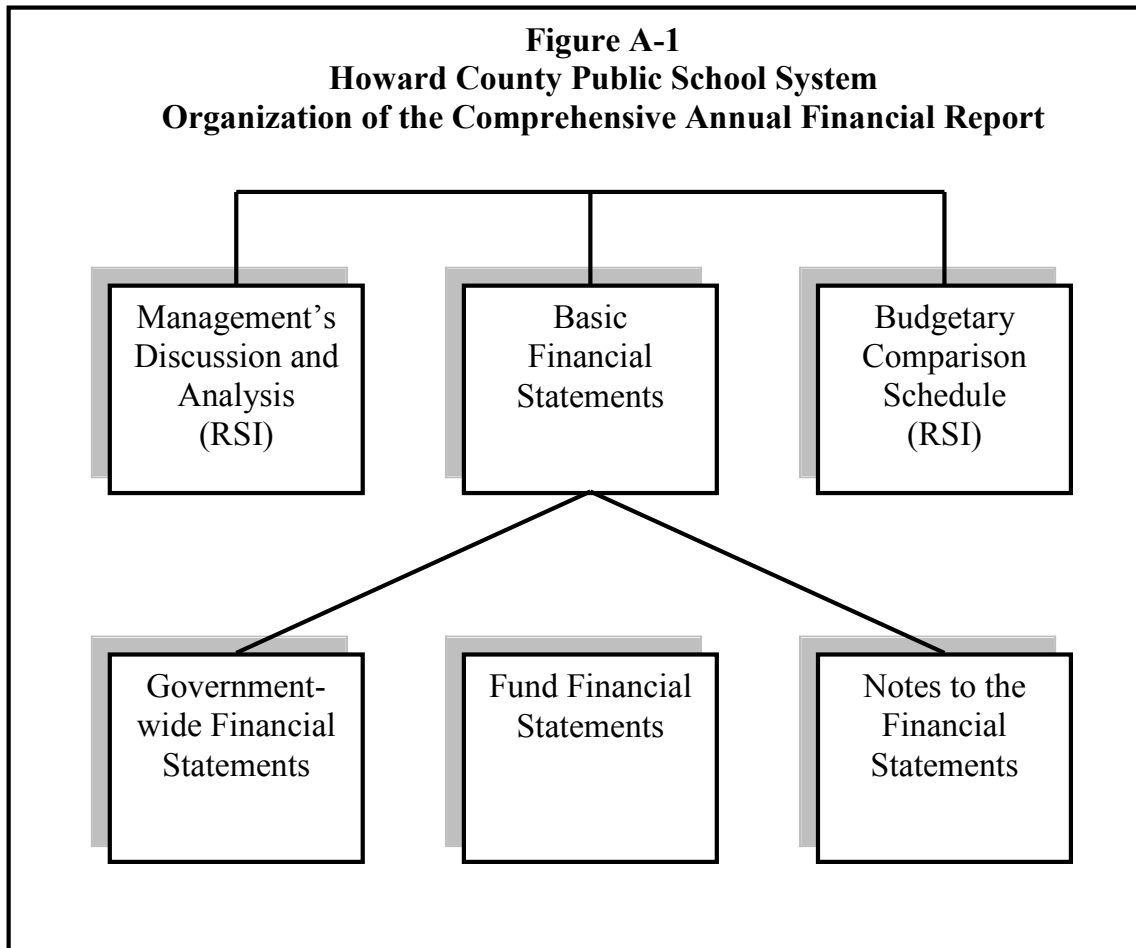
General revenues accounted for \$677.7 million, including \$482.4 million in local appropriations and \$191.3 million in aid from the State of Maryland. Program revenues, in the form of charges for services, operating grants and contributions, and capital grants and contributions, accounted for \$235.0 million. The total revenue from all sources was \$912.8 million.

The School System had \$852.3 million in expenses related to programs, an increase of \$40.6 million from the prior year. The increase in expenses is due to an increase in salaries.

Governmental funds financial statements

The overall fund balance of the General Fund, the primary operating fund, decreased by \$2.2 million to \$23.5 million from \$25.7 million. The General Fund balance is comprised of \$1.5 million in nonspendable fund balance related to prepaid items and inventories, \$4.7 million assigned for encumbrances and fund balance and \$15.6 million in unassigned fund balance.

Management's Discussion and Analysis



Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the School System's basic financial statements as reflected in Figure A-1. The School System's Basic Financial Statements are comprised of three parts:

1. Government-wide Financial Statements include the Statement of Net Position and the Statement of Activities which provide a broad, long-term overview of the School System's overall financial condition.
2. Fund Financial Statements include governmental, proprietary, and fiduciary funds. These statements provide a greater level of detail of revenues and expenditures and focus on individual parts of the School System, while also indicating how well the School System has performed in the short term, in the most significant funds.
3. Notes to the Basic Financial Statements are disclosures to ensure that a complete picture is presented in the financial statements.

Management's Discussion and Analysis



Management's Discussion and Analysis

Government-wide Financial Statements

The **Government-wide Financial Statements** are designed to provide readers with a broad overview of HCPSS finances, in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the School System's financial position, which assists in assessing the School System's economic condition at year end. They are prepared using the economic resources focus and full accrual basis of accounting. These are methods similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if the cash has not been received. The Government-wide Financial Statements include two statements:

The **Statement of Net Position** presents all of the School System's assets and liabilities, with the difference between the two reported as the "net position." The statement combines and consolidates all of the School System's current financial resources (short-term spendable resources) with capital assets (net of accumulated depreciation) and liabilities, distinguishing between governmental and business-type activities. The end result is restricted and unrestricted net assets.

The **Statement of Activities** presents information showing how the School System's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows until future fiscal periods (such as earned, but unused, vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the School System. The majority of the School System's revenue is general revenue, grants and contributions from other governments.

Both of the above statements include separate sections to distinguish between those that are supported primarily by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant part of their costs through fees and charges (business-type activities).

In the **Government-wide Financial Statements**, the activities are divided into two categories, governmental activities and business-type activities.

- The governmental activities include HCPSS basic services which are administration, instruction, pupil and health services, pupil transportation, operation and maintenance of plant, capital outlay, special education, community services, food services, waste water treatment plant services, and mid-level administration. County appropriations, state and federal aid finance most of these activities.
- Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. HCPSS reports the activities of the James Rouse Theatre as a business-type activity.

The government-wide financial statements can be found on [pages 25 - 26](#) of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. HCPSS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about HCPSS funds, focusing on the most significant or "major" funds - not the HCPSS as a whole. HCPSS fund financial statements provide detailed information about its most significant funds.

All of the funds of the HCPSS can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the basic services provided by the school system are accounted for in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on balances of spendable resources available at the end of the fiscal year. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Management's Discussion and Analysis

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on [pages 30 and 32](#) of this report, respectively.

The governmental fund financial statements can be found on [pages 29 and 31](#) of this report.

Proprietary Funds

Proprietary funds are used to show activities that operate like those of commercial enterprises. These type of funds charge fees for services that are provided to outside customers. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the full basis of accounting and the economic resources measurement focus. Therefore, no reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Proprietary funds include an enterprise fund and internal service funds. HCPSS has one (1) enterprise fund and four (4) internal service funds. The enterprise fund captures the activity of the James Rouse Theatre. The internal service funds are: Printing & Duplicating, Information Management and Computer Services, Health and Dental Self-Insurance Fund, and Workers Compensation Self-Insurance.

The proprietary fund financial statements can be found on [pages 33 - 35](#) of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside HCPSS. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the HCPSS's own programs. The accrual basis of accounting is used for fiduciary funds.

The School System's only fiduciary fund is the School Activities Fund. The school activities funds are primarily raised by students, for their benefit, and are held in an agency capacity by the School System.

The fiduciary fund financial statement can be found on [page 36](#) of this report.

Summary of Significant Accounting Policies And the Notes to Basic Financial Statements

The Summary of Significant Accounting Policies and Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The summary and notes can be found on [pages 39 - 60](#) of this report.

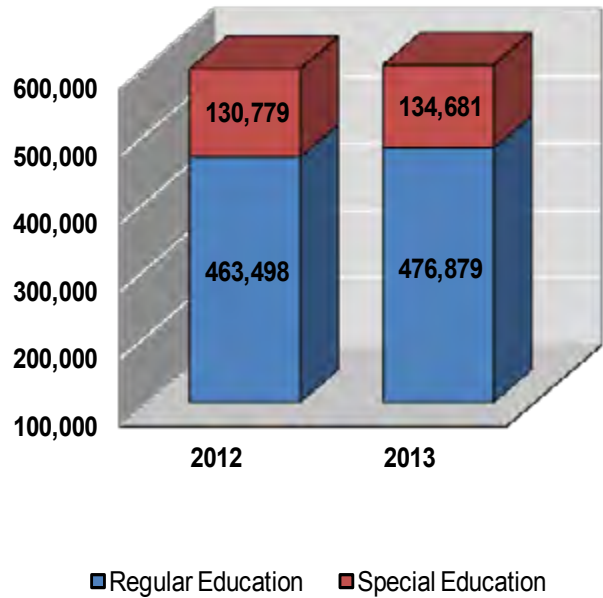
Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the HCPSS's budget process. HCPSS adopts an annual expenditure budget for all governmental funds. The System's General Fund has a legally adopted budget. Management also prepares budgets for the other governmental funds for internal monitoring purposes only. The budget to actual comparison for the General Fund is presented as required supplementary information for the School System's basic financial statements. The required supplementary information can be found on [pages 63 and 64](#) of this report.

Management's Discussion and Analysis

Financial Highlights and Analysis

The School System is a component unit of Howard County, Maryland, and is fiscally dependent on the Howard County Government and the State of Maryland to appropriate funding for the School System. The School System receives 52.8% of its governmental activities funding from the County, and 21.0% from the State. Additionally, the School System receives federal entitlement grants and competitive grants from the state and federal governments. Essentially all of the School System's funding for governmental activities is derived from these sources. The School System has no authority to levy taxes or issue bonded debt. Accordingly, the financial condition of the School System is directly related to the financial condition of the funding authorities - the county and state. Any appropriated funds that are unspent at the end of a fiscal year must be re-appropriated by the county government in a subsequent fiscal year before they can be spent.



Government-wide Financial Analysis

Net Position

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the School System, assets exceeded liabilities by \$1,053.9 million at the close of the most recent fiscal year.

The most significant portion of the School System's net position (97.1%) reflects its investment in capital assets (land, buildings, vehicles, and equipment), net of related debt. The School System uses these assets to provide an education to the students of Howard County. Consequently, these assets are not liquid, nor available for future spending or liquidation of any liabilities. Any school buildings that are no longer used by the School System are returned to the county government, since the county is the primary funding source for school buildings. Because the School System has no authority to issue bonded debt, the only debt outstanding related to capital assets are capital leases for energy performance, and the purchase of equipment and technology equipment. The county and/or state government may issue debt

to finance school construction; however, it is not debt of the School System, and is not reported in these financial statements. Consequently, school buildings and construction in progress related to school buildings appear in the School System's Statement of Net Position, while any related outstanding debt issued by the county or state government does not.

HCPSS's financial position is the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

To assess the overall financial position of HCPSS, additional non-financial factors, such as changes in the Howard County property tax base and the condition of school buildings and other facilities, should be considered.

Management's Discussion and Analysis

Table 1 provides a summary of HCPSS Net Position as of June 30, 2013 and 2012.

	Governmental Activities		Business-Type Activities		Total Activities	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$155,058	\$158,579	\$ 183	\$ 147	\$155,241	\$ 158,726
Capital assets (net)	1,023,368	959,980	29	23	1,023,397	960,003
Total assets	\$1,178,426	\$1,118,559	\$ 212	\$ 170	\$1,178,638	\$1,118,729
Liabilities						
Long-term liabilities	\$13,873	\$14,005	\$ 5	\$ -	\$13,878	\$ 14,005
Other liabilities	110,640	111,056	-	-	110,640	111,056
Total liabilities	\$124,513	\$125,061	\$ 5	\$ -	\$124,518	\$ 125,061
Net Assets						
Investment in capital assets	\$1,019,894	\$956,102	\$ 29	\$ 23	\$1,019,923	\$ 956,125
Restricted for GGWTP	1,240	1,236	-	-	1,240	1,236
Restricted for food services	152	145	-	-	152	145
Unrestricted	32,627	36,015	178	147	32,805	36,162
Total net position	\$1,053,913	\$993,498	\$ 207	\$ 170	\$1,054,120	\$ 993,668

Change in Net Position

The School System's net position increased \$60.4 million. This is primarily because the School System receives intergovernmental capital grants and contributions (revenue) for school construction projects, yet has no corresponding liabilities. Additionally, most of the capital grants and contributions are capitalized. Accordingly, there is little current expense (i.e., depreciation) associated with this revenue.

Also, since the School System is fiscally dependent on the county, state, and federal governments, expenses closely match revenues, with the exception of timing differences in relation to when an expense is recognized. The funding government(s) appropriate funds to the School System, which it spends to accomplish its goal of providing education to the children of Howard County. Any unspent funds are re-appropriated in subsequent fiscal years from fund balance by the County.

Management's Discussion and Analysis

Net Position

Table 2 shows the changes in net position for the years ended June 30, 2013 and 2012. Key elements of this increase are as follows:

Table 2 - Changes In Net Position

Years Ended June 30 2013 and 2012 (In Thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 13,525	\$ 30,209	\$ 140	\$ 169	\$ 13,665	\$ 30,378
Operating grants and contributions	122,699	133,145	-	-	122,699	133,145
Capital gains and contributions	98,706	69,629	-	-	98,706	69,629
General revenues:						
County appropriations	482,385	467,617	-	-	482,385	467,617
Federal aid	148	141	-	-	148	141
Interest and investment earnings	98	72	-	-	98	72
State aid	191,285	169,994	-	-	191,285	169,994
Miscellaneous	3,769	1,620	-	-	3,769	1,620
Total revenues	<u>\$ 912,615</u>	<u>\$ 872,427</u>	<u>\$ 140</u>	<u>\$ 169</u>	<u>\$ 912,755</u>	<u>\$ 872,596</u>
Expenses						
Instruction:						
Regular instruction	\$ 476,879	\$ 463,498	\$ -	\$ -	\$ 476,879	\$ 463,498
Special instruction	134,681	130,779	-	-	134,681	130,779
Support services:						
Administration	14,726	14,278	-	-	14,726	14,278
Mid-level administration	82,617	62,949	-	-	82,617	62,949
Pupil personnel services	2,860	3,823	-	-	2,860	3,823
Health services	8,543	8,387	-	-	8,543	8,387
Pupil transportation	36,808	36,138	-	-	36,808	36,138
Operation of plant	46,705	45,276	-	-	46,705	45,276
Maintenance of plant	28,817	26,962	-	-	28,817	26,962
Community services	7,265	7,264	-	-	7,265	7,264
Food services	12,203	12,009	-	-	12,203	12,009
Interest on long-term debt	96	163	-	-	96	163
Enterprise funds	-	-	103	177	103	177
Total Expenses	<u>\$ 852,200</u>	<u>\$ 811,526</u>	<u>\$ 103</u>	<u>\$ 177</u>	<u>\$ 852,303</u>	<u>\$ 811,703</u>
Increase (decrease) in net position	<u>\$ 60,415</u>	<u>\$ 60,901</u>	<u>\$ 37</u>	<u>\$ (8)</u>	<u>\$ 60,452</u>	<u>\$ 60,893</u>
Beginning Net Position	993,498	932,597	170	178	993,668	932,775
Ending Net Position	<u>\$ 1,053,913</u>	<u>\$ 993,498</u>	<u>\$ 207</u>	<u>\$ 170</u>	<u>\$ 1,054,120</u>	<u>\$ 993,668</u>

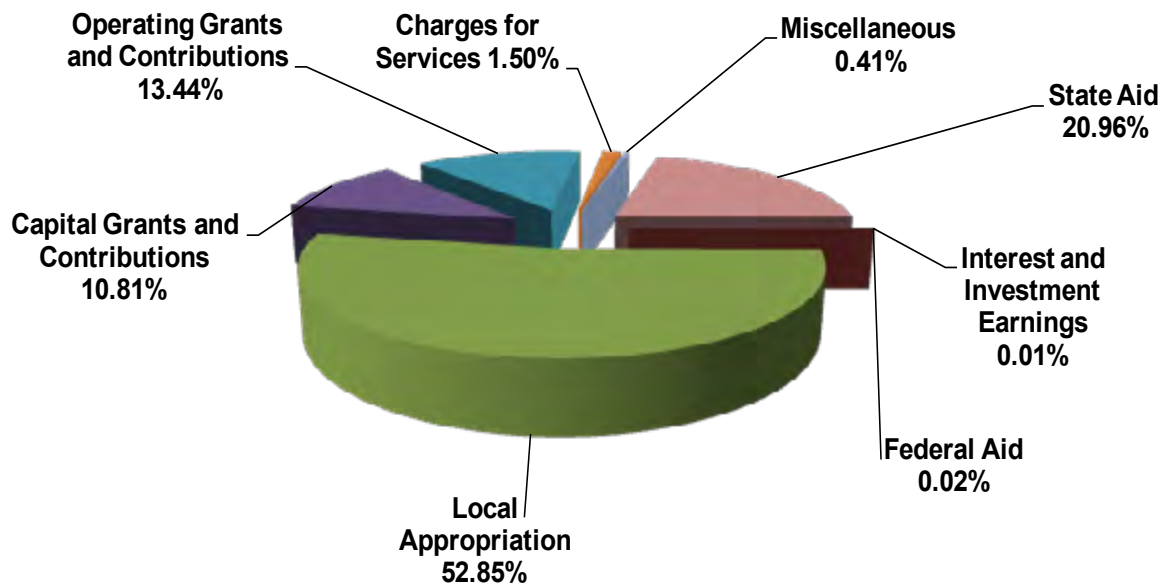
Management's Discussion and Analysis

Government-wide Revenues and Expenses

Charts 1 and 2 display government-wide revenues and expenses, respectively, for the current year. Revenues for HCPSS combined activities (which include program revenues and general revenues) increased to \$912.8 million. County appropriations and State formula aid accounted for most of HCPSS revenue. Funds from these two sources contributed approximately 74 cents of every dollar needed. The remaining 26 cents came from federal aid for specific programs, fees charged for services and other miscellaneous revenues. Total revenues surpassed expenses, increasing net position by \$60.4 million over last year. The revenue increase was primarily attributable to an increase in county funding.

