

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014



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, 2014***

Prepared By:

**The Department of Finance**

10910 Clarksville Pike  
Ellicott City, Maryland 21042-6198

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# Introductory Section





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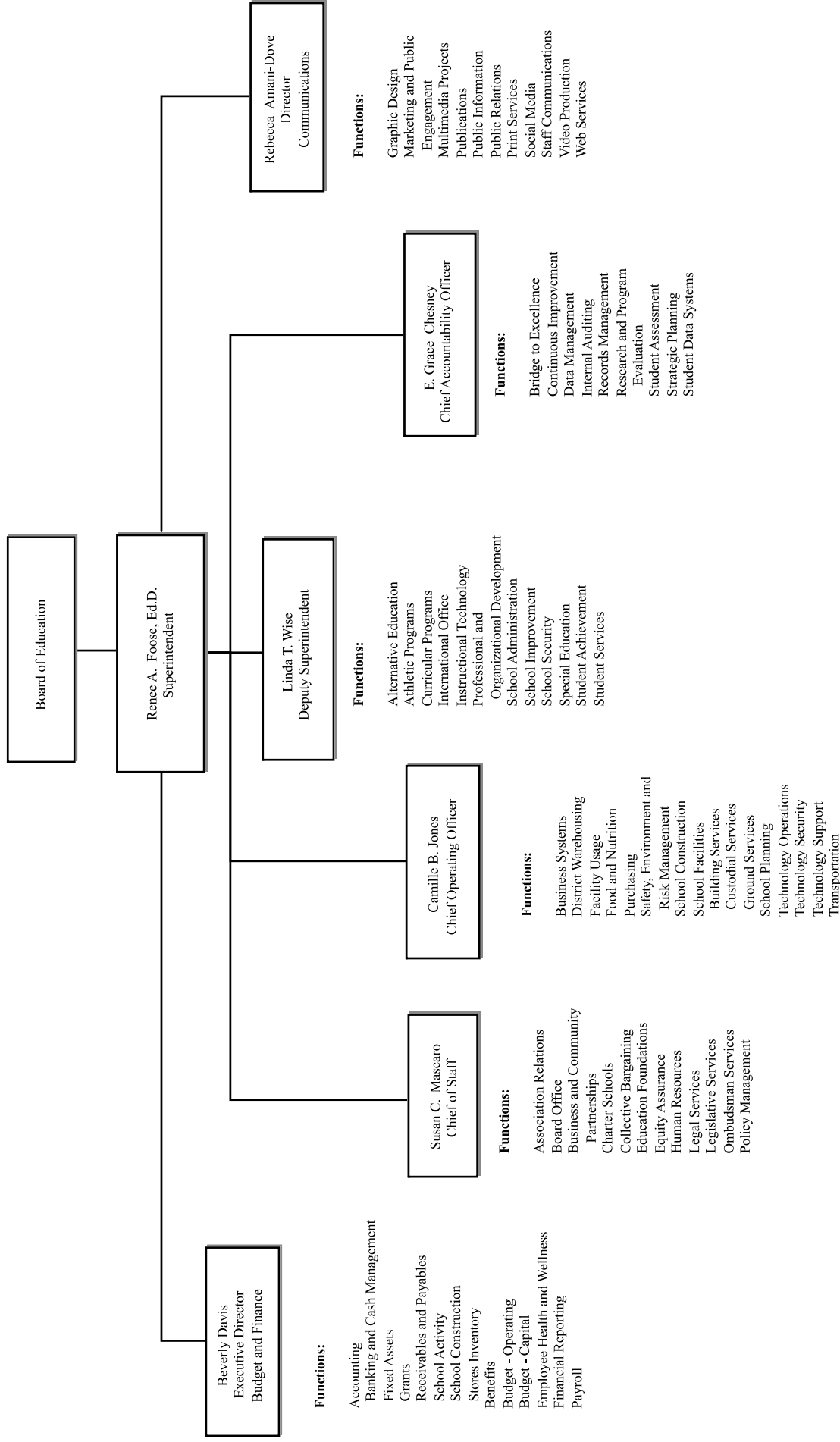
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# Organizational Chart as of November 20, 2014



# Principal Officials as of November 20, 2014

## Howard County Board of Education

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

## Board of Education

### Ellen Flynn Giles

Chairman



## Howard County Public Schools Officials Superintendent of Schools



### Dr. Renee A. Foose Ed.D

### Susan C. Mascaro

Chief of Staff

### Camille B. Jones

Chief Operating Officer

### Linda T. Wise

Deputy Superintendent of  
Curriculum, Instruction, and  
Administration

### E. Grace Chesney

Chief Accountability Officer

### Ann De Lacy

Vice Chairman



### Frank Aquino, Esq.

Member



### Sandra French

Member



### Janet Siddiqui, M.D.

Member



### Cynthia L. Vaillancourt

Member



## Independent Auditor

### CliftonLarsonAllen

Timonium Corporate Center  
9515 Deereco Road, Suite 500  
Timonium, Maryland 21093  
Telephone (410) 453-0900

### Lawrence E. Walker

Member





November 30, 2014

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, 2014.

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 the 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 the HCPSS as measured by the financial activity.

All matters relating to education and operations in the 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 the HCPSS included in this Comprehensive Annual Financial Report are those for which the Board exercises oversight responsibility.