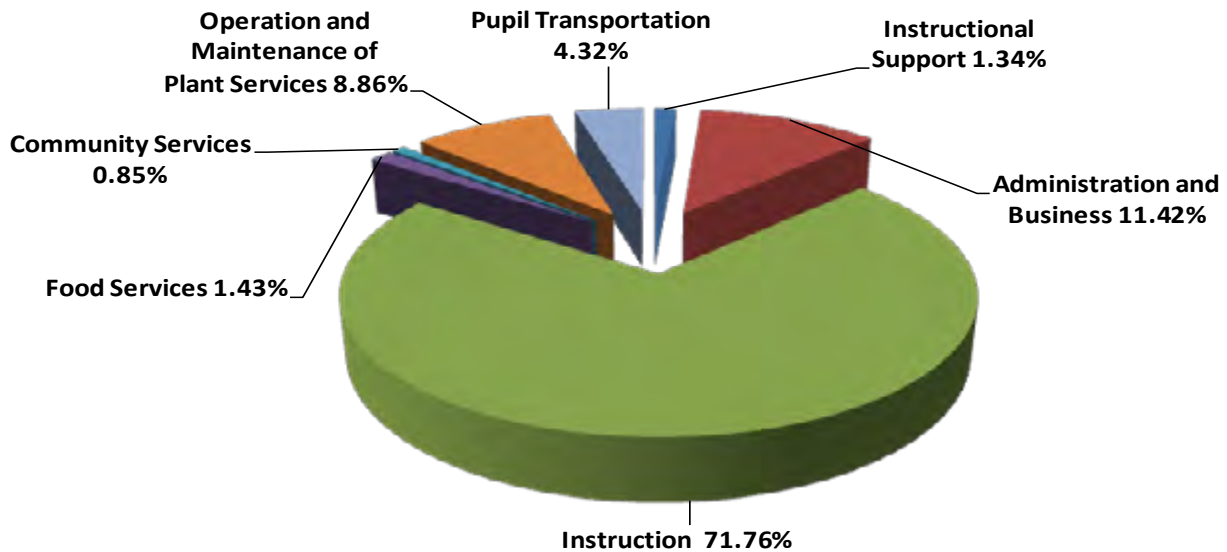
The total cost of all programs and services rose to \$852.3 million. Most of HCPSS expenses are related to instruction (including special education), instructional support and pupil transportation. Expenses in these areas comprised approximately 77.4% of all school system expenditures. The business and administration activities, food services, and community services accounted for 11.4%, 1.4% and 0.9% of total costs, respectively. Maintenance and operation expenses represented approximately 8.9%. Generally, increases in expenses closely paralleled inflation and growth in the demand for services. Educational programs like the class size reduction and bilingual education continue to receive the funding priority because these programs are integral to promoting student achievement.

Chart 1: Source Of Revenues - FYE 2013



Management's Discussion and Analysis

Chart 2: Expenses By Category - FYE 2013



Expenditures Per Pupil		
	2013	2012
Total Number of Pupils Enrolled	51,924	51,555
EXPENDITURES		
Current:		
Administration	215	\$ 207
Instruction		
Instructional salaries	5,698	5,598
Textbooks and classroom supplies	225	281
Other instructional costs	58	72
Pupil personnel services	54	53
Health services	117	116
Pupil transportation	705	690
Operation of plant	959	967
Maintenance of plant	391	420
Fixed charges	2,428	3,527
Mid-level administration	1,013	1,065
Community services	114	121
Special education	1,671	1,870
Capital outlay	16	15
Total expenditures Per Pupil	13,823	\$ 15,002

Governmental Activities

Table 3 presents the cost of the ten categories of HCPSS: instruction – regular and special education, administration, mid-level administration, pupil and health services, pupil transportation, operation of plant, maintenance of plant, community services, and special education services, but not food services. The table also shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided by specific programs).

Business-Type Activities

HCPSS has one business-type activity: The Jim Rouse Theatre. Operating revenues for the business-type activity totaled \$140 thousand for 2013. Operating expenses totaled \$103 thousand for a net operating gain of \$37 thousand primarily due to a change in the reporting of custodial overtime. Details of the business-type activity can be found on [pages 33-35](#) of this report.

Management's Discussion and Analysis

Table 3 - Cost of Governmental Activities

Year Ended June 30, 2013
(In Thousands)

	<u>Total Cost Of Services</u>	<u>Less Program Revenues</u>	<u>Net Cost of Services</u>
Instruction			
Regular Education	\$ 476,879	\$ 151,213	\$ (325,666)
Special Education	134,681	33,392	(101,289)
Support services			
Administration	14,726	1,181	(13,545)
Mid-level administration	82,617	12,026	(70,591)
Pupil personnel services	2,860	74	(2,786)
Health services	8,543	808	(7,735)
Pupil transportation	36,808	14,426	(22,382)
Operation of plant	46,705	7,449	(39,256)
Maintenance of plant	28,817	1,697	(27,120)
Community services	7,265	730	(6,535)
Interest on long-term debt	96	-	(96)
Total Expenses	<u>\$ 839,997</u>	<u>\$ 222,996</u>	<u>\$ (617,001)</u>

Financial Analysis of the Government's Funds

The focus of the School System's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School System's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School System governmental funds reported combined ending fund balances of \$24.6 million, a decrease of \$.4 million. This includes nonspendable fund balance which is comprised of \$1.3 million in inventories and \$355 thousand in prepaid expenses. Funds restricted for the Glenelg Waste Water Treatment Plant totals \$1.2 million. Assigned fund balance includes \$2.5 million for food services, \$4.7 million for encumbrances, \$1.7 million for fund balance reserve and the unassigned reserve is \$12.8 million.

It is important to note that the School System is fiscally dependent on grants and contributions from the county, state, and federal governments for its operating resources, as the School System has no authority to levy taxes or issue bonded debt.

During the fiscal year, the fund balance of the School System's general fund decreased by \$2.2 million. Any change in the School System's fund balance is a result of timing of expenditures. This is true because the School System's revenues and expenditures are fixed depending upon funding adopted by the county and state governments.

The fund balance of the Food Service Fund, a special revenue fund, decreased during the current fiscal year by \$266 thousand due to decreased sales. The Glenelg Waste Water Treatment Plant fund, finished with a fund balance of \$1.2 million.

Revenues for HCPSS's governmental funds increased 4.4% while total expenses increased 5.5%. County revenue increased by 4.02% or \$22.3 million over the previous year. While the general fund revenues from the County increased by 3.2% or \$15.1 million, the County revenues for the Capital Projects fund increased by 11.8% or \$7.1 million. The Capital Projects Fund recognizes County revenues when project expenditures are incurred. Significant projects completed were the Triadelphia Waste Water Treatment Plant, the Folly Quarter Waste Water Treatment Plant, Thunder Hill Elementary renovation and addition, and the Technology Project. State funding for the Capital Projects Fund also increased by 230.8% or \$22.0 million over the previous year.

Management's Discussion and Analysis

General Fund Budgetary Highlights

The General (Current Expense) Fund operates under a legally adopted annual budget. The budget is subdivided into State mandated categories of expenditures including administration, mid-level administration, instructional salaries, textbooks and instructional supplies, other instructional costs, special education, pupil services and health services, pupil transportation, operation of plant, maintenance of plant, fixed charges and community services. The legal level of budgetary control is at the category level. HCPSS may approve amendments to the budget recommended by Management by transferring funds within categories, but transfers between categories must be requested and approved by the County Council.

The General (Current Expense) Fund budget is prepared using the encumbrance method of accounting. Under this method, commitments such as purchase orders and contracts are recorded as budgetary expenditures in addition to those made or accrued. When the actual expenditures take place, the accounts are adjusted for the difference

between the actual expenditure and the commitment previously recorded. At the end of the fiscal year, open encumbrances are reported as commitments or assignments of fund balances since they do not constitute expenditures or liabilities. All unexpended and unencumbered appropriations terminate at the end of the fiscal year and are no longer available for use in subsequent periods.

During FY 2013, General Fund Budgeted Revenues met budget with a small excess of \$89 thousand due primarily to higher miscellaneous income and charges for services than budgeted which offset other revenue shortfalls. Management continued cost cutting and efficiency efforts which allowed for strategic expenditures at year end and \$6.5 million in unspent budgeted appropriations. The net positive budget variance of \$6.6 million in the General Fund will be available for the County to appropriate in future budgets.

Capital Assets

Table 4 - Capital Assets - Governmental Activities

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Land and improvements	\$ 27,619,152	\$ 27,619,152
Construction in progress	160,541,148	134,379,894
Buildings and improvements	1,186,151,473	1,124,500,542
Furniture and equipment	24,642,968	24,836,347
(Less accumulated depreciation)	<u>(375,586,863)</u>	<u>(351,355,834)</u>
Total Capital Assets	<u>\$ 1,023,367,878</u>	<u>\$ 959,980,101</u>

Management's Discussion and Analysis

Capital Assets (continued)

HCPSS had \$1,023.4 million invested in land, construction in progress, buildings and improvements, and furniture and equipment at June 30, 2013.

Table 4 shows governmental activities capital asset balances, net of accumulated depreciation, at June 30, 2013 and 2012. During FY 2013, capital assets increased by a net of \$63.4 million from the prior year. Depreciation expense on these assets was approximately \$25.6 million in FY 2013. More detailed information about capital assets can be found on [page 43](#) of this report.

Major governmental activities capital asset events during the current fiscal year included the following:

- Completed the additions/renovations for Thunder Hill Elementary
- Completed the Triadelphia Waste Water Treatment Plant
- Completed the Folly Quarter Waste Water Treatment Plant
- Continued the additions/renovations for Bollman Bridge Elementary
- Continued the construction for the addition/renovations to Atholton High, Phelps Luck Elementary
- Continued construction for a new elementary school, Duckett's Lane Elementary
- Started planning for renovations at Longfellow Elementary
- Started renovations at Running Brook Elementary

- Started planning for renovations at Deep Run Elementary
- Started planning for renovations at Laurel Wood Elementary
- Other major projects include technology projects and roofing projects.

HCPSS FY 2014 capital budget proposes spending \$18.2 million for systemic renovations, \$20.0 million for the Atholton High renovation, \$23.3 million for the new Northeast Middle school # 20, and \$3.5 million to complete Duckett's Lane Elementary.

HCPSS proposed capital spending totaling \$553.4 million over the FY 2015-2019 period which has been submitted to the Howard County Council for its approval. This will fully fund all of the capital projects requested by HCPSS. Cost estimates will need to be monitored closely to ensure the request is sufficient with regards to changes in the economy and materials pricing.

Long-Term Obligations

School systems in Maryland have no authority to incur bonded debt. The only long-term obligations of HCPSS consist of capital lease obligations and compensated absences resulting from annual leave earned but not taken by employees. The capital lease obligations were incurred in previous years for financing accounting and computer system upgrades.

Annual leave is earned on a monthly basis. At the end of the fiscal year, annual leave that has not been used can be carried over into the following year. At the end of any fiscal year, an employee may not carry over more than two times what the individual has earned in that year.

Accrued leave in excess of the carryover maximum will be lost. Compensated absences totaled approximately \$7.4 million at June 30, 2013. Total long term obligations totaled approximately \$13.9 million at June 30, 2013 for a decrease of approximately \$.1 million over the balance of \$14.0 million at June 30, 2012

Additional information on the School System's long-term obligation can be found on [page 54](#) of this report.

Management's Discussion and Analysis

Factors Influencing Future Budgets

The School System must consider a multitude of factors as it prepares future budgets. Notable factors influencing future budgets are:

- The state has shifted a portion of the pension responsibility from the state to the school system.
- The student enrollments are projected to continue to increase.
- Service needs for the increase in the number of homeless students; those newly immigrated to this country, and growing socioeconomically eligible population.
- The potential for a budget impasse at the federal level increases the likelihood of across the board tax increases and further chills the prospects for economic recovery.
- An increase in the cost of employee health and dental benefits.
- Recently implemented efficiencies in transportation costs resulted in an overall savings.
- The potential loss of funding for federal programs such as Title 1 would impact our students with the greatest needs. The uncertain state of the federal budget also has a domino effect on funding decisions at the state and local levels.
- Future capital budgets include 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 a new elementary school and a new middle school.
- The Board must fund salary increases in accordance with negotiated agreements with employee bargaining units for FY 2014. In addition there was an increase in overall positions to support program enhancements.

Economic Factors

The Fiscal Year 2013 showed only a slight recovery from the economic distress at the national and the regional levels. The country continued to experience tightening capital markets, real inflation, a weakening dollar and gas prices at record high levels and an increase in the national debt. The volatility of the American economy has created uncertainty for future budgets.

At the time these financial statements were prepared and audited, HCPSS was aware of other factors that could significantly affect its financial condition in the future:

- The local economy in Howard County has remained stable despite the struggling economy and the shadow of sequestration and federal cutbacks. Howard County has been somewhat insulated from sequestration and budget reductions because of the focus on cyber security in the region.
- Howard County continues to have the lowest unemployment rate in the state.
- A growing segment of our student population carry heavy burdens to school, including poverty, homelessness, and language barriers.
- The County provides approximately 52.9 percent of HCPSS operating budget funding needs.
- The local resale market continues a slow and steady trend upward.
- Revenues for the County are expected to reflect the rise in local income taxes although this will be offset by the shift in half of the pension costs from the state to the county.
- Rising energy-related costs and health and welfare costs will have an operational impact.
- Rising energy-related costs and health and welfare costs will have an operational impact.

These factors were considered in preparing HCPSS budget for the FY 2014.

Management's Discussion and Analysis



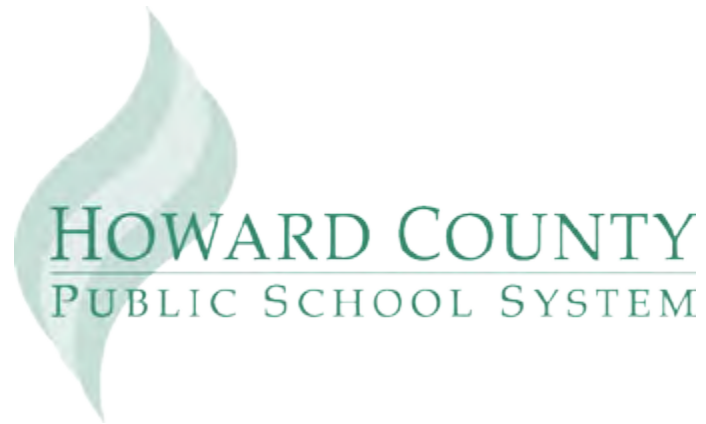
Contacting HCPSS Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of HCPSS finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Howard County Public School System
Finance Department
10910 Clarksville Pike, Ellicott City, MD 21402-6198
Phone: 410-313-1530
Email: beverly_davis@hcpss.org



Basic Financial Statements





Basic Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM STATEMENT OF NET POSITION June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 39,133,464	\$ -	\$ 39,133,464
Investments	102,631,832	-	102,631,832
Accounts receivable	1,930,249	6,741	1,936,990
Internal balances	(175,795)	175,795	-
Due from other units of government	9,450,937	-	9,450,937
Prepaid items	371,775	-	371,775
Inventory	1,715,472	-	1,715,472
Capital assets:			
Land	27,619,152	-	27,619,152
Construction in process	160,541,148	-	160,541,148
Building and improvements	1,186,151,473	-	1,186,151,473
Furniture and equipment	24,642,968	156,407	24,799,375
Less: accumulated depreciation	(375,586,863)	(127,586)	(375,714,449)
Total capital assets, net of depreciation	<u>1,023,367,878</u>	<u>28,821</u>	<u>1,023,396,699</u>
Total assets:	<u>1,178,425,812</u>	<u>211,357</u>	<u>1,178,637,169</u>
LIABILITIES			
Accounts payable	4,921,499	4,720	4,926,219
Accrued liabilities	82,852,009	-	82,852,009
Unearned revenue	22,866,696	-	22,866,696
Long-term liabilities:			
Current portion	2,812,771	-	2,812,771
Long-term portion	<u>11,060,161</u>	<u>-</u>	<u>11,060,161</u>
Total liabilities	<u>124,513,136</u>	<u>4,720</u>	<u>124,517,856</u>
NET POSITION			
Invested in capital assets, net of related debt	1,019,893,847	28,821	1,019,922,668
Restricted for:			
Wastewater treatment plant	1,240,354	-	1,240,354
Food services	152,272	-	152,272
Unrestricted	<u>32,626,203</u>	<u>177,816</u>	<u>32,804,019</u>
TOTAL NET POSITION	<u>\$ 1,053,912,676</u>	<u>\$ 206,637</u>	<u>\$ 1,054,119,313</u>

These financial statements should be read only in connection with the accompanying
summary of significant accounting policies and notes to financial statements

Basic Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM STATEMENT OF ACTIVITIES Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	Program Revenues					Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total
Governmental activities:								
Instruction:								
Regular education	\$ 476,879,242	\$ 3,019,648	\$ 49,486,441	\$ 98,706,387	\$	\$ (325,666,766)	\$ -	\$ (325,666,766)
Special education	134,681,339	-	33,392,024	-	-	(101,289,315)	-	(101,289,315)
Total instruction	611,560,581	3,019,648	82,878,465	98,706,387	-	(426,956,081)	-	(426,956,081)
Support services:								
Administration	14,725,709	-	1,180,683	-	-	(13,545,026)	-	(13,545,026)
Mid-level administration	82,616,647	-	12,026,215	-	-	(70,590,432)	-	(70,590,432)
Pupil personnel services	2,860,154	-	73,679	-	-	(2,786,475)	-	(2,786,475)
Health services	8,542,875	-	808,063	-	-	(7,734,812)	-	(7,734,812)
Pupil transportation	36,808,249	-	14,426,206	-	-	(22,382,043)	-	(22,382,043)
Operation of plant	46,704,922	4,340,108	3,109,225	-	-	(39,255,589)	-	(39,255,589)
Maintenance of plant	28,817,179	-	1,697,164	-	-	(27,120,015)	-	(27,120,015)
Community services	7,265,381	-	729,960	-	-	(6,535,421)	-	(6,535,421)
Food services	12,202,406	6,164,810	5,769,318	-	-	(268,278)	-	(268,278)
Interest on long-term debt	96,058	-	-	-	-	(96,058)	-	(96,058)
Total support services	240,639,580	10,504,918	39,820,513	-	-	(190,314,149)	-	(190,314,149)
Total governmental activities	852,200,161	13,524,566	122,698,978	98,706,387	-	(617,270,230)	-	(617,270,230)
Business-type activities:								
Enterprise funds: Operating Expense	102,762	139,178	-	-	-	-	36,416	36,416
	102,762	139,178	-	-	-	-	36,416	36,416
TOTAL SCHOOL SYSTEM	\$ 852,302,923	\$ 13,663,744	\$ 122,698,978	\$ 98,706,387	\$	(617,270,230)	36,416	(617,233,814)
General revenues - unrestricted:								
Local appropriations						482,384,820	-	482,384,820
State aid						191,285,473	-	191,285,473
Federal aid						147,875	-	147,875
Interest and investment earnings						97,803	-	97,803
Miscellaneous						3,768,588	-	3,768,588
Total general revenues						677,684,559	-	677,684,559
CHANGES IN NET POSITION						60,414,329	36,416	60,450,745
NET POSITION, BEGINNING OF YEAR						993,498,347	170,221	993,668,568
NET POSITION, END OF YEAR						\$ 1,053,912,676	\$ 206,637	\$ 1,054,119,313

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements

Fund Financial Statements





Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Glencg Wastewater Treatment Plant Fund</u>	<u>Restricted Programs Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 36,854,874	\$ 2,278,590	\$ -	\$ -	\$ -	\$ 39,133,464
Investments	62,068,347	460,133	1,238,351	-	-	63,766,831
Accounts receivable	1,089,641	415,176	160,152	233,762	-	1,898,731
Prepaid items	354,567	-	950	-	1,911	357,428
Due from other funds	8,268,385	-	-	-	8,447,325	16,715,710
Due from other units of government	-	-	-	5,262,296	4,188,641	9,450,937
Inventory	1,118,835	152,272	-	-	-	1,271,107
TOTAL ASSETS	<u>\$ 109,754,649</u>	<u>\$ 3,306,171</u>	<u>\$ 1,399,453</u>	<u>\$ 5,496,058</u>	<u>\$ 12,637,877</u>	<u>\$ 132,594,208</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 2,734,337	\$ -	\$ 16,646	\$ 652,221	\$ 778,539	\$ 4,181,743
Accrued liabilities	70,885,075	85,998	-	92,443	-	71,063,516
Due to other funds	12,197,082	546,013	142,453	941,161	-	13,826,709
Unearned revenue	431,881	-	-	3,810,233	14,716,263	18,958,377
Compensated absences Payable	10,000	-	-	-	-	10,000
Total liabilities	<u>86,258,375</u>	<u>632,011</u>	<u>159,099</u>	<u>5,496,058</u>	<u>15,494,802</u>	<u>108,040,345</u>
FUND BALANCES						
Non-spendable:						
Prepaid expenses	354,567	-	-	-	-	354,567
Inventories	1,118,835	152,272	-	-	-	1,271,107
Restricted	-	-	1,240,354	-	-	1,240,354
Assigned	6,409,992	2,521,888	-	-	-	8,931,880
Unassigned	15,612,880	-	-	-	(2,856,925)	12,755,955
Total fund balances	<u>23,496,274</u>	<u>2,674,160</u>	<u>1,240,354</u>	<u>-</u>	<u>(2,856,925)</u>	<u>24,553,863</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 109,754,649</u>	<u>\$ 3,306,171</u>	<u>\$ 1,399,453</u>	<u>\$ 5,496,058</u>	<u>\$ 12,637,877</u>	<u>\$ 132,594,208</u>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements

Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (page 29) \$ 24,553,863

**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 \$1,396,966,523 and the accumulated depreciation is \$374,179,303. 1,022,787,220

Internal service funds are used by the Board to account for printing and duplicating services, data processing services, workers compensation self-insurance activities, and health and dental self-insurance activities. The assets and liabilities of these internal service funds are included with governmental activities. The amount shown is net of the related capital assets of these funds accounted for above. 17,464,777

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of \$3,474,031 of capital leases and \$7,419,153 of compensated absences payable. (10,893,184)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (page 25) \$ 1,053,912,676

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements

Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2013

	General Fund	Food Services Fund	Glenc Wastewater Treatment Plant Fund	Restricted Programs Fund	Capital Projects Fund	Total Governmental Funds
REVENUES						
Intergovernmental revenues:						
Local sources	\$ 484,795,691	\$ -	\$ -	\$ 1,200,020	\$ 67,217,121	\$ 553,212,832
State sources	261,009,911	191,850	-	6,150,626	31,488,230	298,840,617
Federal sources	371,367	5,577,468	-	17,630,953	-	23,579,788
Earnings on investments	51,260	2,756	1,494	-	1,036	56,546
Charges for services	5,730,309	6,164,810	213,692	-	-	12,108,811
Miscellaneous revenues	1,471,172	-	-	-	-	1,471,172
Total revenues	753,429,710	11,936,884	215,186	24,981,599	98,706,387	889,269,766
EXPENDITURES						
Current:						
Administration	11,171,697	-	-	338,898	-	11,510,595
Mid level administration	55,993,175	-	-	3,186,912	-	59,180,087
Instruction:						
Instructional salaries	295,881,360	-	-	2,725,258	-	298,606,618
Textbooks and classroom supplies	13,251,805	-	-	606,905	-	13,858,710
Other instructional costs	2,719,501	-	-	1,073,533	-	3,793,034
Special education	86,765,189	-	-	13,093,493	-	99,858,682
Pupil personnel services	2,815,115	-	-	45,039	-	2,860,154
Health services	6,093,993	-	-	20,011	-	6,114,004
Pupil transportation	36,325,234	-	-	-	-	36,325,234
Operation of plant	39,438,900	-	-	-	-	39,438,900
Maintenance of plant	23,145,436	-	213,692	214,830	-	23,573,958
Fixed charges	175,177,994	-	-	3,515,060	-	178,693,054
Community services	6,028,417	-	-	161,660	-	6,190,077
Costs of operation - food service	-	12,202,406	-	-	-	12,202,406
Capital outlay	809,118	-	-	-	96,636,496	97,445,614
Total expenditures	755,616,934	12,202,406	213,692	24,981,599	96,636,496	889,651,127
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,187,224)	(265,522)	1,494	-	2,069,891	(381,361)
NET CHANGES IN FUND BALANCE	(2,187,224)	(265,522)	1,494	-	2,069,891	(381,361)
FUND BALANCE, BEGINNING OF YEAR	25,683,498	2,939,682	1,238,860	-	(4,926,816)	24,935,224
FUND BALANCE, END OF YEAR	\$ 23,496,274	\$ 2,674,160	\$1,240,354	\$ -	\$ (2,856,925)	\$ 24,553,863

These financial statements should be read only in connection with the accompanying
summary of significant accounting policies and notes to financial statements

Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

June 30, 2013

TOTAL NET CHANGE IN FUND BALANCES -	
GOVERNMENTAL FUNDS (page 31)	\$ (381,361)
 Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay, \$89,310,395 exceeds depreciation expense, \$25,419,540 in the period.	63,890,855
Upon disposal, the difference between the cost basis of assets and the accumulated depreciation is recorded as a loss in the Statement of Activities. For governmental funds, all capital assets are initially recorded as expenditures and therefore no loss is recognized upon disposal. The amount by which the cost basis of disposed assets, \$1,634,099, exceeded the accumulated depreciation, \$1,209,576, is reported as a loss in the Statement of Activities.	
	(424,523)
Repayment of capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of activities.	403,983
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 were less than the amounts earned by:	(239,496)
Internal service funds are used by the Board to account for printing and duplicating services, data processing services, workers' compensation self-insurance activities, and health and dental self-insurance activities. The change in net position of the service fund is reported with governmental activities.	(2,835,129)
	(2,835,129)
CHANGES IN NET POSTITION OF GOVERNMENTAL ACTIVITIES (page 26)	\$ 60,414,329

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements

Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2013

	Enterprise Fund	Governmental Activities Internal Service Funds
	<u>Fund</u>	<u>Funds</u>
ASSETS		
CURRENT ASSETS		
Investments	\$ -	\$ 38,865,001
Accounts receivable	6,741	31,518
Due from other funds	175,795	3,573,962
Inventory	-	444,365
Prepaid expenses	-	14,347
	<u>182,536</u>	<u>42,929,193</u>
Total current assets		
NONCURRENT ASSETS		
Capital assets:		
Furniture, fixtures, and equipment	156,407	1,988,218
Less accumulated depreciation	<u>(127,586)</u>	<u>(1,407,560)</u>
Total capital assets, net	<u>28,821</u>	<u>580,658</u>
Total assets	<u>211,357</u>	<u>43,509,851</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	4,720	739,756
Due to other funds	-	6,638,758
Accrued liabilities	-	2,542,783
Claims payable	-	11,145,710
Unearned revenue	-	3,908,319
Total current liabilities	<u>4,720</u>	<u>24,975,326</u>
LONG-TERM LIABILITIES		
Claims payable, net of current portion	<u>-</u>	<u>1,069,748</u>
Total long-term liabilities	<u>-</u>	<u>1,069,748</u>
Total liabilities	<u>4,720</u>	<u>26,045,074</u>
NET POSITION		
Net Investment in capital assets	28,821	580,658
Unrestricted	<u>177,816</u>	<u>16,884,119</u>
TOTAL NET POSITION	<u>\$ 206,637</u>	<u>\$ 17,464,777</u>

These financial statements should be read only in connection with the accompanying
summary of significant accounting policies and notes to financial statements

Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2013

	Enterprise Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES		
Charges for services - internal	\$ -	\$ 85,304,244
Charges for services - other	139,178	-
Miscellaneous revenue	-	2,297,416
Contributions from employees and retirees	-	19,871,713
	<hr/>	<hr/>
Total operating revenues	139,178	107,473,373
	<hr/>	<hr/>
OPERATING EXPENSES		
Operating expenses	97,307	-
Administrative expenses	-	17,723,401
Claims and related expenses	-	92,445,456
Depreciation expense	5,455	176,418
	<hr/>	<hr/>
Total operating expenses	102,762	110,345,275
	<hr/>	<hr/>
Operating income (loss)	36,416	(2,871,902)
	<hr/>	<hr/>
NON-OPERATING REVENUE		
Investment income	-	46,896
Loss on sale of asset	-	(10,123)
	<hr/>	<hr/>
Non-operating income	-	36,773
	<hr/>	<hr/>
CHANGES IN NET POSITION	36,416	(2,835,129)
	<hr/>	<hr/>
TOTAL NET POSITION, BEGINNING OF YEAR	170,221	20,299,906
	<hr/>	<hr/>
TOTAL NET POSITION, END OF YEAR	\$ 206,637	\$ 17,464,777
	<hr/> <hr/>	<hr/> <hr/>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements

Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2013

	Enterprise Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 136,281	\$ -
Cash received from other funds	(32,058)	92,546,376
Cash received from employees and retirees	-	19,871,713
Payments to employees	-	(3,941,522)
Payments to suppliers	(92,736)	(108,368,583)
Net cash provided by operating activities	<u>11,487</u>	<u>107,984</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of equipment	(11,487)	(107,984)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	(46,896)
Interest received	-	46,896
Net cash provided by investing activities	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 36,416	\$ (2,871,902)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	5,455	176,418
Effects of changes in operating assets and liabilities:		
Accounts receivable	(2,896)	74,578
Prepaid Expenses	-	120,991
Due from other funds	(32,058)	(1,022,919)
Inventory	-	29,598
Accounts payable	4,570	(4,183,345)
Accrued liabilities	-	2,416,913
Unpaid claims	-	(525,405)
Due to other funds	-	5,674,526
Unearned revenue	-	218,531
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 11,487</u>	<u>\$ 107,984</u>

These financial statements should be read only in connection with the accompanying
summary of significant accounting policies and notes to financial statements

Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF NET POSITION FIDUCIARY FUNDS
June 30, 2013

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 4,622,676
TOTAL ASSETS	<u>\$ 4,622,676</u>
LIABILITIES	
School activity funds payable	\$ 4,622,676
TOTAL LIABILITIES	<u>\$ 4,622,676</u>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements

Summary of Significant Accounting Policies





Summary of Significant Accounting Policies

Financial Reporting Entity

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

The accounting policies of the Howard County Public School System conform to generally accepted accounting principles (GAAP) for governmental units. The following is a summary of the significant policies employed by the School System.

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 the School System as a whole. For the most part, the effect of interfund activity has been removed from these statements. The activities of the General Fund, Food Services Fund – a special revenue fund, Glenelg Waste Water Treatment Plant – a special revenue fund, Restricted Programs Fund – a special revenue fund, Capital Projects Fund and Internal Service Funds have been presented as governmental activities in the government-wide financial statements. The activities of the Enterprise Fund have been presented as business-type activities in those statements because a majority of these fund revenues come from charges for services.

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 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 School System.

Separate financial statements are provided for governmental funds, proprietary 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.

This information is an integral part of the accompanying financial statements.

Summary of Significant Accounting Policies

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 School System considers revenues to be available if they are collectible 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 and capital leases are recognized when the obligations were due and payable. 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.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting used in the government-wide financial statements.

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

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

Governmental Funds

General Fund – The general fund is the general operating fund of the School System. It is used to account for all financial resources except those required to be accounted for in another fund.

Food Services Fund (Special Revenue Fund) – The food services fund is used to account for the operations of cafeterias and the production facility, which provides 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.

This information is an integral part of the accompanying financial statements.

Summary of Significant Accounting Policies

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

Glenelg Wastewater Treatment Plant (Special Revenue Fund) – The wastewater treatment fund is used to account for the operations of the shared wastewater treatment facility at Glenelg High School, which provides wastewater treatment services to Glenelg High School and the Musgrove Farm community of 30 homesites located on the adjoining property. The proceeds of specific revenue sources (other than major capital projects) are legally restricted to expenditures for specified purposes.

Restricted Programs Fund – The restricted programs fund is used to account for restricted grants issued primarily by county, state, and federal governmental agencies.

Capital Projects Fund – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds

Internal Service Funds – Internal service funds are used to account for the costs of maintaining the School System’s self-insured programs for health and dental, and workers compensation benefits for its employees and to account for the costs of printing, duplicating and data processing services.

Enterprise Fund – The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The James Rouse Theater Fund is reported as an enterprise fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operation. The principal operating revenues for the internal service funds are premium contributions to the health and dental self-insurance fund, the workers compensation fund, the printing and duplicating fund and the data processing fund. Operating revenues for the enterprise fund, James Rouse Theater, are received primarily from ticket sales. Operating expenses for the internal service funds as well as the enterprise fund cover the cost of providing these services, including administrative, claim and related payments and depreciation. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

Agency Funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The school funds account for the funds of other persons or organizations which are the direct responsibility of the principals of the respective schools.

This information is an integral part of the accompanying financial statements.

Summary of Significant Accounting Policies

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

All governmental and business type activities of the School System follow GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance, contained in pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA)*, which incorporates into GASB authoritative literature certain accounting and reporting guidance previously included in FASB, AICPA and Accounting Principles Board Opinions (APB), guidance issued before November 30, 1989. The implementation of this new standard modified certain language in disclosures related to the applicable basis of accounting in the School System's 2013 financial statements. HCPSS also has the option to follow subsequent private sector guidance for its business type activities and enterprise funds with certain limitations, but has elected not to do so.

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated and reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities.

Assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position. The effect of interfund services provided and used between functions has not been eliminated in the Statement of Activities, since to do so would distort the direct costs and program revenues for the various functions concerned.

Assets, Liabilities, and Net Position or Equity

Deposits and Investments

The School System maintains pooled and various separate cash accounts for its funds. The cash balances of the School Fund (see the Statement of Net Position Fiduciary Funds) consist of individual demand accounts maintained by the schools. Investments are stated at amortized cost, which approximates fair value due to the short-term nature of those investments. The School System considers any instrument with a maturity of three months or less when purchased, as cash equivalents.

Due from Other Units of Government and Other Receivables

Accounts receivable in all funds represent amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts. Governmental fund type receivables consist primarily of amounts due from county, state, or federal governments and from other Maryland Public School Systems. These intergovernmental receivables are generally collected within 90 days of the end of the fiscal year. Certain intergovernmental receivables may extend up to one year from the end of the fiscal year. Uncollectible amounts as of June 30, 2013, are expected to be minimal based upon collection

This information is an integral part of the accompanying financial statements.

Summary of Significant Accounting Policies

Assets, Liabilities, and Net Position or Equity (Continued)

experience and review of the status of existing receivables.

Inventory and Prepaid Items

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of parts and supplies maintained in the warehouse. Inventory in the Food Services Fund consists of expendable food and supplies held for consumption. 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid expenses in the general fund and workers compensation insurance internal service fund consist of insurance premiums and other administrative expenditures that relate to fiscal year 2014.

Capital Assets

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

Property, plant and equipment is depreciated using the straight-line method over estimated useful lives of 20 - 45 years for buildings, improvements and infrastructure, and 5 - 15 years for furniture and equipment.

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

Unearned Revenue

For the General Fund, unearned revenue consists of summer school tuition which is collected in advance and unearned since the corresponding services have not been provided and the earnings process is not completed until the following fiscal year.

For the Restricted Programs Fund and Capital Projects Fund, unearned revenue consists of revenues received under restricted programs in excess of the expenditures under those programs at June 30,

This information is an integral part of the accompanying financial statements.

Summary of Significant Accounting Policies

Assets, Liabilities, and Net Position or Equity (Continued)

2013.

Unearned Revenue

For the Glenelg Wastewater Treatment Plant Fund, unearned revenue consists of assessment fees collected in advance and unearned since the corresponding services have not been provided and the earnings process is not completed until the following fiscal year.

For the Internal Service Funds, unearned revenue consists of payroll withholdings from employees for health and dental insurance collected in advance as of June 30, 2013, for the first three months of fiscal year 2014.

Compensated Absences

It is the School System's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, as a result of employee resignations and retirements.

Net Position / Fund Balance

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consist of capital assets, net of accumulated depreciation. Under state law, the School System is prohibited from incurring debt to finance the acquisition of capital assets. Major capital projects are financed through local and state aid with applicable debt recorded by Howard County and the State of Maryland. Net position is reported as restricted when there are limitations placed on its use through external restrictions imposed by grantors or laws or regulations of other governments.

The School System has reports fund balance of governmental funds within one of the fund balance categories listed below:

Non-spendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes as determined by a formal action of the Board, the highest level of decision-making authority for the School System. Commitments may be

This information is an integral part of the accompanying financial statements.

Summary of Significant Accounting Policies

Assets, Liabilities, and Net Position or Equity (Continued)

established, modified, or rescinded only through formal actions consisting of ordinances or resolutions approved by the Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. This intent can be expressed by the Board or through their delegation of this responsibility to the Superintendent’s budgetary process.

Unassigned – All other spendable amounts. This is the residual classification for the General fund and other governmental funds. If expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned for these purposes, it may be necessary to report a negative unassigned fund balance.

Policy 4070, Undesignated Fund Balance Reserve, states in what order fund balance categories are spent: (1) Nonspendable balance first, and then (2) Restricted fund balance, and then (3) Committed fund balance, then (4) Assigned fund balance, and (5) Unassigned fund balance.

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

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 Howard County and the State of Maryland. The budgetary basis differs from GAAP, which is used for the fund financial statements, in that encumbrances, which represent commitments to purchase goods and services, are treated as expenditures of the current period rather than as reservations of the fund balance. The other principal difference is that under the budgetary basis, designations of the prior year’s fund balance are treated as revenue of the current period. The general fund budgetary basis schedules of revenues and expenditures and encumbrances, budget and actual, and a reconciliation to the fund financial statements are presented as required supplementary information to these financial statements. By State law, major categories of expenditures may not exceed budgeted amounts.