All funds and accounts of the 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, the 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

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HCPSS is extremely dedicated to realizing the following vision: “Every student is inspired to learn and empowered to excel.” With a guiding mission of “We cultivate a vibrant learning community that prepares students to thrive in a dynamic world,” the HCPSS provides its students, parents, and community with a variety of world-class services which align with the four goals detailed in *Vision 2018: Fulfilling the Promise of Preparation*, the strategic plan for the HCPSS, which was launched in July 2013. These goals are as follows:

- **Goal 1: Students** – Every student achieves academic excellence in an inspiring, engaging, and supportive environment.
- **Goal 2: Staff** – Every staff member is engaged, supported, and successful.
- **Goal 3: Families and the Community** – Families and the community are engaged and supported as partners in Education.
- **Goal 4: Organization** – Schools are supported by world-class organizational practices.

Located in central Maryland, the HCPSS serves a diverse population exceeding 52,500 students. The HCPSS has realized an increase of nearly 4,500 students over the last decade. Projections show that student enrollment will continue to increase. In fact, preliminary counts for the 2014–2015 school year show an increase of nearly 1,000 students over the previous year.

To provide for this continued growth, the HCPSS has completed numerous additions and renovations to existing schools and built seven new schools – three elementary schools, one middle school, two special schools, and one high school – since 2005. In the next ten years, the Long-Range Master Plan includes the building of three new elementary schools, one new middle school, one new high school, the renovations of two middle schools and three high schools, and renovations/additions to two elementary schools and one middle school. Currently, the HCPSS is in the planning and design phase for the first net zero energy school in the state of Maryland, a replacement middle school which is expected to open in August 2017.

HCPSS operated 75 schools in the 2013–2014 academic year, with the average age of school buildings varying from 13 years for elementary schools, 15 years for middle schools, and 16.5 years for high schools. 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 41 elementary schools, 3 special schools, 19 middle schools, and 12 high schools. An additional middle school was completed in FY 2014 and has been opened in FY 2015, bringing the total number of middle schools to 20 for the current school year. There are no charter schools in Howard County at present.

## Economic Condition and Outlook

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The HCPSS receives approximately 69.1 percent of its governmental funds operating budget from Howard County and approximately 29.9 percent from Maryland State. The economic condition and outlook of the county, therefore, plays a substantial role in the economic condition and outlook of the 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 has been the largest employer in the county for the last ten years, and therefore persists as an economic force itself.

## Economic Condition and Outlook (continued)

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 and leading economic indicators have seen measurable improvement in the last year. Howard County's unemployment rate was 4.9% at June 30, 2014, a decrease from the 5.6% unemployment rate as of June 30, 2013, and was below the national and state levels.

Maryland's information technology, telecommunications, aerospace, and defense contracting industries continue to bolster our state economy. However, government contractors, including cyber security, have been affected by federal cutbacks, security leaks, and other factors. The population of Howard County continues to grow, increasing by nearly 30,000 in the last decade and projections estimate another 25,000 increase by 2035.

The State of Maryland recently projected a shortfall of nearly \$600 million for FY 2016, painting a very grim picture of the state fiscal situation. The main cause of the shortfall is broadly reduced economic activity. Concerns are growing that local budgets may suffer similar shortfalls creating increased pressure on available revenues in the next budget cycle.

## Long-term Financial Planning

Superintendent Renee A. Foose presented her new five-year strategic plan for the HCPSS, *Vision 2018: Fulfilling the Promise of Preparation* in July, 2013. The full text of *Vision 2018* is available at [www.hcpss.org/vision](http://www.hcpss.org/vision). 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 outlined in outcome 4.3 have been instrumental in planning for the financial future of the school system. These strategies are 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.

The development of the FY 2015 Operating Budget was influenced by the economic climate more than any other factor. The strategy in budget development 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 2015 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 Thomas Viaduct Middle School
- Increased insurance, retirement, transportation and technology costs

Each year, the 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.

## School System Budget

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The school system's final Approved Operating Budget for FY 2015 appropriates \$758.8 million for revenues and expenses. This represents a total increase of \$33.5 million or approximately 4.6%. By increasing the budget by more than required by law, the county met its statutory obligation for maintenance of effort.

The Budget office began the implementation of zero-based budgeting (ZBB) with the FY 2015 budget cycle in support of the strategic plan, *Vision 2018: Fulfilling the Promise of Preparation*. This process aligns with Strategy 4.3.1, Implement a zero-based budgeting process to invest in strategic priorities.

Zero-based budgeting is a technique used for developing annual budgets that complement the budget planning and review process. Zero-based budgeting allows top-level strategic goals to be implemented into the budgeting process by tying them to specific functional areas of the organization. Due to its flexibility, this method of budgeting allows department heads to identify alternative ways to utilize limited resources through a systematic review.

Zero-based budgeting (ZBB) is a method of budgeting in which all expenses must be justified and every function within an organization is analyzed for its needs and costs. The purpose of the ZBB analysis is to assess a particular program's activities against its statutory responsibilities, purpose, cost to provide services, and desired performance outcomes. Despite limited time to fully implement ZBB in FY 2015, first year ZBB results have been impressive with significant change achieved.

## Internal Controls

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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

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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, Community Services, Capital Outlay, and Food Service.

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, 2014. The MD&A provides additional details about budgetary controls utilized by the HCPSS.

## Independent Audit

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The financial statements for FY 2014 have been audited by CliftonLarsonAllenLLP 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

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The HCPSS graduating class of 2014 achieved outstanding scores on the SAT, with average scores of 549 in Reading, 565 in Mathematics, and 544 in Writing, which averages to a composite score of 1657. A score of 1650 is widely considered to indicate college and career readiness. Howard County's scores continue to significantly outpace the state and national averages. Approximately 83.4% of the HCPSS class of 2014 participated in the SAT.