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

This information is an integral part of the accompanying financial statements.

Summary of Significant Accounting Policies

Budgets and Budgetary Accounting

Operating Budget (General Fund)

- 1) A discussion guide for the following fiscal year's operating budget is published annually.
- 2) A public hearing is held in October to receive budget requests from individuals and community groups.
- 3) The proposed budget is made available to the public and the County Government in January.
- 4) Public hearings are held to obtain comments from the community.
- 5) The final proposed operating budget is submitted to the County Executive prior to March 16th.
- 6) After approval or adjustment by the County Council, the final operating budget is approved by the School System in June.
- 7) Budgets are 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 pension contributions made on the School System's behalf by the State of Maryland as both revenues and expenditures. Budget comparisons presented are on a non-GAAP budgetary basis.
- 8) Transfers may be made within the major categories by the School System of Education without the approval of the County Council.
- 9) Requests for transfers between major categories must be submitted to the County Council for approval or denial. No action within thirty (30) days of submission constitutes approval.

Operating Budget (Restricted Fund)

This budget is not legally adopted. The Restricted Fund accounts for revenue and expenditures under special state and federal programs. Management estimates expected revenues and expenditures but there is not a legally adopted budget and actual expenditures may exceed budgeted amounts. The grants included in this category are not part of budget categories subject to spending limitations of the operating budget. Expenditures under these programs are limited to the amounts of the respective grants.

Operating Budget (Food Services Fund)

This budget is not legally adopted. The comparison of the Food Services Fund (a special revenue fund) operating budget to actual revenues and expenditures is not presented as required supplementary information because this budget is developed internally by the School System for management purposes only.

This information is an integral part of the accompanying financial statements.

Summary of Significant Accounting Policies

Budgets and Budgetary Accounting (Continued)

Operating Budget (Glenelg Wastewater Treatment Plant Fund)

This budget is not legally adopted. The comparison of the Glenelg Wastewater Treatment Plant Fund (a special revenue fund) operating budget to actual revenues and expenditures is not presented as required supplementary information because this budget is developed internally by the School System for management purposes only.

Operating Budget (Enterprise Fund)

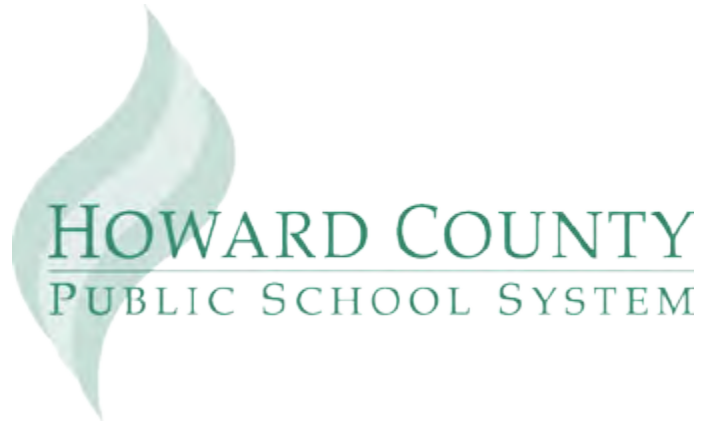
This budget is not legally adopted. The Enterprise Fund accounts for revenue and expenditures relative to the James Rouse Theater Fund. The operating budget to actual revenues and expenditures is not presented as required supplementary information because this budget is developed internally by the School System for management purposes only.

Use of Estimates in Preparing Financial Statements

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

This information is an integral part of the accompanying financial statements.

Notes to Basic Financial Statements





Note to Financial Statements

Note 1 – Cash and Investments

Deposits

At year-end, the carrying amount of the School System's deposits was \$43,756,140 consisting of \$39,133,464 in the governmental activities and \$4,662,676 in the agency fund and the corresponding bank balances were \$47,481,153. Of the bank balances, \$750,000 was covered by Federal Depository Insurance and \$46,189,221 was covered by collateral held in the pledging bank's trust department in the School System's name. However, the Food Service depository accounts totaling \$469,868 were under collateralized by \$28,585 at June 30, 2013. The School System has a contractual arrangement with a bank for funds to be transferred daily from overnight investments to cover checks as presented.

Investments

At June 30, 2013, the School System's investments totaling \$102,631,832 in governmental activities were entirely in the Maryland Local Government Investment Pool (MLGIP), which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAA by Standard and Poors, their highest rating for money market funds. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked-to-market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Interest Rate Risk

Fair value fluctuates with interest rates, and increasing rates could cause fair value to decline below original cost. To limit the School System's exposure to interest rate risk, the School System's investment policy limits the term of investment maturities other than the Fiduciary Funds to overnight repurchase agreements and MLGIP and requires that collateral securities underlying the repurchase agreements and MLGIP have a market value equal to the cost of the agreement. Total net investment income per the Statement of Activities consists of interest income of \$97,803 for the year ended June 30, 2013.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the School System will not be able to recover all or a portion of its investments or collateral securities that are in the possession of an outside party. The School System's investment policy limits its investments to overnight deposits that are insured or collateralized with securities held by a custodian in the School System's name and investments in the MLGIP.

Statutes require that deposits be in Maryland banks and that uninsured deposits be fully collateralized and authorize the School System to invest in obligations of the United States government, federal agency obligations and repurchase agreements secured by direct government or agency obligations.

This information is an integral part of the accompanying financial statements.

Note to Financial Statements

Note 2 – Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:				
	Balance July 1, 2012	Increases	Decreases / Reclassifications	Balance June 30, 2013
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 27,619,152	\$ -	\$ -	\$ 27,619,152
Construction in progress	134,379,894	87,812,185	(61,650,931)	160,541,148
Total nondepreciable capital assets	<u>161,999,046</u>	<u>87,812,185</u>	<u>(61,650,931)</u>	<u>188,160,300</u>
Depreciable capital assets				
Land improvements	1,675,226	-	-	1,675,226
Buildings and improvements	1,122,825,316	-	61,650,931	1,184,476,247
Furniture and equipment	24,836,347	1,606,195	(1,799,574)	24,642,968
Total depreciable capital assets	<u>1,149,336,889</u>	<u>1,606,195</u>	<u>59,851,357</u>	<u>1,210,794,441</u>
Less accumulated depreciation for:				
Land improvements	(1,350,527)	(72,308)	-	(1,422,835)
Buildings and improvements	(329,288,877)	(24,109,285)	-	(353,398,162)
Furniture and equipment	(20,716,430)	(1,414,364)	1,364,928	(20,765,866)
Total accumulated depreciation	<u>(351,355,834)</u>	<u>(25,595,957)</u>	<u>1,364,928</u>	<u>(375,586,863)</u>
Total depreciable capital assets, net	<u>797,981,055</u>	<u>(23,989,762)</u>	<u>61,216,285</u>	<u>835,207,578</u>
Governmental activities	<u>\$ 959,980,101</u>	<u>\$ 63,822,423</u>	<u>\$ (434,646)</u>	<u>\$1,023,367,878</u>

Depreciation expense for the year ended June 30, 2013 was charged to Governmental activities on the Statement of Activities as follows:

Instruction:

Regular education	\$ 21,324,411
Special education	114,646

Support services:

Administration	551,240
Mid-level administration	2,986,613
Pupil transportation	51,065
Operation and maintenance of plant	478,581
Community services	<u>89,401</u>

Total \$ 25,595,957

This information is an integral part of the accompanying financial statements.

Note to Financial Statements

Note 2 – Capital Assets (continued)

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases /</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2013</u>
Business-type activities:				
Furniture and equipment at historical cost	\$ 144,920	\$ 11,487	\$ -	\$ 156,407
Less accumulated depreciation	<u>(122,131)</u>	<u>(5,455)</u>	<u>-</u>	<u>(127,586)</u>
Capital assets, net	<u>\$ 22,789</u>	<u>\$ 6,032</u>	<u>\$ -</u>	<u>\$ 28,821</u>

Depreciation expenses charged to business-type activities for the year ended June 30, 2013, was \$5,455.

The School System has active school construction projects as of June 30, 2013, as follows:

Project:	<u>Spent to Date</u>	<u>Remaining</u> <u>Commitment</u>
Systemic - Bollman Bridge ES	\$ 13,716,040	\$ 2,831,021
Systemic - Stevens Forest ES	9,799,069	5,182,431
Roofing	26,958,635	4,229,898
Atholton HS Renovation	30,339,772	2,324,917
New Elementary School #41	23,228,029	7,718,971
Gorman Crossing ES Addition	3,910,400	2,245,600
New Middle School #20	2,025,348	7,974,652
Phelps Luck ES Renovation	15,374,328	4,362,392
Longfellow ES Addition	20,972	5,195,029
Other Projects	<u>487,862,852</u>	<u>35,036,466</u>
Total	<u>\$ 613,235,445</u>	<u>\$ 77,101,377</u>

These projects are primarily funded through capital grants from Howard County and the State of Maryland, prior to commitments being made with contractors.

This information is an integral part of the accompanying financial statements.

Note to Financial Statements

Note 3 – Due To/From Other Funds

The composition of inter-fund balances as of June 30, 2013, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Purpose	Amount
General	Health and Dental	Benefit plan expenditures	\$ 6,638,758
Capital Projects	General	Reimbursable expenditures	8,447,325
Data Processing	General	Reimbursable expenditures	2,742,348
Workers Compensation	General	Reimbursable expenditures	11,502
James Rouse Theatre	General	Reimbursable expenditures	175,795
Printing and Duplicating	General	Reimbursable expenditures	820,112
General	Glenelg WWTP	Treatment plant expenditures	142,453
General	Restricted Programs	Advances of pooled cash	941,161
General	Food Services	Food services expenditures	546,013
Total			\$ 20,465,467

These inter-fund balances are presented in the accompanying financial statements as follows:

	<u>Due From</u>	<u>Due To</u>
Balance Sheet - Governmental Funds (page 29)	\$ 16,715,710	\$ 13,826,709
Statement of Net Position - Proprietary Funds (page 33)	175,795	-
Statement of Net Position - Internal Service Funds (page 33)	<u>3,573,962</u>	<u>6,638,758</u>
Total	<u>\$ 20,465,467</u>	<u>\$ 20,465,467</u>

Activity between funds represents expenditures paid by the General Fund on behalf of another fund or amounts received by the General Fund on behalf of another fund. All operating cash is processed through the General Fund and accounted for on each fund as due to/from the General Fund.

The School System does not have any long-term advances of inter-fund loans, and all inter-fund activity is considered current activity. Inter-fund activity consists primarily of advances from the General Fund to other funds to cover temporary cash needs. These situations arise because many grants and capital projects are reimbursed to the School System by the granting government after the School System has incurred the expenditure.

This information is an integral part of the accompanying financial statements.

Note to Financial Statements

Note 4 – Long-Term Liabilities

Activity in long-term liabilities for the year ended June 30, 2013, was as follows:

	<u>Balance 7/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2013</u>	<u>Due Within One Year</u>
Compensated absences	\$ 7,229,657	\$ 837,572	\$ (638,076)	\$ 7,429,153	\$ 525,000
Capital leases	3,878,014	-	(403,983)	3,474,031	387,771
Workers compensation	<u>2,897,104</u>	<u>2,267,649</u>	<u>(2,195,005)</u>	<u>2,969,748</u>	<u>1,900,000</u>
Total governmental activities	<u>\$ 14,004,775</u>	<u>\$ 3,105,221</u>	<u>\$ (3,237,064)</u>	<u>\$ 13,872,932</u>	<u>\$ 2,812,771</u>

Compensated absences are generally liquidated by the General Fund.

The School System has entered into various lease agreements as lessee to finance the purchase of computers, telephone, and performance contracting equipment that expire at various times through fiscal year 2021. The assets acquired and capitalized as fixed assets under capital leases are as follows:

	<u>Governmental Activities</u>
Equipment at cost	\$ 9,005,346
Less accumulated depreciation	<u>(9,005,346)</u>
Total	<u>\$ -</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

<u>Year Ending June 30, 2013</u>	<u>Governmental Activities</u>
2014	\$ 387,771
2015	581,980
2016	581,980
2017	581,980
2018	407,964
2019-2021	<u>1,223,891</u>
Total minimum lease payments	3,765,566
Less amount representing interest	<u>(291,535)</u>
Present value of minimum lease payments	<u>\$ 3,474,031</u>

This information is an integral part of the accompanying financial statements.

Note to Financial Statements

Note 5 – Pension Plans

The employees of the School System are covered by the State Retirement and Pension System of Maryland which is a cost-sharing multiple-employer public employee retirement system (the State System). Most School System employees participate in the State System. The State System prepares a Comprehensive Annual Financial Report, which can be obtained from the State Retirement and Pension Systems of Maryland at 120 East Baltimore Street, Baltimore, Maryland 21202.

Plan Description

The State System, which is administered in accordance with Article 73B of the Annotated Code of Maryland, consists of several plans which are managed for the School System by Trustees for the State System. All State employees and employees of the participating entities are eligible for coverage by the plans. The State System provides retirement, death, and disability benefits in accordance with State statutes.

Funding Policy

The School System's required contributions are based upon actuarial valuations. Effective July 1, 1980, in accordance with the law governing the State System, all benefits of the State System are funded in advance. The entry age normal cost method is the actuarial cost method used. Both the School System and covered employees are required by State statute to contribute to the State System. The employees contribute 3 percent to 7 percent of compensation, as defined, depending on the participant's plan.

The contribution requirements of the State System members, as well as the State and participating governmental employees are established and may be amended for the School System by Trustees for the State System. Benefits are provided in accordance with state statutes.

The State makes a substantial portion of the School System's annual required contributions to the State System on behalf of the School System. The State's contributions on behalf of the School System for the years ended June 30, 2013, 2012, and 2011, amounted to \$46,681,949; \$59,463,535; and \$59,683,290, respectively. The fiscal 2013 contributions made by the State on behalf of the School System have been included as both revenues and expenditures in the General Fund in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances and are also included as revenues and expenses on the Statement of Activities.

Beginning in 2013, the Board was required to contribute to normal cost of the plan's current year expense. The School System made its share of the required contributions during the years ended June 30, 2013, 2012, and 2011 of \$9,821,066; \$4,753,913; and \$4,664,615, respectively. The fiscal year 2013 pension contribution made by the Board is included as an expenditure in the Budgetary, Governmental and Government-wide statements for the year.

The contributions are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability over a 40-year period (as provided by law) from July 1, 1980.

This information is an integral part of the accompanying financial statements.

Note to Financial Statements

Note 6 – Post-Employment Benefits Other Than Pension Benefits

Plan Description

The School System contributes to the Howard County, Maryland Post-Retirement Medical Plan (the Plan), a cost-sharing multiple-employer defined benefit post employment healthcare plan administered by the Howard County Government (the County). The Plan provides medical and life insurance benefits to retired employees of participating governmental entities.

The County issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Howard County Government, 3430 Courthouse Drive, Ellicott City, MD 21043, or by calling 410-313-2195.

Funding Policy

Contribution requirements of the plan members and the participating employers are established and may be amended by the Plan's Board of trustees. Retirees eligible for medical insurance benefits pay between 50 and 100 percent of the School System's full premium equivalent cost, based upon years of service. Retirees eligible for life insurance benefits pay between 10 and 50 percent of the School System's full premium equivalent cost, provided they have at least ten years of service with the School System and have retired from the School System.

Participating governmental entities are contractually required to contribute at a rate assessed each year by the Plan. The Plan's Trustees set the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the requirements of GASB Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The School System's contributions, which were equal to the required amounts, were \$11,613,340, \$10,853,720 and \$8,165,048, for the years ended June 30, 2013, 2012, and 2011, respectively. These contributions were paid by and on behalf of the School System by the County. In addition, the County contributed an additional \$2,410,871 on behalf of the School System in FY 2013.

This information is an integral part of the accompanying financial statements.

Note to Financial Statements

Note 7 – Fund Balance

Fund balance at June 30, 2013, consists of the following:

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Glenelg Plant Fund</u>	<u>Capital Projects Fund</u>
Fund Balances				
Non-spendable for:				
Prepaid expenses	\$ 354,567	\$ -	\$ -	\$ -
Inventories	<u>1,118,835</u>	<u>152,272</u>	-	-
Total non-spendable	<u>1,473,402</u>	<u>152,272</u>	-	-
Restricted For:				
Glenelg Waste Water Plant	-	-	<u>1,240,354</u>	-
Assigned To:				
Encumbrances	4,666,992	-	-	-
Fund balance reserve	1,743,000	-	-	-
Cost of Operation - Food Services	-	<u>2,521,888</u>	-	-
Total assigned	<u>6,409,992</u>	<u>2,521,888</u>	-	-
Unassigned:	<u>15,612,880</u>	-	-	<u>(2,856,925)</u>
Total fund balances	<u>\$ 23,496,274</u>	<u>\$ 2,674,160</u>	<u>\$ 1,240,354</u>	<u>\$ (2,856,925)</u>

The Capital Projects Fund reflects a deficit unassigned fund balance at June 30, 2013 because of funding reversions by the State and County that occurred after the anticipated funds were spent. It is anticipated the deficit will be eliminated, over time, through the use of resources available to the Board.

Note 8 – 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 budgetary integration in the General Fund, and encumbrances outstanding at year-end are reported as assignments of fund balance since they do not constitute expenditures or liabilities.

This information is an integral part of the accompanying financial statements.

Note to Financial Statements

Note 8 – Encumbrances (Continued)

Encumbrances at June 30, 2013, are for the following uses:

	<u>General Fund</u>
Administration	\$ 178,489
Mid-level administration	63,305
Instructional	1,634,517
Special Education	37,853
Pupil Personnel Services	1,039
Health Services	12,135
Student Transportation	395,204
Operation of Plant	676,508
Maintenance of Plant	1,549,126
Community Services	118,733
Capital Outlay	83
Total	<u><u>\$ 4,666,992</u></u>

Note 9 – Commitments and Contingencies

Operating Leases

The School System leases equipment under various non-cancelable operating leases that expire during fiscal year 2018. Total costs were \$1,340,966 for the leases for the year ended June 30, 2013. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 572,949
2015	82,236
2016	41,313
2017	15,252
2018	500
Total	<u><u>\$ 712,250</u></u>

This information is an integral part of the accompanying financial statements.

Note to Financial Statements

Note 9 – Commitments and Contingencies (Continued)

Litigation

The School System 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 School System that an adverse decision on any or all of these suits would not have a material adverse effect on the financial statements.

Grant Programs

The School System receives grant revenues from County, State, and Federal sources. Amounts received under such programs are restricted to use in accordance with terms of the respective grants. The use of such funds is subject to audit by the grantors. Consequently, the School System is contingently liable to refund amounts received in excess of allowable expenditures, if any. In the opinion of management no material refunds will be required as the result of expenditures disallowed by the grantors.

Note 10 – Risk Management

The School System is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School System participates in the Maryland Association of School Systems of Education Group Insurance Pool (MABE). MABE is a public entity risk pool currently operating as a common risk management and insurance program for fourteen member counties to reduce the amount of claims expenditures incurred. The School System pays an annual premium to MABE for its general insurance coverage. The Formation Agreement of MABE provides that MABE will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of established loss limits which range from \$2,500 to \$5 million for each insured event depending on the type of loss. Settled claims did not exceed coverage in any of the past three years.

The School System has also established limited risk management programs for workers' compensation and health and dental insurance. Premiums are paid into these two internal service funds by other funds and are available to pay claims, claim reserves and administrative costs of the programs. The "premium" charged by the self-insurance funds considers recent trends in actual claims experience of the School System as a whole and makes provision for catastrophic losses. As of June 30, 2013, the inter-fund premiums did not exceed reimbursable expenditures in the Health and Dental Self-Insurance Fund or the Worker's Compensation Self-Insurance Fund. Settled claims did not exceed coverage in any of the past four years.

This information is an integral part of the accompanying financial statements.

Note to Financial Statements

Note 10 – Risk Management (Continued)

Liabilities are reported when it is probable that a loss will occur and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual health and dental claims in excess of \$500,000; and workers compensation claims has a retention of \$500,000 per occurrence. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The liability for claims and judgments is reported in the respective self-insurance internal service funds.

Changes in the balances of claims payable for the years ended June 30 are as follows:

	2013		2012	
	Workers' Compensation	Health and Dental	Workers' Compensation	Health and Dental
Beginning payable, July 1	\$ 2,897,104	\$ 9,843,759	\$ 2,922,331	\$ 8,806,438
Incurred claims (including IBNR)	2,267,649	91,847,407	1,301,999	91,043,892
Claim payments	<u>(2,195,005)</u>	<u>(92,445,456)</u>	<u>(1,327,226)</u>	<u>(90,006,571)</u>
Ending payable, June 30	<u>\$ 2,969,748</u>	<u>\$ 9,245,710</u>	<u>\$ 2,897,104</u>	<u>\$ 9,843,759</u>

This information is an integral part of the accompanying financial statements.

Required Supplementary Information





Required Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
 BUDGETARY COMPARISON SCHEDULE
 (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Non-GAAP Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental revenues:				
Local sources	\$ 482,384,818	\$ 482,384,818	\$ 482,384,818	\$ -
State sources	215,457,272	215,457,272	214,327,962	(1,129,310)
Federal sources	370,000	370,000	371,367	1,367
Earnings on investments	100,000	100,000	51,212	(48,788)
Charges for services	4,668,170	4,668,170	5,149,630	481,460
Miscellaneous revenues	687,140	687,140	1,471,172	784,032
Total revenues	<u>703,667,400</u>	<u>703,667,400</u>	<u>703,756,161</u>	<u>88,761</u>
EXPENDITURES				
Current:				
Administration	11,332,220	11,632,220	11,145,499	486,721
Instruction				
Instructional salaries	295,921,890	296,701,890	295,881,364	820,526
Textbooks and classroom supplies	12,601,190	13,445,390	11,700,925	1,744,465
Other instructional costs	3,018,300	3,018,300	3,002,506	15,794
Pupil personnel services	2,731,860	2,838,010	2,815,839	22,171
Health services	6,221,890	6,221,890	6,096,274	125,616
Pupil transportation	37,319,310	37,088,910	36,607,050	481,860
Operation of plant	40,143,420	37,893,420	37,582,029	311,391
Maintenance of plant	21,413,640	21,113,640	20,281,120	832,520
Fixed charges	124,375,170	126,085,170	126,085,170	-
Mid level administration	53,996,520	53,110,370	52,602,806	507,564
Community services	5,987,200	5,987,200	5,798,244	188,956
Special education	87,715,530	87,715,530	86,747,978	967,552
Capital outlay	889,260	815,460	809,203	6,257
Total expenditures	<u>703,667,400</u>	<u>703,667,400</u>	<u>697,156,007</u>	<u>6,511,393</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	6,600,154	<u>\$ 6,600,154</u>
FUND BALANCE AT JUNE 30, 2012 - BUDGETARY BASIS			<u>12,229,128</u>	
FUND BALANCE AT JUNE 30, 2013 - BUDGETARY BASIS			18,829,282	
Encumbrances at June 30, 2013			<u>4,666,992</u>	
FUND BALANCE AT JUNE 30, 2013 - GAAP BASIS			<u>\$ 23,496,274</u>	

Required Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

RECONCILIATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP BASIS REVENUES AND EXPENDITURES

GENERAL FUND

Year Ended June 30, 2013

REVENUES

Budgetary basis	\$ 703,756,161
Add	
- Pension contribution paid by State of Maryland	46,681,949
- OPEB contribution paid by Howard County Government	2,410,871
- Revenues from loaned staff program	<u>580,729</u>
GAAP basis	<u>\$ 753,429,710</u>

EXPENDITURES

Budgetary basis	\$ 697,156,007
Add	
- Prior year's encumbrances expended this year	13,454,370
- Pension contribution paid by State of Maryland	46,681,949
- OPEB contribution paid by Howard County Government	2,410,871
- Expenditures from loaned staff	580,729
Less	
- Current year's encumbrances outstanding	<u>(4,666,992)</u>
GAAP basis	<u>\$ 755,616,934</u>

Other Supplementary Information





Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP BUDGETARY BASIS)

GENERAL FUND

Year Ended June 30, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
INTERGOVERNMENTAL REVENUES				
Local Sources				
Current expense	\$ 482,384,818	\$ 482,384,818	\$ 482,384,818	\$ -
State Sources				
Current expense	155,136,523	155,136,523	155,128,883	(7,640)
Transportation	14,241,390	14,241,390	14,241,390	-
Special education	9,519,162	9,519,162	8,524,162	(995,000)
Compensatory education	22,811,347	22,811,347	22,811,347	-
Limited English proficient	6,917,664	6,917,664	6,917,664	-
Students with disabilities	1,309,000	1,309,000	1,308,000	(1,000)
State geographic index	5,119,581	5,119,581	5,119,581	-
Other - LEA tuition	402,605	402,605	276,935	(125,670)
Total state sources	<u>215,457,272</u>	<u>215,457,272</u>	<u>214,327,962</u>	<u>(1,129,310)</u>
Federal Sources				
ROTC reimbursement	180,000	180,000	223,492	43,492
Impact Aid (PL 874)	190,000	190,000	147,875	(42,125)
Total federal sources	<u>370,000</u>	<u>370,000</u>	<u>371,367</u>	<u>1,367</u>
Earnings on investments	<u>100,000</u>	<u>100,000</u>	<u>51,212</u>	<u>(48,788)</u>
Charges for Services, Etc.				
Tuition from patrons	760,000	760,000	885,757	125,757
Use of school buildings	1,200,000	1,200,000	1,114,381	(85,619)
Athletic program - gate receipts	385,000	385,000	390,281	5,281
Energy rebates	590,000	590,000	950,949	360,949
Administration and overhead fees	1,733,170	1,733,170	1,808,262	75,092
Total charges for services, etc.	<u>4,668,170</u>	<u>4,668,170</u>	<u>5,149,630</u>	<u>481,460</u>
Miscellaneous Revenues				
Other	<u>687,140</u>	<u>687,140</u>	<u>1,471,172</u>	<u>784,032</u>
TOTAL	<u>\$ 703,667,400</u>	<u>\$ 703,667,400</u>	<u>\$ 703,756,161</u>	<u>\$ 88,761</u>

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP BUDGETARY BASIS)

GENERAL FUND

Year Ended June 30, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
Administration				
Salaries and wages	\$ 8,162,280	\$ 8,063,368	\$ 7,937,504	\$ 125,864
Contracted services	2,085,100	2,450,107	2,262,998	187,109
Supplies and materials	713,360	731,509	606,900	124,609
Other charges	371,480	387,236	338,097	49,139
Equipment	-	-	-	-
Total administration	<u>\$ 11,332,220</u>	<u>\$ 11,632,220</u>	<u>\$ 11,145,499</u>	<u>\$ 486,721</u>
Instructional salaries	<u>\$295,921,890</u>	<u>\$296,701,890</u>	<u>\$ 295,881,364</u>	<u>\$ 820,526</u>
Textbooks and classroom supplies	<u>\$ 12,601,190</u>	<u>\$ 13,445,390</u>	<u>\$ 11,700,925</u>	<u>\$ 1,744,465</u>
Other Instructional Costs				
Contracted services	\$ 2,007,590	\$ 2,059,590	\$ 2,058,954	\$ 636
Other charges	256,110	198,610	175,620	22,990
Equipment	245,600	245,600	242,760	2,840
Outgoing transfers	509,000	514,500	525,172	(10,672)
Total other instructional costs	<u>\$ 3,018,300</u>	<u>\$ 3,018,300</u>	<u>\$ 3,002,506</u>	<u>\$ 15,794</u>
Pupil Personnel Services				
Salaries and wages	\$ 2,395,220	\$ 2,501,370	\$ 2,496,659	\$ 4,711
Contracted services	239,550	239,550	235,449	4,101
Supplies and materials	58,040	58,040	52,968	5,072
Other charges	39,050	39,050	30,763	8,287
Total pupil personnel services	<u>\$ 2,731,860</u>	<u>\$ 2,838,010</u>	<u>\$ 2,815,839</u>	<u>\$ 22,171</u>
Health Services				
Salaries and wages	\$ 5,614,910	\$ 5,574,910	\$ 5,488,534	\$ 86,376
Contracted services	409,470	489,470	485,104	4,366
Supplies and materials	180,650	140,650	108,575	32,075
Other charges	16,860	16,860	14,061	2,799
Total health services	<u>\$ 6,221,890</u>	<u>\$ 6,221,890</u>	<u>\$ 6,096,274</u>	<u>\$ 125,616</u>
Pupil Transportation				
Salaries and wages	\$ 1,269,500	\$ 1,269,500	\$ 1,255,313	\$ 14,187
Contracted services	35,641,130	34,961,200	34,495,466	465,734
Supplies and materials	61,680	387,408	387,899	(491)
Other charges	347,000	443,302	440,872	2,430
Equipment	-	27,500	27,500	-
Total pupil transportation	<u>\$ 37,319,310</u>	<u>\$ 37,088,910</u>	<u>\$ 36,607,050</u>	<u>\$ 481,860</u>
Operation of Plant				
Salaries and wages	\$ 19,009,960	\$ 18,709,960	\$ 18,697,737	\$ 12,223
Contracted services	1,748,180	1,710,535	1,554,071	156,464
Supplies and materials	1,272,070	1,405,981	1,200,770	205,211
Other charges	17,845,920	15,956,648	16,108,632	(151,984)
Equipment	267,290	110,296	20,819	89,477
Total operation of plant	<u>\$ 40,143,420</u>	<u>\$ 37,893,420</u>	<u>\$ 37,582,029</u>	<u>\$ 311,391</u>

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP BASIS)

GENERAL FUND

Year Ended June 30, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
Maintenance of Plant				
Salaries and wages	\$ 11,963,190	\$ 11,680,088	\$ 11,527,504	\$ 152,584
Contracted services	5,894,270	6,227,037	6,226,670	367
Supplies and materials	2,866,220	2,399,145	1,908,129	491,016
Other charges	49,580	49,576	35,711	13,865
Equipment	640,380	757,794	583,106	174,688
Total maintenance of plant	<u>\$ 21,413,640</u>	<u>\$ 21,113,640</u>	<u>\$ 20,281,120</u>	<u>\$ 832,520</u>
Other Fixed Charges	<u>\$ 124,375,170</u>	<u>\$ 126,085,170</u>	<u>\$ 126,085,170</u>	<u>\$ -</u>
Mid-level Administration				
Salaries and wages	\$ 47,396,940	\$ 46,524,790	\$ 46,210,863	\$ 313,927
Contracted services	3,259,030	3,241,944	3,224,915	17,029
Supplies and materials	2,934,040	2,921,992	2,814,365	107,627
Other charges	406,510	396,356	327,375	68,981
Equipment	-	25,288	25,288	-
Total mid-level administration	<u>\$ 53,996,520</u>	<u>\$ 53,110,370</u>	<u>\$ 52,602,806</u>	<u>\$ 507,564</u>
Community Services				
Salaries and wages	\$ 3,105,600	\$ 2,968,800	\$ 2,808,931	\$ 159,869
Contracted services	1,021,420	1,163,342	1,163,017	325
Supplies and materials	526,590	505,605	491,382	14,223
Other charges	1,064,890	1,120,253	1,105,757	14,496
Equipment	268,700	229,200	229,157	43
Total community services	<u>\$ 5,987,200</u>	<u>\$ 5,987,200</u>	<u>\$ 5,798,244</u>	<u>\$ 188,956</u>
Special Education				
Salaries and wages	\$ 79,289,460	\$ 78,996,760	\$ 78,619,218	\$ 377,542
Contracted services	1,037,610	1,305,810	1,266,193	39,617
Supplies and materials	391,950	388,450	346,037	42,413
Other charges	307,060	335,060	335,048	12
Equipment	80,000	80,000	78,913	1,087
Outgoing transfers	6,609,450	6,609,450	6,102,569	506,881
Total special education	<u>\$ 87,715,530</u>	<u>\$ 87,715,530</u>	<u>\$ 86,747,978</u>	<u>\$ 967,552</u>
Capital Outlay				
Salaries and wages	\$ 851,180	\$ 786,920	\$ 782,655	\$ 4,265
Contracted services	15,160	4,999	4,561	438
Supplies and materials	11,120	10,700	10,602	98
Other charges	11,800	12,841	11,385	1,456
Equipment	-	-	-	-
Total capital outlay	<u>\$ 889,260</u>	<u>\$ 815,460</u>	<u>\$ 809,203</u>	<u>\$ 6,257</u>
TOTAL EXPENDITURES	<u>\$ 703,667,400</u>	<u>\$ 703,667,400</u>	<u>\$ 697,156,007</u>	<u>\$ 6,511,393</u>

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

FOOD SERVICES FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

Year Ended June 30, 2013

	<u>Budget (*)</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Intergovernmental Revenues:			
State:			
Reimbursements	\$ 170,000	\$ 191,850	\$ 21,850
Federal:			
National School Lunch and Milk Programs	4,000,000	4,079,121	79,121
National School Breakfast	-	762,795	762,795
U.S.D.A. Commodity Program	-	735,552	735,552
Total intergovernmental revenues	<u>4,000,000</u>	<u>5,577,468</u>	<u>1,577,468</u>
Earnings on investments	500	2,756	2,256
Charges for Services:			
Food sales	<u>7,056,000</u>	<u>6,164,810</u>	<u>(891,190)</u>
Total revenues	<u>11,226,500</u>	<u>11,936,884</u>	<u>710,384</u>
EXPENDITURES			
Costs of Operation - Food Service:			
Cost of food	3,690,080	4,147,285	(457,205)
U.S.D.A. Commodity Program	-	651,017	(651,017)
Salaries and wages	4,463,200	6,957,804	(2,494,604)
Equipment/Miscellaneous	<u>3,770,100</u>	<u>446,300</u>	<u>3,323,800</u>
Total expenditures	<u>11,923,380</u>	<u>12,202,406</u>	<u>(279,026)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (696,880)</u>	<u>(265,522)</u>	<u>\$ 431,358</u>
FUND BALANCE AT JULY 1, 2012 - BUDGETARY BASIS		<u>2,939,682</u>	
FUND BALANCE AT JUNE 30, 2013 - GAAP BASIS		<u>\$ 2,674,160</u>	

(*) There were no changes or amendments to the original budget.

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
COMBINING SCHEDULE OF NET POSITION
INTERNAL SERVICE FUNDS
 June 30, 2013

	<u>Printing and Duplicating</u>	<u>Data Processing Fund</u>	<u>Workers Compensation Self-Insurance Fund</u>	<u>Health and Dental Self-Insurance Fund</u>	<u>Total</u>
ASSETS					
Current Assets					
Investments	\$ -	\$ -	\$ 3,814,762	\$ 35,050,239	\$ 38,865,001
Accounts receivable	-	-	-	31,518	31,518
Due from other funds	820,112	2,742,348	11,502	-	3,573,962
Inventory	438,685	5,680	-	-	444,365
Prepaid expenses	-	-	14,055	292	14,347
Total Current Assets	<u>1,258,797</u>	<u>2,748,028</u>	<u>3,840,319</u>	<u>35,082,049</u>	<u>42,929,193</u>
Non-Current Assets					
Capital assets:					
Furniture, fixtures and equipment	492,692	1,495,526	-	-	1,988,218
Less: accumulated depreciation	<u>(447,733)</u>	<u>(959,827)</u>	-	-	<u>(1,407,560)</u>
Total capital assets, net of depreciation	<u>44,959</u>	<u>535,699</u>	-	-	<u>580,658</u>
Total Assets	<u>1,303,756</u>	<u>3,283,727</u>	<u>3,840,319</u>	<u>35,082,049</u>	<u>43,509,851</u>
LIABILITIES					
Current Liabilities					
Accounts payable	6,961	129,165	385,143	218,487	739,756
Due to other funds	-	-	-	6,638,758	6,638,758
Accrued liabilities	-	-	-	2,542,783	2,542,783
Claims Payable	-	-	1,900,000	9,245,710	11,145,710
Unearned revenue	-	-	-	3,908,319	3,908,319
Total Current Liabilities	<u>6,961</u>	<u>129,165</u>	<u>2,285,143</u>	<u>22,554,057</u>	<u>24,975,326</u>
Long-Term Liabilities					
Claims Payable	-	-	1,069,748	-	1,069,748
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>1,069,748</u>	<u>-</u>	<u>1,069,748</u>
Total Liabilities	<u>6,961</u>	<u>129,165</u>	<u>3,354,891</u>	<u>22,554,057</u>	<u>26,045,074</u>
NET POSITION					
Invested in capital assets	44,959	535,699	-	-	580,658
Unrestricted	<u>1,251,836</u>	<u>2,618,863</u>	<u>485,428</u>	<u>12,527,992</u>	<u>16,884,119</u>
TOTAL NET POSITION	<u>\$ 1,296,795</u>	<u>\$ 3,154,562</u>	<u>\$ 485,428</u>	<u>\$ 12,527,992</u>	<u>\$ 17,464,777</u>