The Class of 2014 also showed impressive scores and increased participation in the ACT. Nearly 27% of graduates took the ACT, which is an increase of close to 2% over last year. The composite score in 2014 was 24.6 compared to 21.0 nationally and 22.6 statewide.

Students at all levels are demonstrating academic achievement. HCPSS students took 9,405 Advanced Placement Exams in 2014. Of these, 81.4% of the exams were scored at 3 or higher and an impressive 25% of exams scored a 5, the highest score possible. 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 three-quarters of all tests receiving this score is an impressive achievement by HCPSS students.

In addition to academic achievements, the HCPSS has implemented a variety of successful initiatives which benefit the students, staff, parents, and community. A total of 46 HCPSS schools have been certified as Maryland Green Schools, six of which are newly certified. In addition, planning and design has begun on the first net zero energy school building in the state. This school will provide students with a unique learning opportunity in environmental science while also addressing projected enrollment needs.

The HCPSS also takes pride in its Wellness through Nutrition and Physical Activity Policy for students, which has been recognized as one of the best in the nation. Finally, Visitor Management Systems are enhancing security at every school location to respond to increasing school security concerns.

## Awards and Acknowledgments

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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, 2013. This was the tenth consecutive year that the system 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 the Howard County Public School System its Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2013. 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

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This report has been prepared to provide financial information for the fiscal year ended June 30, 2014, 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 J. Davis, CPA  
Executive Director of Budget and 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, 2013*

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



A handwritten signature in black ink, appearing to read 'Terrie S. Simmons'.

**Terrie S. Simmons, RSBA, CSBO**  
President

A handwritten signature in black ink, appearing to read 'John D. Musso'.

**John D. Musso, GAE, 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, 2013**

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, 2014, and the related notes to the financial statements, which collectively comprise the 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 HCPSS'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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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## Financial Section

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 7 through 21 and budgetary comparison information on pages 63 and 64 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 the HCPSS's basic financial statements. The detailed budgetary comparison schedules and combining fund financial statements (collectively, the other supplementary information) and the introductory section and statistical tables, 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, the 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 29, 2014 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 29, 2014



# Management's Discussion and Analysis





# Management's Discussion and Analysis



## Introduction

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**A**s 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's annual financial report about the financial information that the enclosed statements present for the year ended June 30, 2014, with selected comparative data for the year ended June 30, 2013.

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 2014

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### Government-wide financial statements

The school system's financial status as of June 30, 2014, and as reflected in total net position, increased by \$43.3 million to \$1,097.4 million from \$1,054.1 million, presenting a stronger financial condition at fiscal year end. The increase in total net position reflects increases in capital assets of \$51.0 million as well as decreases in current and other assets of \$4.0 million, and an increase in liabilities of \$3.7 million. The investment made in capital assets was used for new school construction, renovations and additions, as well as technology improvements.

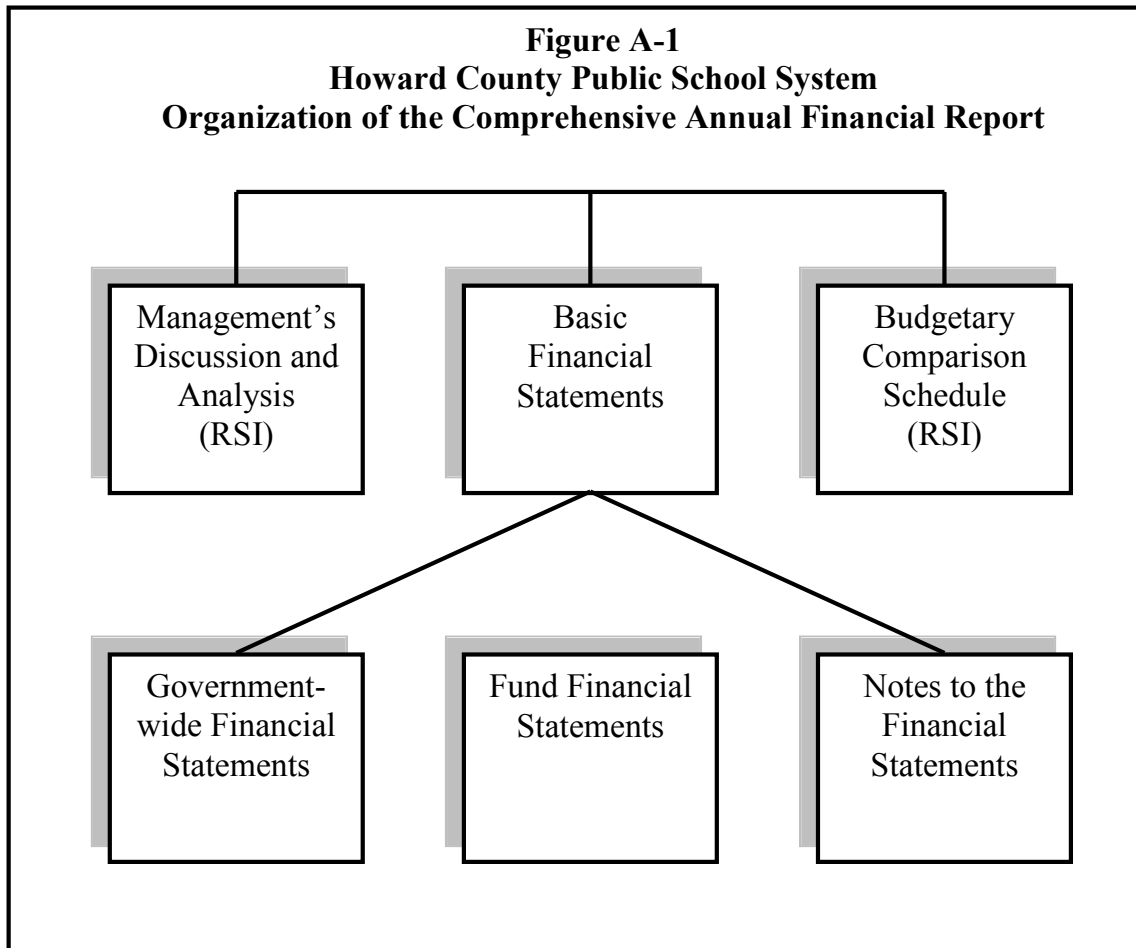
**General revenues** accounted for \$691.5 million, including \$497.5 million in local appropriations and \$192.0 million in aid from the state of Maryland. Program revenues, in the form of charges for services, operating grants and contributions, and capital grants and contributions, accounted for \$238.9 million. The total revenue from all sources was \$930.4 million.