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

COMBINING SCHEDULE OF REVENUES, EXPENSES AND

CHANGES IN FUND NET POSITION

INTERNAL SERVICE FUNDS

Year Ended June 30, 2013

	Printing and Duplicating Fund	Data Processing Fund	Workers Compensation Self-Insurance Fund	Health and Dental Self-Insurance Fund	Total
OPERATING REVENUES					
Charges for services - internal	\$ 2,645,420	\$ 5,365,214	\$ 2,230,000	\$ 75,063,610	\$ 85,304,244
Miscellaneous revenue	-	-	-	2,297,416	2,297,416
Contributions from employees and retirees	-	-	-	19,871,713	19,871,713
Total operating revenues	<u>2,645,420</u>	<u>5,365,214</u>	<u>2,230,000</u>	<u>97,232,739</u>	<u>107,473,373</u>
OPERATING EXPENSES					
Administrative expenses	2,242,692	3,876,300	2,960,714	8,643,695	17,723,401
Claims and related expenses	-	-	-	92,445,456	92,445,456
Depreciation expense	14,848	161,570	-	-	176,418
Total operating expenses	<u>2,257,540</u>	<u>4,037,870</u>	<u>2,960,714</u>	<u>101,089,151</u>	<u>110,345,275</u>
Operating income (loss)	387,880	1,327,344	(730,714)	(3,856,412)	(2,871,902)
NON-OPERATING REVENUE -					
Interest Income	-	-	4,603	42,293	46,896
Loss on disposal of asset	-	(10,123)	-	-	(10,123)
Non-Operating income	<u>-</u>	<u>(10,123)</u>	<u>4,603</u>	<u>42,293</u>	<u>36,773</u>
CHANGES IN NET POSITION	387,880	1,317,221	(726,111)	(3,814,119)	(2,835,129)
TOTAL NET POSITION, JULY 1, 2012	<u>908,915</u>	<u>1,837,341</u>	<u>1,211,539</u>	<u>16,342,111</u>	<u>20,299,906</u>
TOTAL NET POSITION, JUNE 30, 2013	<u>\$ 1,296,795</u>	<u>\$ 3,154,562</u>	<u>\$ 485,428</u>	<u>\$ 12,527,992</u>	<u>\$ 17,464,777</u>

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
COMBINING SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2013

	Printing and Duplicating Fund	Data Processing Fund	Workers Compensation Self-Insurance Fund	Health and Dental Self-Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from other funds	\$ 2,206,332	\$ 4,303,441	\$2,707,942	\$ 83,328,661	\$ 92,546,376
Cash received from employees and retirees	-	-	-	19,871,713	19,871,713
Payments to employees	(683,581)	(2,787,081)	(259,528)	(211,332)	(3,941,522)
Payments to suppliers	(1,522,751)	(1,408,376)	(2,448,414)	(102,989,042)	(108,368,583)
Net cash provided by operating activities	-	107,984	-	-	107,984
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases/Sale of Equipment	-	(107,984)	-	-	(107,984)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	-	-	(4,603)	(42,293)	(46,896)
Interest received	-	-	4,603	42,293	46,896
Net cash provided by investing activities	-	-	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-	-	-	-
CASH AND CASH EQUIVALENTS, JULY 1, 2012	-	-	-	-	-
CASH AND CASH EQUIVALENTS, JUNE 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 387,880	\$ 1,327,344	\$ (730,714)	\$ (3,856,412)	\$ (2,871,902)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:					
Depreciation	14,848	161,570	-	-	176,418
Effects of changes in assets and liabilities:					
Accounts receivable	-	-	-	74,578	74,578
Prepaid expenses	-	-	121,283	(292)	120,991
Due from other funds	(439,088)	(1,061,773)	477,942	-	(1,022,919)
Inventory	29,731	(133)	-	-	29,598
Accounts payable	6,629	(319,024)	58,846	(3,929,796)	(4,183,345)
Accrued Liabilities	-	-	-	2,416,913	2,416,913
Claims Payable	-	-	72,643	(598,048)	(525,405)
Due to other funds	-	-	-	5,674,526	5,674,526
Deferred revenue	-	-	-	218,531	218,531
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ -	\$ 107,984	\$ -	\$ -	\$ 107,984

Other Supplementary Information

THE BOARD OF EDUCATION OF HOWARD COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
Year Ended June 30, 2013

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Elementary Schools				
Atholton ES	\$ 16,923	\$ 49,736	\$ 51,791	\$ 14,868
Bellows Spring ES	81,643	98,923	112,546	68,020
Bollman Bridge ES	26,558	79,310	75,686	30,182
Bryant Woods ES	16,364	35,213	34,081	17,496
Bushy Park ES	32,331	61,832	66,068	28,095
Centennial Lane ES	22,683	34,649	39,899	17,433
Clarksville ES	26,159	43,655	52,432	17,382
Clemens Crossing ES	52,296	41,890	45,343	48,843
Cradlerock School	18,038	38,018	43,214	12,842
Dayton Oaks ES	33,234	83,272	82,925	33,581
Deep Run ES	33,576	67,104	67,407	33,273
Duckett's Lane ES	-	768	-	768
Elkridge ES	34,784	97,897	88,978	43,703
Forest Ridge ES	14,501	51,820	50,535	15,786
Fulton ES	25,322	65,259	61,370	29,211
Gorman Crossing ES	39,012	92,419	92,755	38,676
Guilford ES	35,969	64,336	55,745	44,560
Hammond ES	28,071	37,180	42,513	22,738
Hollifield Station ES	38,776	96,108	105,499	29,385
Ilchester ES	115,426	131,172	153,797	92,801
Jeffers Hill ES	25,931	36,401	38,239	24,093
Laurel Woods ES	9,449	32,795	30,897	11,347
Lisbon ES	25,457	37,447	40,541	22,363
Longfellow ES	40,039	54,296	74,684	19,651
Manor Woods ES	18,274	69,411	60,837	26,848
Northfield ES	9,953	52,013	48,524	13,442
Phelps Luck ES	39,519	29,486	32,326	36,679
Pointers Run ES	57,877	121,971	103,065	76,783
Rockburn ES	17,006	77,098	78,876	15,228
Running Brook ES	34,784	56,973	61,232	30,525
St. John's Lane ES	40,220	47,911	42,011	46,120
Stevens Forest ES	34,140	29,733	36,912	26,961
Swansfield ES	15,965	30,550	34,022	12,493
Talbot Springs ES	19,875	54,608	50,132	24,351
Thunder Hill ES	29,773	31,010	39,408	21,375
Triadelphia Ridge ES	39,848	61,948	57,255	44,541
Veterans ES	35,563	90,360	85,247	40,676
Waterloo ES	61,231	97,022	111,304	46,949
Waverly ES	12,112	66,427	58,248	20,291
West Friendship ES	21,912	31,964	26,383	27,493
Worthington ES	9,675	88,283	89,206	8,752
Total - Elementary Schools	\$ 1,290,269	\$ 2,468,268	\$ 2,521,933	\$ 1,236,604

Other Supplementary Information

THE BOARD OF EDUCATION OF HOWARD COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
Year Ended June 30, 2013

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Middle Schools				
Bonnie Branch MS	\$ 86,006	\$ 169,687	\$ 179,703	\$ 75,990
Burleigh Manor MS	61,615	222,768	207,714	76,669
Clarksville MS	54,610	125,528	132,829	47,309
Dunloggin MS	36,075	113,035	105,255	43,855
Elkridge Landing MS	49,310	113,197	112,506	50,001
Ellicott Mills MS	50,409	128,349	125,969	52,789
Folly Quarter MS	28,202	119,900	114,749	33,353
Glenwood MS	37,831	119,404	130,927	26,308
Hammond MS	35,471	115,591	109,886	41,176
Harper's Choice MS	25,594	82,255	85,703	22,146
Lake Elkhorn MS	12,489	71,443	74,658	9,274
Lime Kiln MS	40,969	159,262	150,515	49,716
Mayfield Woods MS	27,209	114,569	114,737	27,041
Mount View MS	58,033	200,458	206,360	52,131
Murray Hill MS	22,020	111,955	107,590	26,385
Oakland Mills MS	35,943	53,920	48,092	41,771
Patapsco MS	29,972	108,996	105,138	33,830
Patuxent Valley MS	(1,398)	119,416	119,666	(1,648)
Wilde Lake MS	42,134	123,071	120,190	45,015
Total - Middle Schools	\$ 732,494	\$ 2,372,804	\$ 2,352,187	\$ 753,111
High Schools				
Atholton HS	\$ 182,717	\$ 534,223	\$ 504,726	\$ 212,214
Centennial HS	278,462	793,229	786,738	284,953
Glenelg HS	166,383	724,615	678,096	212,902
Hammond HS	177,618	404,616	438,576	143,658
Howard HS	378,657	567,142	537,692	408,107
Long Reach HS	153,983	477,520	479,888	151,615
Marriotts Ridge HS	173,712	648,820	634,845	187,687
Mount Hebron HS	255,787	620,157	629,791	246,153
Oakland Mills HS	180,910	465,283	455,829	190,364
Reservoir HS	158,240	490,130	493,921	154,449
River Hill HS	215,768	871,760	891,401	196,127
Wilde Lake HS	155,037	355,113	349,709	160,441
Total - High Schools	\$ 2,477,274	\$ 6,952,608	\$ 6,881,212	\$ 2,548,670
Special Schools				
Apps and Research Lab	\$ 22,499	\$ 2,407	\$ 2,808	\$ 22,098
Cedar Lane School	53,630	108,155	108,020	53,765
Homewood School	5,938	13,688	11,198	8,428
Total - Special Schools	\$ 82,067	\$ 124,250	\$ 122,026	\$ 84,291
Total - All Schools	\$ 4,582,104	\$ 11,917,930	\$ 11,877,358	\$ 4,622,676

Statistical Section

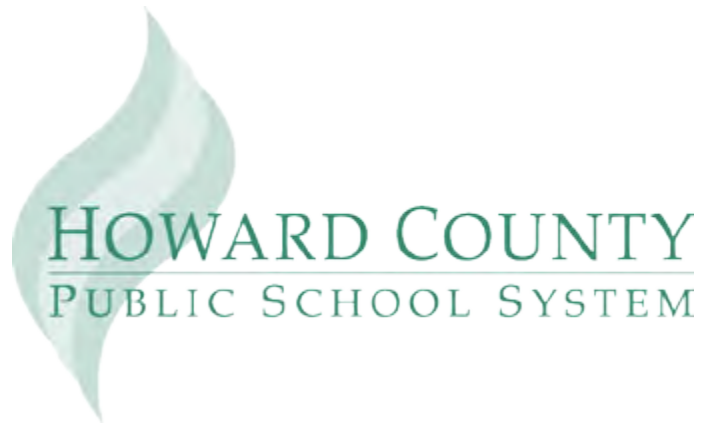




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Financial Trends – These schedules contain trend information to help the reader understand how the Board’s financial performance and well-being have changed over time.

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Debt Capacity – HCPSS has no authority to issue bond debt. The Howard County Government and the state of Maryland incur bond debt on behalf of HCPSS to fund Capital Improvements and are responsible for the liquidation of these debts. In accordance with Board Policy, HCPSS has the authority to enter into capital lease agreements.

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Statistical Section

Howard County Public School System
Net Position by Component
Last Ten Fiscal Years *
(amounts expressed in thousands)

Table 1

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Invested in capital assets, net of related debt	\$ 573,900	\$ 635,330	\$ 705,217	\$ 765,145	\$ 815,780	\$ 842,088	\$ 875,068	\$ 898,922	\$ 956,102	\$ 1,019,894
Restricted for construction	5,134	7,412	6,454	5,311	2,585	-	2	-	-	-
Restricted for treatment plant	-	-	-	-	-	984	1,181	1,236	1,236	1,240
Restricted for Food Services	1,852	1,415	1,485	1,120	2,274	806	3,036	146	145	152
Unrestricted	5,285	4,427	7,792	24,805	27,957	21,250	15,054	32,293	36,015	32,626
Total governmental activities net position	586,171	648,584	720,948	796,381	848,596	865,128	894,341	932,597	993,498	1,053,912
The James Rouse Theatre										
Invested in capital assets, net of related debt	24	53	113	89	69	67	47	27	23	29
Unrestricted	213	225	149	180	126	121	137	151	147	178
Total Rouse Theatre	237	278	262	269	195	188	184	178	170	207
Total School System	\$ 586,408	\$ 648,862	\$ 721,210	\$ 796,650	\$ 848,791	\$ 865,316	\$ 894,525	\$ 932,775	\$ 993,668	\$ 1,054,119

Source: HCPSS Finance Department. The school board has adopted the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy comprised primarily on the extent to which a governmental funds government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Prior year net position has been restated for this schedule in conformity with GASB 54.

Statistical Section

Howard County Public School System Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years * (amounts expressed in thousands)

Table 2

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Intergovernmental revenues										
Local	\$ 359,753	\$ 412,225	\$ 446,121	\$ 479,538	\$ 495,391	\$ 491,086	\$ 502,374	\$ 531,120	\$ 530,955	\$ 553,213
State	146,299	155,153	183,371	189,850	233,546	258,699	262,276	263,990	267,750	298,841
Federal	18,159	22,574	17,093	17,777	21,678	21,043	30,818	39,986	23,860	23,580
Earnings on interest and investment	173	456	1,138	2,368	1,917	1,005	125	122	64	57
Charges for services	10,612	10,400	11,450	14,377	13,413	14,239	13,640	13,756	28,280	12,109
Miscellaneous revenues	1,265	1,293	2,518	654	612	1,212	1,401	1,398	1,039	1,471
Total Revenues	536,261	602,101	661,691	704,564	766,557	787,284	810,634	850,372	851,949	889,271
Expenditures										
Instruction										
Regular education	207,222	218,808	248,244	250,110	277,498	296,527	297,340	302,091	306,791	316,259
Special education	65,164	71,118	79,623	82,168	88,837	95,766	96,986	98,017	96,411	99,859
Support Services										
General administration	6,901	7,872	8,466	9,240	10,443	11,540	10,634	10,663	10,676	11,511
Mid-level administration	33,277	35,251	43,490	45,347	48,737	55,908	54,226	56,675	54,922	59,180
Pupil personnel services	1,806	2,020	2,465	2,396	2,669	3,133	2,462	2,751	2,738	2,860
Health services	3,208	3,557	4,355	4,532	5,095	5,791	5,794	5,895	5,957	6,114
Pupil transportation	22,905	23,651	27,138	28,861	31,538	31,412	32,742	34,052	35,573	36,325
Operation of plant	26,257	28,473	33,265	38,672	43,120	43,245	43,411	37,721	37,850	39,439
Maintenance of plant	12,376	12,885	16,247	15,410	19,556	21,452	22,030	22,235	21,643	23,574
Fixed charges	91,204	98,666	83,280	120,871	153,117	151,094	165,229	193,730	181,842	178,693
Community services	3,848	5,176	4,780	4,914	6,010	6,211	5,901	6,064	6,055	6,190
Food services	9,620	10,398	11,041	11,375	11,399	11,725	11,689	12,167	12,009	12,202
Capital outlay	50,671	85,967	104,788	91,375	76,930	70,906	60,809	64,035	71,076	97,446
Total	534,459	603,842	667,182	705,271	774,949	804,710	809,253	846,096	843,543	889,652
Excess (deficit) of revenues over expenditures	1,802	(1,741)	(5,491)	(707)	(8,392)	(17,426)	1,381	4,276	8,406	(381)
Other Financing Sources (Uses)										
Capital contributions	-	4,093	7,648	4,504	6,027	971	195	52	-	-
Net change in fund balances	\$ 1,802	\$ 2,352	\$ 2,157	\$ 3,797	\$ (2,365)	\$ (5,731)	\$ 1,576	\$ 4,328	\$ 8,406	\$ (381)

* Modified accrual basis of accounting
Source: HCPSS Records

Statistical Section

Howard County Public School System
Changes in Net Position
Last Ten Fiscal Years
(amounts expressed in thousands)

Table 3

<u>Functions/Programs</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Expenses										
Governmental Activities										
Instruction										
Regular education	\$ 286,901	\$ 304,177	\$ 339,932	\$ 349,849	\$ 401,309	\$ 437,654	\$ 436,546	\$ 465,690	\$ 463,498	\$ 476,879
Special education	81,270	89,054	94,877	103,170	114,495	123,944	128,051	131,738	130,779	134,681
Total Instruction	<u>368,171</u>	<u>393,231</u>	<u>434,809</u>	<u>453,019</u>	<u>515,804</u>	<u>561,598</u>	<u>564,597</u>	<u>597,428</u>	<u>594,277</u>	<u>611,560</u>
Support Services										
Administration	11,808	13,672	9,809	11,193	13,026	13,729	13,845	13,328	14,278	14,726
Mid-level administration	42,873	45,888	50,984	59,362	65,680	74,012	74,277	80,223	62,950	82,617
Pupil personnel services	2,308	2,589	2,686	3,074	3,516	4,062	3,524	3,844	3,823	2,860
Health services	4,119	4,573	5,264	5,841	6,782	7,755	8,057	8,324	8,387	8,543
Pupil transportation	23,207	23,975	27,411	29,238	31,944	31,711	33,254	34,655	36,138	36,808
Operation of plant	30,727	31,884	34,842	40,341	44,955	49,378	50,475	45,384	45,276	46,705
Maintenance of plant and equipment	14,462	15,391	15,702	19,228	25,025	26,004	27,087	27,905	26,962	28,817
Community services	4,357	4,678	5,305	5,609	6,827	7,043	7,091	7,298	7,264	7,265
Food services	9,620	10,386	11,041	11,375	11,399	11,725	11,689	12,167	12,009	12,202
Interest on long-term debt	-	72	127	642	555	580	433	325	163	96
Total Support Services	<u>143,481</u>	<u>153,108</u>	<u>163,171</u>	<u>185,903</u>	<u>209,709</u>	<u>225,999</u>	<u>229,732</u>	<u>233,453</u>	<u>217,250</u>	<u>240,640</u>
Total Governmental Activities	<u>511,652</u>	<u>546,339</u>	<u>597,980</u>	<u>638,922</u>	<u>725,513</u>	<u>787,597</u>	<u>794,329</u>	<u>830,881</u>	<u>811,527</u>	<u>852,199</u>
Business-type activities										
James T. Rouse Theatre	86	91	148	148	228	164	132	150	177	103
Total School System Expenses	<u>\$ 511,738</u>	<u>\$ 546,430</u>	<u>\$ 598,128</u>	<u>\$ 639,070</u>	<u>\$ 725,741</u>	<u>\$ 787,761</u>	<u>\$ 794,461</u>	<u>\$ 831,031</u>	<u>\$ 811,704</u>	<u>\$ 852,303</u>