The school system had \$887.1 million in expenses related to programs, an increase of \$34.8 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 \$7.5 million to \$16.0 million from \$23.5 million. The General Fund balance is comprised of \$0.8 million in nonspendable fund balance related to prepaid items and inventories, \$5.4 million assigned for encumbrances and fund balance and \$9.8 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 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 net position segregated into three components: net investment in capital assets, restricted, and unrestricted net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the school system is improving or deteriorating.

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 position 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.

Governmental activities include HCPSS basic services which are administration, instruction, student personnel and health services, student transportation, operation and maintenance of plant, capital outlay, special education, community services, food 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 Jim 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. The 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 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 more 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. The HCPSS has one (1) enterprise fund and four (4) internal service funds. The enterprise fund captures the activity of the Jim Rouse Theatre. The internal service funds are: Print Services Fund, Information and Network Technology Services Fund, Health and Dental Fund, and Workers' Compensation Fund.

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.

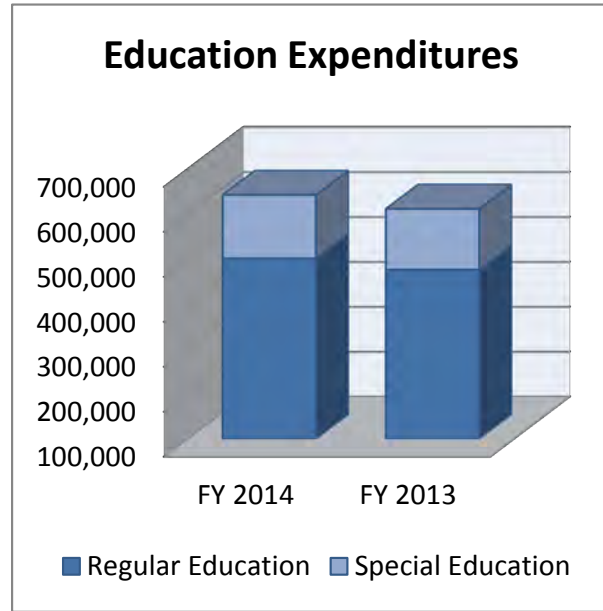
### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the HCPSS's budget process. The HCPSS adopts an annual expenditure budget for all governmental funds. The school 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 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 53.5% of its governmental activities funding from the county, and 20.6% 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 \$1,097.2 million at the close of the most recent fiscal year.

The most significant portion of the school system's net position (97.9%) reflects its net investment in capital assets (land, buildings, vehicles, and equipment). 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, 2014 and 2013.

	Governmental Activities		Business-Type Activities		Total Activities	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and other assets	\$ 151,032	\$ 155,058	\$ 200	\$ 183	\$ 151,232	\$ 155,241
Capital assets (net)	<u>1,074,422</u>	<u>1,023,368</u>	<u>22</u>	<u>29</u>	<u>1,074,444</u>	<u>1,023,397</u>
Total assets	<u>\$ 1,225,454</u>	<u>\$ 1,178,426</u>	<u>\$ 222</u>	<u>\$ 212</u>	<u>\$ 1,225,676</u>	<u>\$ 1,178,638</u>
<b>Liabilities</b>						
Long-term liabilities	\$ 14,637	\$ 13,873	\$ -	\$ 5	\$ 14,637	\$ 13,878
Other liabilities	<u>113,599</u>	<u>110,640</u>	<u>1</u>	<u>-</u>	<u>113,600</u>	<u>110,640</u>
Total liabilities	<u>\$ 128,236</u>	<u>\$ 124,513</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 128,237</u>	<u>\$ 124,518</u>
<b>Net Position</b>						
Net investment in capital assets	\$ 1,074,422	\$ 1,019,894	\$ 22	\$ 29	\$ 1,074,444	\$ 1,019,923
Restricted for GWWTP	1,220	1,240	-	-	1,220	1,240
Restricted for food service	190	152	-	-	190	152
Unrestricted	<u>21,386</u>	<u>32,627</u>	<u>199</u>	<u>178</u>	<u>21,585</u>	<u>32,805</u>
Total net position	<u>\$ 1,097,218</u>	<u>\$ 1,053,913</u>	<u>\$ 221</u>	<u>\$ 207</u>	<u>\$ 1,097,439</u>	<u>\$ 1,054,120</u>

### Change in Net Position

The school system's net position increased \$43.3 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, 2014 and 2013. Key elements of this increase are as follows:

**Table 2—Changes In Net Position**

Years Ended June 30, 2014 and 2013 (In Thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 12,843	\$ 13,525	\$ 126	\$ 140	\$ 12,969	\$ 13,665
Operating grants and contributions	139,082	122,699	-	-	139,082	122,699
Capital gains and contributions	86,809	98,706	-	-	86,809	98,706
General revenues:						
County appropriations	497,486	482,385	-	-	497,486	482,385
Federal aid	127	148	-	-	127	148
Interest and investment earnings	43	98	-	-	43	98
State aid	192,048	191,285	-	-	192,048	191,285
Miscellaneous	1,833	3,769	-	-	1,833	3,769
<b>Total revenues</b>	<b>\$ 930,271</b>	<b>\$ 912,615</b>	<b>\$ 126</b>	<b>\$ 140</b>	<b>\$ 930,397</b>	<b>\$ 912,755</b>
<b>Expenses</b>						
Instruction:						
Regular Education	\$ 501,414	\$ 476,879	\$ -	\$ -	\$ 501,414	\$ 476,879
Special Education	141,204	134,681	-	-	141,204	134,681
Support services:						
Administration	16,672	14,726	-	-	16,672	14,726
Mid-level Administration	83,136	82,617	-	-	83,136	82,617
Student Personnel Services	4,133	2,860	-	-	4,133	2,860
Student Health Services	9,551	8,543	-	-	9,551	8,543
Student Transportation Services	37,068	36,808	-	-	37,068	36,808
Operation of Plant	47,487	46,705	-	-	47,487	46,705
Maintenance of Plant	25,747	28,817	-	-	25,747	28,817
Community Services	7,556	7,265	-	-	7,556	7,265
Food Service	12,923	12,203	-	-	12,923	12,203
Interest on Long-Term Debt	75	96	-	-	75	96
Enterprise Funds	-	-	112	103	112	103
<b>Total Expenses</b>	<b>\$ 886,966</b>	<b>\$ 852,200</b>	<b>\$ 112</b>	<b>\$ 103</b>	<b>\$ 887,078</b>	<b>\$ 852,303</b>
<b>Increase (decrease) in net position</b>	<b>\$ 43,305</b>	<b>\$ 60,145</b>	<b>\$ 14</b>	<b>\$ 37</b>	<b>\$ 43,319</b>	<b>\$ 60,452</b>
<b>Beginning Net Position</b>	<b>1,053,913</b>	<b>993,498</b>	<b>207</b>	<b>170</b>	<b>1,054,120</b>	<b>993,668</b>
<b>Ending Net Position</b>	<b>\$1,097,218</b>	<b>\$1,053,913</b>	<b>\$ 221</b>	<b>\$ 207</b>	<b>\$ 1,097,439</b>	<b>\$1,054,120</b>