Source: HCPSS Finance Department

**Howard County Public School System
Changes in Net Position
Last Ten Fiscal Years
(amounts expressed in thousands)**

Table 3 (continued)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues										
Charges for Services										
Regular education	\$ 1,197	\$ 1,345	\$ 2,709	\$ 4,094	\$ 3,868	\$ 4,847	\$ 4,776	\$ 5,061	\$ 18,645	\$ 3,020
Special education	1,397	813	2,544	1,957	2,288	14,331	(681)	3,418	4,750	2,110
Operation of plant	6,722	6,975	7,650	8,913	8,416	8,059	7,462	7,037	6,813	6,165
Food services	68,141	72,830	47,484	82,016	105,586	96,957	129,393	154,174	133,145	122,699
Operating grants and contributions	52,412	84,406	98,717	88,505	71,339	54,178	58,845	63,877	69,629	98,706
Total Program Revenues	1129,869	166,369	159,104	185,485	191,497	178,372	199,795	233,567	232,982	232,700
Business-type activities										
James T. Rouse Theatre	151	131	133	155	154	156	128	144	169	139
Total School System Revenues	130,020	166,500	159,237	185,640	191,651	178,528	199,923	233,711	233,151	232,839
Total Governmental Net Expense	(381,718)	(379,930)	(438,891)	(453,430)	(534,090)	(609,233)	(594,538)	(597,320)	(578,553)	(617,270)
General Revenues and Other Changes in Net Assets										
General revenues										
Local appropriations	310,590	334,590	362,590	393,711	427,176	454,795	457,561	464,708	467,617	482,385
State Aid	99,134	105,937	144,949	132,322	155,763	168,600	164,563	169,183	169,994	191,285
Federal Aid	260	191	172	183	1,019	189	100	174	141	148
Interest and investment earnings	149	373	1,010	2,001	1,660	962	124	122	72	98
Miscellaneous	1,264	1,293	2,518	654	612	1,212	1,401	1,382	1,620	3,769
Total General Revenues	411,397	442,384	511,239	528,871	586,230	625,758	623,749	635,569	639,444	677,684
Changes in Net Position- Governmental Funds	29,614	62,414	72,363	75,435	52,214	16,533	29,213	38,255	60,902	60,415
Changes in Net Position - James Rouse Theatre	65	40	(15)	6	(74)	(8)	(4)	(5)	(9)	36
Changes in Net Position	26,679	62,454	72,348	75,441	52,140	16,525	29,209	38,250	60,893	60,451
Net Position - Beginning of year	556,729	586,408	648,862	721,210	796,650	848,791	865,316	894,525	932,775	993,668
Net Position - End of Year	\$ 586,408	\$ 648,862	\$ 721,210	\$ 796,650	\$ 848,791	\$ 865,316	\$ 894,525	\$ 932,775	\$ 993,668	\$ 1,054,119

Ratios of Outstanding Debt by Type Last Ten Fiscal Years				
Fiscal Year	Governmental Activities Capital Leases	Business-Type Activities	Total	
2004	*	*	*	
2005	3,763,239	-	3,763,239	
2006	9,620,123	-	9,620,123	
2007	10,975,023	-	10,975,023	
2008	12,940,923	-	12,940,923	
2009	16,942,317	-	16,942,317	
2010	1,678,806	-	11,678,806	
2011	7,026,954	-	7,026,954	
2012	3,878,014	-	3,878,014	
2013	3,474,032	-	3,474,032	

Details regarding HCPSS' outstanding debt can be found in Note 4 to the financial statements.

* Information not available for FY 2004

**Howard County Public School System
General Fund
Final Approved Operating Budgets
Last Ten Fiscal Years**

Table 5

	Administration	Instruction	Instructional Salaries	Textbooks and Classroom Supplies	Other Instructional Costs	Pupil Personnel Services	Health Services	Pupil Transportation
2004	6,357,360	*	183,899,880	9,141,920	1,885,150	1,693,340	3,203,480	22,962,330
2005	7,463,590	*	201,831,090	8,102,360	2,055,760	1,969,640	3,567,280	23,614,240
2006	7,799,710	*	215,125,210	11,175,120	2,275,560	2,123,910	3,989,210	27,216,280
2007	9,162,030	*	231,448,730	11,597,405	2,699,230	2,270,190	4,438,681	30,006,000
2008	10,447,281	*	256,389,040	12,556,290	2,687,269	2,600,070	5,102,390	31,618,370
2009	11,368,190	293,524,610	**	**	**	2,798,800	5,707,900	32,659,320
2010	10,410,000	296,198,150	**	**	**	2,638,660	5,950,430	32,692,230
2011	10,695,460	302,613,920	**	**	**	2,811,970	6,116,460	33,296,950
2012	10,868,810	304,232,890	**	**	**	2,793,820	6,065,790	36,952,790
2013	11,632,220	*	296,701,890	13,445,390	3,018,300	2,838,010	6,221,890	37,088,910

*Instruction amounts are presented in subcategories - Instructional Salaries, Textbooks and Classroom Supplies, and Other Instructional Costs.
 **Instruction amounts were not presented as subcategory in the financial statements for these years.
 Source: HCPSS Finance Department

Table 5 (continued)

**Howard County Public School System
General Fund
Final Approved Operating Budgets (Continued)
Last Ten Fiscal Years**

	Operation of Plant	Maintenance of Plant	Fixed Charges	Mid-Level Administration	Community Services	Special Education	Capital Outlay	Total
2004	25,124,320	11,902,340	65,476,200	31,705,580	3,223,420	54,072,880	622,030	421,270,230
2005	27,545,780	13,168,430	71,917,600	34,793,560	3,686,340	60,651,290	737,190	461,104,150
2006	30,381,970	14,077,530	81,188,830	39,088,010	4,042,990	64,890,120	825,700	504,200,150
2007	36,046,160	16,188,320	88,650,070	43,537,840	4,608,680	70,018,280	850,470	551,522,086
2008	38,794,360	19,800,720	102,406,180	47,004,300	5,667,810	76,871,520	857,020	612,802,620
2009	43,829,530	23,019,340	104,248,720	51,345,570	6,146,920	81,515,640	923,480	657,088,020
2010	44,981,460	22,038,300	104,753,230	49,639,240	6,201,990	80,276,160	914,260	656,694,110
2011	42,963,370	20,691,170	114,108,000	52,107,500	5,980,860	83,071,460	890,560	675,347,680
2012	42,779,590	20,977,530	116,181,680	52,043,110	6,020,350	84,071,650	847,030	683,835,040
2013	37,893,420	21,113,640	126,085,170	53,110,370	5,987,200	87,715,530	815,460	703,667,400

Source: HCPSS Finance Department

**Howard County Public School Systems
Capital Assets By Function
June 30, 2013**

Table 6

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Schools										
Buildings	70	70	71	72	72	72	72	72	73	74
Administration										
Buildings	2	3	3	3	3	3	3	2	3	2
Vehicles	30	29	24	34	32	19	19	19	18	17
Mid-level Administration										
Vehicles	*	*	*	*	*	12	11	11	14	11
Special Education										
Vehicles	*	*	*	*	*	1	1	1	1	1
Capital Outlay										
Vehicles	*	*	*	*	*	3	3	3	3	3
Maintenance										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	185	195	209	216	230	28	34	35	46	52
Operations										
Vehicles	*	*	*	*	*	208	207	200	194	177
Technology										
Buildings	-	-	-	1	1	1	1	1	1	1
Vehicles	16	17	17	17	16	13	13	13	12	12
Print Shop										
Print Presses	5	5	5	5	6	11	11	10	11	4
Community Services										
Vehicles	*	*	*	*	*	3	5	5	6	7
Student Transportation										
Vehicles	7	8	8	11	11	12	13	12	10	11

Source: HCPSS Finance Department
* Data not available for previous years.

Howard County Public School System
Computation of Debt Limits *
Last Seven Years **

	2007	2008	2009	2010	2011	2012	2013
Current Operating Budget	<u>551,522,080</u>	<u>612,902,620</u>	<u>657,088,020</u>	<u>656,694,110</u>	<u>675,347,650</u>	<u>683,835,040</u>	<u>703,667,400</u>
6 % of Current Operating Budget	<u>33,091,325</u>	<u>36,774,157</u>	<u>39,425,281</u>	<u>39,401,647</u>	<u>40,520,859</u>	<u>41,030,102</u>	<u>42,220,044</u>
Total Debt Outstanding June 30	<u>10,957,023</u>	<u>12,940,923</u>	<u>16,942,317</u>	<u>11,678,806</u>	<u>7,026,954</u>	<u>3,878,014</u>	<u>3,474,031</u>
Compliance with Debt Limit	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3 % of Current Operation Budget	<u>16,545,662</u>	<u>18,387,079</u>	<u>19,712,641</u>	<u>19,700,823</u>	<u>20,260,430</u>	<u>20,515,051</u>	<u>21,110,022</u>
Total Debt Service	<u>3,149,141</u>	<u>4,061,178</u>	<u>6,722,505</u>	<u>5,981,054</u>	<u>4,651,852</u>	<u>3,148,940</u>	<u>403,983</u>
Compliance with Debt Service Limit	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* The Board of Education of Howard County Public Schools adopted Policy 4090, Debt Management, effective July 1, 2008.

** HCPSS had no debt prior to FY 2005

HCPSS has no authority to issue bond debt. The Howard County Government and the State of Maryland incur bond debt on behalf of HCPSS to fund capital improvements and are responsible for the liquidation of these debts. In accordance with Board Policy, HCPSS has the authority to enter into capital lease agreements, limited to no more than 6 % of the current operating budget. In addition, HCPSS must limit debt service to 3 % of the total operating budget.

Source: HCPSS Finance Department

**Howard County Public School System
Enrollment by Grade Last Ten Years
as of September 30th**

Table 8

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Elementary School*										
Pre-Kindergarten	706	751	804	893	948	1,015	958	1,002	1,060	1,121
Kindergarten	2,772	2,674	2,846	2,943	3,226	3,298	3,379	3,386	3,496	3,728
Grade 1	3,318	3,294	3,071	3,272	3,276	3,453	3,582	3,642	3,637	3,787
2	3,502	3,465	3,425	3,247	3,379	3,399	3,584	3,716	3,775	3,929
3	3,694	3,565	3,531	3,519	3,343	3,490	3,541	3,695	3,817	3,870
4	3,657	3,782	3,646	3,634	3,615	3,441	3,642	3,648	3,799	4,019
5	3,849	3,718	3,893	3,703	3,705	3,730	3,564	3,727	3,756	4,012
SP										
Total Elementary School	21,498	21,249	21,216	21,211	21,492	21,826	22,250	22,816	23,340	24,466
Middle School*										
Grade 6	3,831	3,900	3,808	3,997	3,780	3,772	3,874	3,646	3,792	4,025
7	3,919	3,845	3,969	3,864	4,072	3,855	3,833	3,942	3,717	3,935
8	3,939	3,921	3,938	4,028	3,912	4,121	3,942	3,884	3,993	3,932
SP		88								
Total Middle School	11,689	11,754	11,715	11,889	11,764	11,748	11,649	11,472	11,502	11,892
High School*										
Grade 9	4,015	4,251	4,308	4,419	4,401	4,263	4,535	4,301	4,269	4,200
10	3,887	3,835	3,988	4,025	4,147	4,175	4,067	4,368	4,117	4,178
11	3,515	3,735	3,671	3,892	3,875	3,965	4,067	3,911	4,185	3,948
12	3,212	3,325	3,611	3,522	3,768	3,828	3,988	4,034	3,959	4,045
SP		89								
Total High School	14,629	15,235	15,578	15,858	16,191	16,231	16,657	16,614	16,530	16,371
Special Education*	101	95	87	90	96	98	85	91	106	93
Total Enrollment*	47,917	48,333	48,596	49,048	49,543	49,903	50,641	50,993	51,478	52,822
Number of Teachers **	2,435	2,435	2,486	2,655	2,736	2,625	2,816	2,833	2,869	2,884
Ratio of Students to Teachers	20:1	20:1	19:1	18:1	18:1	19:1	18:1	18:1	18:1	18:1

*Source: HCPSS Public Information Office

**Source: Maryland State Department of Education

**Howard County Public School System
Enrollment by School Last Ten Years
As of September 30th**

Table 9

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Capacity	% of Capacity
Elementary Schools												
Atholton	499	485	443	418	437	441	480	478	499	421	387	108.8%
Bellows Springs	695	740	719	729	725	765	822	851	885	669	762	87.8%
Bollman Bridge	626	605	612	582	582	611	605	599	625	775	663	116.9%
Bryant Woods	329	360	392	398	337	347	353	349	367	367	355	103.4%
Bushy Park	707	688	677	688	691	697	636	644	638	607	788	77.0%
Centennial Lane	607	590	579	563	613	637	652	664	698	700	628	111.5%
Clarksville	669	677	675	559	532	553	542	527	522	523	634	82.5%
Clemens Crossing	531	482	459	462	469	483	488	491	500	502	522	96.2%
Cradlerock-lower	422	416	429	459	461	468	476	474	499	528	487	108.4%
Dayton Oaks	-	-	-	574	556	506	459	446	473	636	788	80.7%
Deep Run	641	600	582	592	571	598	624	657	706	659	601	109.7%
Duckett's Lane	-	-	-	-	-	-	-	-	-	662	600	110.3%
Elkridge	673	691	662	638	690	760	795	847	890	776	779	99.6%
Forest Ridge	637	601	609	603	627	633	657	700	764	748	626	119.5%
Fulton	760	756	785	683	666	638	652	653	672	703	772	91.1%
Gorman Crossing	511	553	554	566	623	579	612	620	700	684	540	126.7%
Guilford	401	412	440	470	479	486	511	507	523	498	462	107.8%
Hammond	535	518	504	492	491	475	499	513	511	605	597	101.3%
Hollifield Station	819	818	819	788	613	609	636	675	671	746	688	108.4%
Ichester	629	593	600	591	581	596	650	666	664	775	617	125.6%
Jeffers Hill	356	366	385	397	388	376	383	371	367	406	421	96.4%
Laurel Woods	480	482	484	483	531	561	569	599	609	571	540	105.7%
Lisbon	602	555	530	486	475	470	462	461	427	399	553	72.2%
Longfellow	394	389	394	395	420	427	417	442	447	457	418	109.3%
Manor Woods	694	683	674	639	602	609	629	644	638	677	647	104.6%
Northfield	616	611	620	639	533	553	596	608	611	722	672	107.4%
Phelps Luck	499	496	529	589	616	643	650	671	723	563	540	104.3%
Pointers Run	885	854	799	790	755	700	677	643	615	787	776	101.4%
Rockburn	613	662	686	709	714	757	731	731	711	706	667	105.8%
Running Brook	309	342	345	339	394	401	434	417	433	491	405	121.2%
St. John's Lane	744	713	766	785	551	555	549	562	552	683	597	114.4%
Stevens Forest	358	335	316	292	290	282	293	302	284	425	333	127.6%
Swansfield	492	520	525	513	518	527	505	563	563	598	528	113.3%
Talbot Springs	487	513	472	426	448	477	495	581	590	438	443	98.9%
Thunder Hill	383	339	319	317	344	356	349	370	382	470	468	100.4%
Triadelphia Ridge	693	701	671	432	431	429	428	408	411	485	544	89.2%
Veterans	-	-	-	-	800	868	904	982	1,005	820	788	104.1%
Waterloo	586	560	565	599	641	667	723	755	757	616	594	103.7%
Waverly	653	626	656	665	547	548	558	599	595	757	675	112.1%
West Friendship	440	426	413	310	315	299	297	292	290	287	396	72.5%
Worthington	523	491	527	551	435	439	452	494	523	524	516	101.6%
Total Elementary Schools	21,498	21,249	21,216	21,211	21,492	21,826	22,250	22,816	23,340	24,466	23,817	102.7%

Numbers include Pre-K Students.

Source: HCPSS Public Information Office

Table 9 (continued)
 Howard County Public School System
 Enrollment by School Last Ten Years
 As of September 30th

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Capacity	% of Capacity
Middle Schools												
Bonnie Branch	655	675	667	677	679	690	687	664	705	733	662	110.7%
Burleigh Manor	607	588	584	652	684	689	660	621	617	701	662	105.9%
Clarksville	677	693	729	748	728	720	693	685	655	608	662	91.8%
Dunloggin	523	544	533	557	512	526	515	529	552	573	526	108.9%
Elkridge Landing	704	695	691	701	626	642	666	684	693	733	662	110.7%
Ellicott Mills	546	585	583	684	673	709	699	669	716	774	662	116.9%
Folly Quarter	664	628	625	559	577	553	549	579	588	543	662	82.0%
Glenwood	582	629	651	670	660	633	642	600	593	543	584	93.0%
Hammond	626	641	630	670	620	583	573	542	526	477	584	81.7%
Harper's Choice	640	611	560	551	558	524	511	492	511	522	506	103.2%
Lake Elkhorn	535	494	484	462	450	448	476	463	466	510	584	87.3%
Lime Klin	531	585	608	648	648	673	654	624	593	635	701	90.6%
Mayfield Woods	584	580	548	517	640	684	725	716	720	778	682	114.1%
Mount View	667	691	721	721	710	710	710	682	679	734	662	110.9%
Murray Hill	604	591	634	684	669	658	680	724	728	734	662	110.9%
Oakland Mills	485	472	443	478	478	444	426	393	400	437	506	86.4%
Patapsco	721	743	762	681	633	648	603	605	583	629	662	95.0%
Patuxent Valley	729	723	739	728	742	744	705	689	663	681	662	102.9%
Wide Lake	609	586	523	501	467	470	475	511	514	547	506	108.1%
Total Middle Schools	11,689	11,754	11,715	11,889	11,764	11,748	11,649	11,472	11,502	11,892	11,799	100.8%
High Schools												
Atholton	1,198	1,252	1,365	1,374	1,446	1,419	1,473	1,460	1,488	1,463	1,360	107.6%
Centennial	1,529	1,619	1,498	1,466	1,473	1,452	1,488	1,475	1,435	1,371	1,360	100.8%
Glenelg	1,181	1,279	1,200	1,181	1,187	1,185	1,188	1,234	1,225	1,275	1,420	89.8%
Hammond	1,321	1,343	1,305	1,323	1,270	1,280	1,341	1,344	1,319	1,254	1,220	102.8%
Howard	1,174	1,242	1,332	1,398	1,453	1,517	1,617	1,636	1,700	1,730	1,420	121.8%
Long Reach	1,572	1,488	1,428	1,372	1,264	1,233	1,224	1,229	1,301	1,374	1,488	92.3%
Marriotts Ridge	-	-	577	888	1,188	1,237	1,282	1,308	1,268	1,221	1,615	75.6%
Mt. Hebron	1,578	1,618	1,450	1,427	1,422	1,450	1,472	1,484	1,450	1,451	1,280	113.4%
Oakland Mills	1,062	1,111	1,159	1,168	1,237	1,217	1,201	1,175	1,141	1,127	1,400	80.5%
Reservoir	926	1,317	1,396	1,465	1,513	1,512	1,566	1,539	1,530	1,502	1,551	96.8%
River Hill	1,647	1,549	1,434	1,407	1,376	1,343	1,456	1,399	1,390	1,346	1,488	90.5%
Wide Lake	1,441	1,417	1,434	1,389	1,362	1,386	1,349	1,331	1,283	1,257	1,424	88.3%
Total High Schools	14,629	15,235	15,578	15,958	16,191	16,231	16,657	16,614	16,530	16,371	17,026	96.2%
Special Schools												
Cedar Lane	101	95	87	90	96	98	85	91	106	93	120	77.5%
Total All Schools	47,917	48,333	48,596	49,048	49,543	49,903	50,641	50,993	51,478	52,822	52,762	100.1%