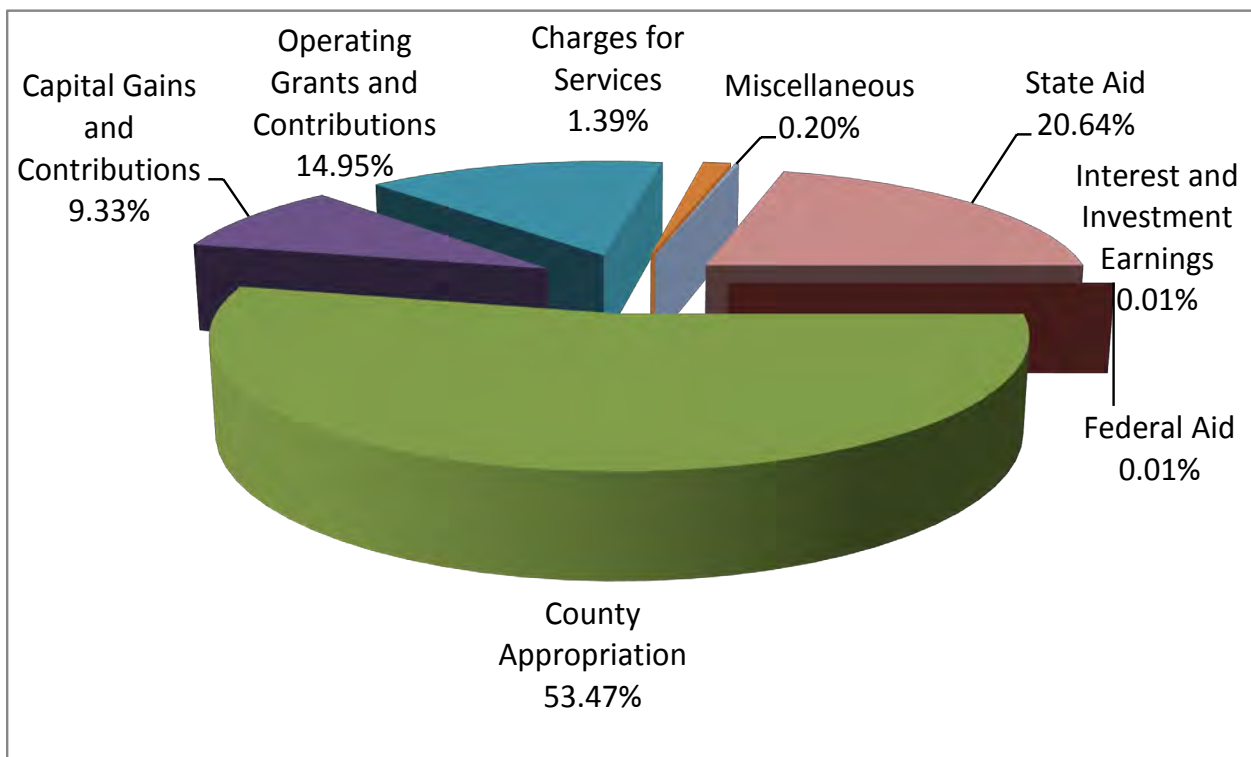
# Management's Discussion and Analysis

## 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 \$930.4 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 \$43.3 million over last year. The revenue increase was primarily attributable to an increase in county funding.

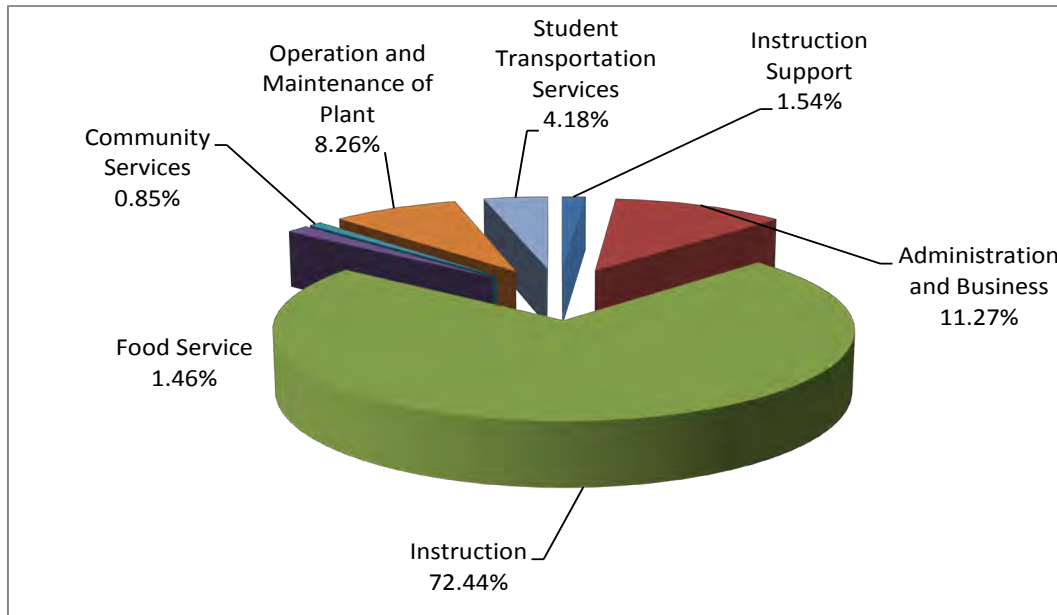
The total cost of all programs and services rose to \$887.1 million. Most of HCPSS expenses are related to instruction (including Special Education), instructional support and pupil transportation. Expenses in these areas comprised approximately 78.2% of all school system expenditures. The business and administration activities, food service, and community services accounted for 11.3%, 1.5% and 0.9% of total costs, respectively. Maintenance and operation expenses represented approximately 8.3%. Generally, increases in expenses closely paralleled inflation and growth in the demand for services.

**Chart 1: Source Of Revenues—FY 2014**



# Management's Discussion and Analysis

## Chart 2: Expenses By Category—FY 2014



Expenditures Per Student		
	2014	2013
Total Student Enrollment*	51,681	50,969
<b>EXPENDITURES**</b>		
Current:		
Administration	236	219
Instruction		
Instructional Salaries and Wages	5,834	5,805
Instructional Textbooks/Supplies	262	230
Other Instructional Costs	60	59
Student Personnel Services	55	55
Student Health Services	128	120
Student Transportation Services	697	718
Operation of Plant	761	737
Maintenance of Plant	355	398
Fixed Charges	2,807	2,474
Mid-level Administration	1,036	1,032
Community Services	116	114
Special Education	1,720	1,702
Capital Outlay	16	16
<b>Total expenditures Per Pupil</b>	<b>14,082</b>	<b>13,678</b>

\*Excludes PreKindergarten head count  
 \*\*General Fund, Non-GAAP

### Governmental Activities

Table 3 presents the cost of the ten categories of HCPSS: Instruction—Regular and Special education, Administration, Mid-level Administration, Student Personnel Services, Student Health Services, Student Transportation Services, Operation of Plant, Maintenance of Plant, Community Services, and Food Service. 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 \$126 thousand for 2014. Operating expenses totaled \$112 thousand for a net operating gain of \$14 thousand. 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, 2014

(In Thousands)

	<u>Total Cost Of Services</u>	<u>Less Program Revenues</u>	<u>Net Cost of Services</u>
<b>Instruction</b>			
Regular Education	\$ 501,414	\$ 147,537	\$ (353,877)
Special Education	141,204	35,812	(105,392)
<b>Support services</b>			
Administration	16,672	1,463	(15,209)
Mid-level Administration	83,136	14,580	(68,556)
Student Personnel Services	4,133	532	(3,601)
Student Health Services	9,551	1,035	(8,516)
Student Transportation Services	37,068	14,567	(22,501)
Operation of Plant	47,487	8,273	(39,214)
Maintenance of Plant	25,747	1,964	(23,783)
Community Services	7,556	962	(6,594)
Food Services	12,923	12,009	(914)
Interest on Long-Term Debt	75	-	(75)
<b>Total Expenses</b>	<u>\$ 886,966</u>	<u>\$ 238,734</u>	<u>\$ (648,232)</u>

## Financial Analysis of Governmental 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 \$17.5 million, a decrease of \$7.0 million. This includes nonspendable fund balance which is comprised of \$1.0 million in inventories and \$51 thousand in prepaid expenses. Funds restricted for the Glenelg Wastewater Treatment Plant totals \$1.2 million. Assigned fund balance includes \$5.4 million for encumbrances, \$1.7 million for fund balance reserve, and the unassigned reserve is \$9.9 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 \$7.5 million, due in large part to the use of fund balance as a revenue source, in accordance with Board Policy 4070. This policy allows the use of unassigned fund balance to meet unexpected expenditures and revenue shortfalls.

The timing of expenditures also plays a role in the decrease of fund balance because most of the HCPSS governmental funds' revenues and expenses 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 \$912 thousand due to decreased sales. The Glenelg Wastewater Treatment Plant fund finished with a fund balance of \$1.2 million.

Revenues for HCPSS's governmental funds increased 2.0% while total expenses increased 2.8%. County revenue increased by 2.5% or \$14.1 million over the previous year. While the general fund revenues from the county increased by 4.2% or \$20.3 million, the county revenues for the Capital Projects Fund decreased by 9.1% or \$6.1 million. The Capital Projects Fund recognizes county revenues when project expenditures are incurred. Significant projects completed were Ducketts Lane Elementary School, Bollman Bridge Elementary School renovations, Phelps Luck Elementary School renovations, and Stevens Forest Elementary School renovations. State funding for the Capital Projects Fund also decreased by 18.4% or \$5.8 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 and wages, instructional textbooks/supplies, other instructional costs, special education, student personnel services, student health services, student transportation services, 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 2014, General Fund Budgeted Revenues met budget with a small deficit of \$709 thousand due primarily to lower state source income than budgeted which offset other revenues. Management continued cost cutting and efficiency efforts which allowed for strategic expenditures at year end and \$1.3 million in unspent budgeted appropriations. The net positive budget variance of \$620 thousand 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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Land and land improvements	\$ 31,903,533	\$ 27,619,152
Construction in progress	192,002,161	160,541,148
Buildings and improvements	1,226,668,215	1,186,151,473
Furniture and equipment	25,017,428	24,642,968
(Less accumulated depreciation)	<u>(401,169,084)</u>	<u>(375,586,863)</u>
<b>Total Capital Assets</b>	<b><u>\$ 1,074,422,253</u></b>	<b><u>\$ 1,023,367,878</u></b>

# Management's Discussion and Analysis

## Capital Assets (continued)

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HCPSS had \$1,074.4 million invested in land, construction in progress, buildings and improvements, and furniture and equipment at June 30, 2014.

Table 4 shows governmental activities capital asset balances, net of accumulated depreciation, at June 30, 2014 and 2013. During FY 2014, capital assets increased by a net of \$51.0 million from the prior year. Depreciation expense on these assets was approximately \$25.9 million in FY 2014. More detailed information about capital assets can be found on [page 51](#) of this report.

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

- Completed Thomas Viaduct Middle
- Continued the construction for the addition/renovations to Atholton High
- Continued construction for addition at Running Brook Elementary
- Began construction for renovations at Longfellow Elementary
- Began planning for renovations at Laurel Woods Elementary
- Began construction for renovation/addition at Deep Run Elementary
- Began construction for addition at Gorman Crossing Elementary
- Began planning for Wilde Lake Middle replacement
- Other major projects include technology projects and roofing projects

HCPSS FY 2015 capital budget proposes spending \$13.8 million for systemic renovations, \$7.1 million for the Laurel Woods Elementary addition, \$13.8 million for the Deep Run Elementary renovation/addition, \$8.2 million for the Wilde Lake Middle replacement, and \$9.5 million to complete the Atholton High renovation.

HCPSS proposed capital spending totaling \$657.9 million over the FY 2016-2020 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

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School systems in Maryland have no authority to incur bonded debt. The only long-term obligations of the 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 \$8.4 million at June 30, 2014. Long-term obligations totaled approximately \$14.6 million at June 30, 2014 for a decrease of approximately \$764 thousand over the balance of \$13.9 million at June 30, 2013.

Additional information on the school system's long-term obligations can be found on [page 54](#) of this report.

# Management's Discussion and Analysis

## Factors Influencing Future Budgets

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

- Higher costs for state retirement due to the shift of a portion of the pension responsibility from the state to the school system.
- Projected increases in student enrollment over the next decade.
- Increasing numbers of homeless students, those newly immigrated to this country, and growing socioeconomically eligible population require greater services.
- The uncertain state of the federal budget affecting funding decisions at the state and local levels.
- Future capital budgets with funding for renovations and additions to existing schools including major systemic renovations to many of the older school facilities as well as the construction of new schools.
- Salary increases in accordance with negotiated agreements with employee bargaining units for FY 2015.
- Increases in the cost of employee health and dental benefits.
- The Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27 which is effective in FY 2015 for HCPSS. This Statement is intended to improve accounting and financial reporting by state and local governments that provide pension benefits. HCPSS is currently evaluating the effect of the implementation of this Statement.