Statistical Section

**Howard County Public School System
Howard County, Maryland
Principal Employers
June 30, 2013
Current Year and Ten Years Ago**

Table 10

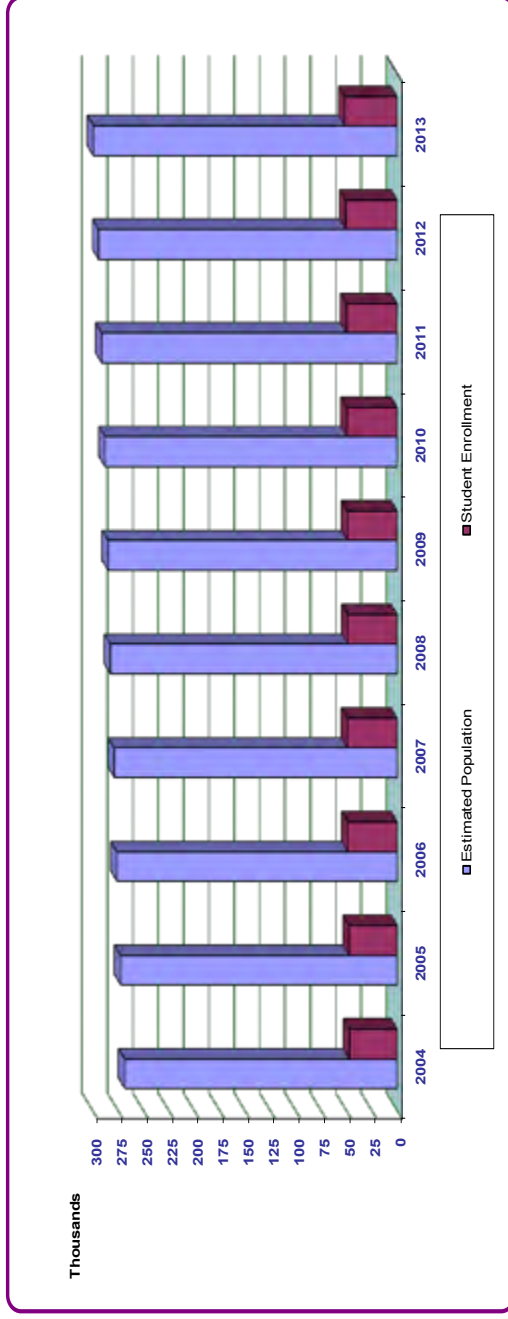
Employer	2012			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Howard County Public School System	7,553	1	4.55%	6,687	1	4.98%
Johns Hopkins Applied Physics Laboratory	4,700	2	2.83%	3,300	2	2.46%
Howard County Government	2,877	3	1.73%	2,441	3	1.82%
Verizon Wireless	2,200	4	1.32%	750	10	0.56%
Lorien Health Systems	2,000	5	1.20%	0		0.00%
Howard County General Hospital	1,728	6	1.04%	1,630	5	1.21%
Howard Community College	1,290	7	0.78%	-		0.00%
SAIC	1,060	8	0.64%	-		0.00%
Giant Food	1,050	9	0.63%	2,110	4	1.57%
Columbia Association, The	900	10	0.54%	1,300	6	0.97%
Ascend One	-		0.00%	800	7	0.60%
The Arbitron Company	-		0.00%	800	7	0.60%
W.R. Grace	-		0.00%	800	7	0.60%
Sysco Food Services of Baltimore	-		0.00%	790	8	0.59%
Neighbor Care, Inc.	-		0.00%	760	9	0.57%
Total	25,358		15.26%	22,168		16.53%

Source: Howard County, Maryland 2013 Comprehensive Annual Financial Report

Howard County Public School System
Demographic and Economic Statistics
Last 10 Fiscal Years

Table 11

Fiscal Year	Estimated Population	Personal Income (In Thousands)	Per Capita Personal Income	Public School Enrollment	Unemployment Rate
2004	268,561	13,822,504	52,085	47,211	2.7%
2005	272,584	14,730,587	55,008	47,552	3.2%
2006	276,287	15,810,097	58,396	48,596	3.1%
2007	278,900	16,742,719	61,096	49,048	2.7%
2008	282,674	17,338,901	62,553	48,595	3.2%
2009	284,952	17,426,777	61,823	48,888	5.7%
2010	287,907	18,282,037	63,375	49,635	5.5%
2011	291,200	19,435,303	66,300	49,991	5.6%
2012	294,256	N/A	N/A	50,997	5.5%
2013	299,430	N/A	N/A	51,924	4.6%



Source: Howard County, Maryland 2012 Comprehensive Annual Financial Report

Table 12

**Howard County Public School System
Cost per Pupil - Budgetary Basis (non-GAAP)
Last Ten Fiscal Years ***

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Number of Pupils Enrolled * (Including Pre-K)	<u>47,917</u>	<u>48,333</u>	<u>48,596</u>	<u>49,048</u>	<u>49,543</u>	<u>49,903</u>	<u>50,641</u>	<u>50,993</u>	<u>51,478</u>	<u>52,822</u>
Expenditures **										
Current:										
Administration	\$ 133	\$ 154	\$ 160	\$ 186	\$ 209	\$ 232	\$ 194	\$ 204	\$ 204	\$ 215
Instruction										
Instructional salaries	4,067	4,385	4,703	5,009	5,172	5,628	5,609	5,610	5,548	5,698
Textbooks and classroom supplies	-	-	-	-	253	262	255	348	266	225
Other instructional costs	-	-	-	-	54	50	49	48	50	58
Pupil personnel services	35	40	44	46	52	60	48	54	52	54
Health services	66	74	82	90	102	119	117	118	115	117
Pupil transportation	470	488	551	596	627	639	659	681	692	705
Operation of plant	725	783	852	1,063	1,013	1,119	1,108	1,007	994	959
Maintenance of plant	248	272	289	325	400	452	451	408	467	391
Fixed charges	1,366	1,488	1,671	1,807	2,067	2,112	2,086	2,240	2,268	2,428
Mid-level administration	661	720	804	887	948	1,091	977	1,000	1,060	1,013
Community services	69	78	86	120	119	123	123	120	120	114
Special education	1,266	1,255	1,440	1,426	1,551	1,690	1,748	1,611	1,621	1,671
Capital outlay	<u>13</u>	<u>15</u>	<u>17</u>	<u>17</u>	<u>19</u>	<u>18</u>	<u>16</u>	<u>15</u>	<u>15</u>	<u>16</u>
Total Expenditure per Pupil	<u>\$ 9,119</u>	<u>\$ 9,752</u>	<u>\$ 10,699</u>	<u>\$ 11,572</u>	<u>\$ 12,586</u>	<u>\$ 13,595</u>	<u>\$ 13,440</u>	<u>\$ 13,464</u>	<u>\$ 13,472</u>	<u>\$ 13,664</u>
State Rank ***	5	4	3	4	5	5	5	5	7	****

*Source: HCPSS Public Information Office

** Source: HCPSS Finance Department

*** Source: Maryland State Department of Education

**** 2013 Data not available at date of publication

Table 13

**Howard County Public School System
Food Services Data
Last Five Fiscal Years***

	2009	2010	2011	2012	2013
Number of Schools	72	72	72	73	73
Number of days lunch served	180	179	180	179	177
Number of free lunches served to pupils annually	696,651	827,756	960,164	1,043,509	1,049,697
Average number of free lunches served to pupils daily	3,870	4,624	5,334	5,830	5,930
Number of paid lunches served to pupils annually:					
At reduced price	223,142	227,958	201,814	215,666	201,983
At regular price	2,129,236	1,933,054	1,810,481	1,775,034	1,593,948
Average number of paid lunches served to pupils daily:					
At reduced price	1,240	1,274	1,121	1,205	1,141
At regular price	11,829	10,799	10,058	9,916	9,005
Total number of lunches served to pupils annually	3,049,029	2,988,769	2,972,459	3,034,209	2,845,628
Average number of lunches served to pupils daily	16,939	16,697	16,514	16,951	16,077
Charge per lunch to pupils:					
Elementary	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Secondary	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00

Source: HCPSS Food and Nutrition Service

Table 14

**Howard County Public School System
Transportation Data
Last Ten Fiscal Years**

	<u>Estimated number of eligible riders (Daily)</u>	<u>Number of bus routes (Daily)</u>
2013	41,525	438
2012	41,504	436
2011	40,200	434
2010	40,180	432
2009	39,079	429
2008	40,425	425
2007	41,682	420
2006	41,345	416
2005	39,603	401
2004	42,537	398

Source: HCPSS Transportation Office

Table 15

**Howard County Public School System
High School Graduation Data
Last Ten Fiscal Years**

	<u>Graduation Rate</u>
2013	90.6%
2012	89.50%
2011	89.50%*
2010	93.60%
2009	94.90%
2008	94.87%
2007	94.79%
2006	94.11%
2005	93.80%
2004	93.14%

* In 2011, MSDE modified its methodology for calculating graduation rates resulting in lower rates across all Maryland school districts. Consequently, the 2011 graduation rate is comparable to prior years.

Source: HCPSS Public Information Office

**Howard County Public School System
Full-Time Equivalent School System Budgeted Positions by Function
Last Ten Fiscal Years**

Table 16

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Administration	66.0	73.5	78.5	86.3	94.3	97.8	94.1	91.1	92.4	96.4
Mid-level administration	450.5	465.0	501.5	556.0	572.5	587.5	588.5	585.5	586.5	594.0
Instruction	3,638.9	3,759.4	3,884.0	4,030.9	4,255.4	4,336.9	4,379.3	4,390.6	4,434.3	4,504.5
Special education	1,269.3	1,297.0	1,352.0	1,401.0	1,448.5	1,494.5	1,505.5	1,501.7	1,496.4	1,499.4
Pupil personnel services	23.2	24.2	25.0	30.0	32.0	32.0	32.0	32.0	32.0	31.0
Health services	104.0	104.0	108.0	113.0	118.0	126.0	127.0	127.0	127.0	127.0
Pupil transportation	12.5	13.0	13.0	12.0	12.0	13.0	14.0	14.0	14.0	14.0
Operation of plant	397.5	402.5	417.0	433.5	447.0	449.0	449.0	449.0	450.0	450.5
Maintenance of plant	151.0	151.0	164.0	174.0	184.0	189.0	187.0	182.0	183.0	183.0
Community services	24.4	23.9	24.9	24.9	38.9	40.9	40.4	40.4	40.9	42.9
Capital outlay	7.5	8.5	9.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Total General Fund	<u>6,144.8</u>	<u>6,322.0</u>	<u>6,576.9</u>	<u>6,871.6</u>	<u>7,212.6</u>	<u>7,376.6</u>	<u>7,426.8</u>	<u>7,423.3</u>	<u>7,466.5</u>	<u>7,552.7</u>
Total Grants Fund (estimated)	<u>175.0</u>	<u>148.1</u>	<u>231.8</u>	<u>226.5</u>	<u>170.5</u>	<u>180.5</u>	<u>186.0</u>	<u>174.2</u>	<u>174.2</u>	<u>156.7</u>
Restricted Funds										
Food services	182.0	181.0	181.5	187.5	187.5	187.0	187.0	187.0	187.0	187.0
Printing and duplicating	9.0	9.0	9.0	10.0	10.0	10.0	11.0	11.0	11.0	10.0
Information management	20.0	21.0	23.0	24.0	33.0	36.0	35.0	38.0	38.0	37.0
Health and dental self-insurance	3.0	3.0	2.5	2.5	3.0	3.0	3.0	3.0	3.0	3.0
Workers' compensation	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Revolving Funds	<u>216.0</u>	<u>216.0</u>	<u>218.0</u>	<u>227.0</u>	<u>236.5</u>	<u>239.0</u>	<u>239.0</u>	<u>242.0</u>	<u>242.0</u>	<u>240.0</u>
Total All Funds	<u>6,360.8</u>	<u>6,535.8</u>	<u>6,686.1</u>	<u>7,026.7</u>	<u>7,325.1</u>	<u>7,619.6</u>	<u>7,796.1</u>	<u>7,851.8</u>	<u>7,839.5</u>	<u>7,949.4</u>

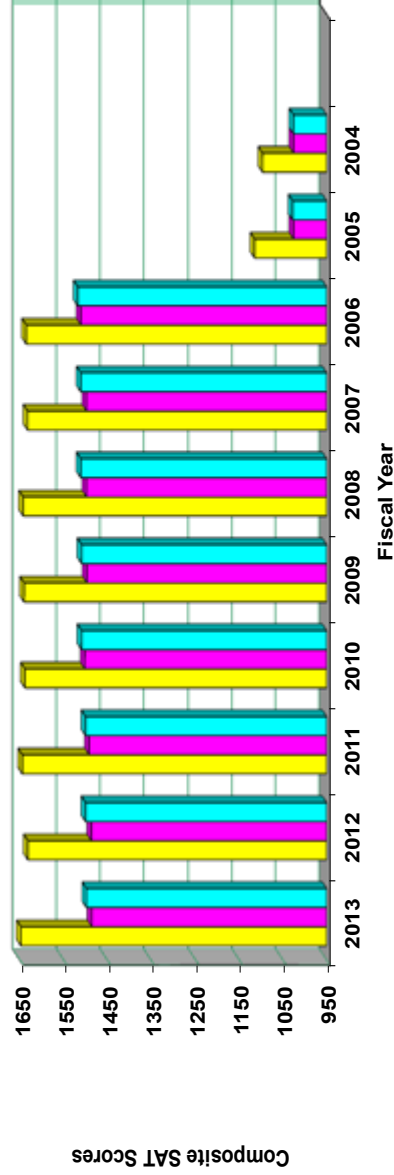
Source: HCPSS Human Resources Office

Table 17

Howard County Public School System
Assessment Achievement
County - State - National
Last Ten Years

	SAT			Maryland State Assessment *				High School Assessment ***							
	Howard County	Maryland State	National	Elementary Reading	Math	Middle Reading	Math	Howard County Algebra	Biology	English	Government	Algebra	Biology	English	Government
2013	1648	1486	1498	93.9	92.2	91.6	84.2	97.6	96.3	93.4	93.2	88.3	85.8	86.4	84.6
2012	1632	1487	1500	94.1	93.8	90.9	89.1	95.0	95.0	93.2	85.3	85.6	85.1	83.6	85.3
2011	1645	1492	1500	92.8	91.7	90.8	87.1	95.0	95.0	92.9	95.0	87.9	84.6	85.2	89.8
2010	1639	1498	1506	92.8	91.7	91.0	87.2	96.5	94.4	91.6	97.1	87.9	84.5	83.7	91.5
2009	1641	1497	1509	93.1	89.7	91.5	86.9	98.0	94.9	94.3	97.6	88.8	85.5	86.6	93.2
2008	1643	1498	1511	92.9	89.4	89.2	83.6	91.9	90.5	89.3	89.3	81.0	74.9	76.2	83.1
2007	1633	1498	1511	67.2	63.9	66.3	50.0	87.5	87.5	87.5	89.6	63.5	70.3	70.9	73.5
2006 **	1636	1511	1518	62.5	58.8	61.5	42.9	85.2	82.1	78.2	85.0	66.6	67.7	60.1	74.2
2005	1115	1026	1028	57.8	53.6	56.7	35.8	74.3	76.6	76.5	81.8	53.8	57.6	57.3	66.4
2004	1097	1026	1026	46.3	44.1	45.6	22.7	74.0	79.4	73.7	83.1	58.8	60.9	53.0	65.9

SAT Composite Scores 2004- 2013***



* The HCPSS standard for MSA is 100% of students proficient or advanced.

** Beginning in 2006, a writing component was added to the SAT. Possible highest composite score changed from 1600 to 2400

*** Beginning in 2009, HSA pass rates are based on the status of passers at the end of Grade 12. Prior to 2009, pass rates were based on the number of students who passed based on 9th grade entry date.

**Howard County Public Schools
Insurance Summary FY 2013**

Table 18

Type of Coverage	Name of Company	Policy Period	Limits
Workers Compensation	Self-Insured		
Excess Workers Compensation	Safety National	7/1/13 - 6/30/14	\$500,000 retention Specific excess limit \$25 million
Comprehensive General Liability	MABE Group Insurance Pool	7/1/13 - 6/30/14	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Liability	MABE Group Insurance Pool	7/1/13 - 6/30/14	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	7/1/13 - 6/30/14	\$100,000 combined single limit \$1 million combined single limit for Bus Contractors
Personal Injury Protection	MABE Group Insurance Pool	7/1/13 - 6/30/14	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	7/1/13 - 6/30/14	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	7/1/13 - 6/30/14	\$100,000 per loss
Criminal Proceeding and Intentional	MABE Group Insurance Pool	7/1/13 - 6/30/14	\$50,000 per covered person
Property and Boiler and Machinery	MABE Chubb Group Ins Pool	7/1/13 - 6/30/14	\$500,000 per occurrence
Excess Property and Boiler and Machinery	PEPIP	7/1/13 - 6/30/14	\$1,000,000,000 Total Property / Boiler and Machinery 100,000,000
Crime	Travelers	7/1/13 - 6/30/14	\$2,500,000 per occurrence
School Board Legal Liability	Axis Insurance		\$2,500,000 Excess of Travelers
School Board Legal Liability Reinsurance	MABE Group Insurance Pool United Educators	7/1/13 - 6/30/14	\$250,000 per occurrence \$5 million per occurrence, excess of \$250,000, should sovereign immunity be abrogated



Report Required by Government Auditing Standards



Report Required by Government Auditing Standards



CliftonLarsonAllen LLP
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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 Howard County
Ellicott City, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Howard County Public School System (HCPSS), a component unit of Howard County, Maryland as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise HCPSS's basic financial statements, and have issued our report thereon dated September 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HCPSS's 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 HCPSS's internal control. Accordingly, we do not express an opinion on the effectiveness of HCPSS's 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 HCPSS's 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*.



An Independent Member of PwC International

This information is an integral part of the accompanying financial statements.

Report Required by 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 result of that testing, and not to provide an opinion on the effectiveness of the HCPSS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HCPSS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 30, 2013

This information is an integral part of the accompanying financial statements.



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