## Economic Factors

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Howard County experienced a more robust recovery since the recession when compared to other areas of the state and the country with April 2014 income tax revenues up over 7% from April 2013, a strong new homes market, and an overall positive economic climate. The economy has not returned to the pre-recession levels, though, making the recovery fragile with the future volatility of the American economy creating uncertainty for future budgets. Further, the state of Maryland recently released its two-year forecast that points to weak gains in jobs, income, and housing giving cause for caution.

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:

- Federal contractors, including cyber security and other technology contractors, have experienced some reduction, resulting from recent national security leaks and other factors.

- A growing segment of our student population carry heavy burdens to school, including poverty, homelessness, and language barriers.
- The county provides approximately 69.9% of HCPSS operating budget funding needs.
- Projected fuel prices and the rise of other energy-related costs will have an operational impact.
- The residential real estate market has seen strong growth in Howard County.
- Howard County continues to have the lowest unemployment rate in Maryland. The year-to-date average in March 2014 was 4.7%, compared to the state average of 5.9%.
- The state of Maryland has projected shortfalls over the next two years, which could mean cuts to the state funding.

These factors were considered in preparing the HCPSS budget for FY 2015.



## Management's Discussion and Analysis



### Contacting HCPSS Financial Management

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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](mailto:beverly_davis@hcpss.org)



# Basic Financial Statements





## Basic Financial Statements

### Howard County Public School System Statement of Net Position June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 28,475,829	\$ -	\$ 28,475,829
Investments	105,659,005	-	105,659,005
Accounts receivable	2,206,566	7,041	2,213,607
Internal balances	(192,225)	192,225	-
Due from other units of government	13,364,390	-	13,364,390
Prepaid items	243,033	-	243,033
Inventory	1,275,164	-	1,275,164
Capital assets:			
Land	31,903,533	-	31,903,533
Construction in process	192,002,161	-	192,002,161
Building and improvements	1,226,668,215	-	1,226,668,215
Furniture and equipment	25,017,428	156,407	25,173,835
Less: accumulated depreciation	(401,169,084)	(133,970)	(401,303,054)
Total capital assets, net of depreciation	<u>1,074,422,253</u>	<u>22,437</u>	<u>1,074,444,690</u>
Total assets:	<u>1,225,454,015</u>	<u>221,703</u>	<u>1,225,675,718</u>
<b>LIABILITIES</b>			
Accounts payable	7,058,240	528	7,058,768
Accrued liabilities	84,787,489	-	84,787,489
Unearned revenue	21,753,696	-	21,753,696
Long-term liabilities:			
Current portion	3,168,142	-	3,168,142
Long-term portion	<u>11,468,864</u>	<u>-</u>	<u>11,468,864</u>
Total liabilities	<u>128,236,431</u>	<u>528</u>	<u>128,236,959</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,074,422,253	22,437	1,074,444,690
Restricted for:			
Glenelg Wastewater Treatment Plant	1,219,564	-	1,219,564
Food Service	190,260	-	190,260
Unrestricted	<u>21,385,507</u>	<u>198,738</u>	<u>21,584,245</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,097,217,584</u>	<u>\$ 221,175</u>	<u>\$ 1,097,438,759</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, 2014

FUNCTIONS/PROGRAMS

Governmental Activities:

Instruction:

Regular education

Special education

Total instruction

Support Services:

Administration

Mid-level Administration

Student Personnel Services

Student Health Services

Student Transportation Services

Operation of Plant

Maintenance of Plant

Community Services

Food Services

Interest on Long-Term Debt

Total Support Services

Total Governmental Activities

Business-type Activities:

Jim Rouse Theatre

TOTAL SCHOOL SYSTEM

Program Revenues

Charges for Services

Operating Grants and Contributions

Capital Grants and Contributions

Net (Expenses) Revenue and Changes in Net Position

Governmental Activities

Business-type Activities

Total

\$ 501,414,286	\$ 2,315,139	\$ 58,412,799	\$ 86,808,676	\$ (353,877,672)	\$ -	\$ (353,877,672)
141,203,652	-	35,811,743	-	(105,391,909)	-	(105,391,909)
642,617,938	2,315,139	94,224,542	86,808,676	(459,269,581)	-	(459,269,581)
16,672,340	-	1,462,622	-	(15,209,718)	-	(15,209,718)
83,136,142	-	14,579,927	-	(68,556,215)	-	(68,556,215)
4,133,372	-	531,875	-	(3,601,497)	-	(3,601,497)
9,551,015	-	1,035,336	-	(8,515,679)	-	(8,515,679)
37,067,835	-	14,567,138	-	(22,500,697)	-	(22,500,697)
47,486,646	4,826,283	3,446,927	-	(39,213,436)	-	(39,213,436)
25,746,416	-	1,964,436	-	(23,781,980)	-	(23,781,980)
7,556,137	-	962,077	-	(6,594,060)	-	(6,594,060)
12,923,279	5,701,738	6,307,072	-	(914,469)	-	(914,469)
74,774	-	-	-	(74,774)	-	(74,774)
244,347,956	10,528,021	44,857,410	-	(188,962,525)	-	(188,962,525)
886,965,894	12,843,160	139,081,952	86,808,676	(648,232,106)	-	(648,232,106)
112,150	126,688	-	-	-	14,538	14,538
112,150	126,688	-	-	-	14,538	14,538
\$ 887,078,044	\$ 12,969,848	\$ 139,081,952	\$ 86,808,676	(648,232,106)	14,538	(648,217,568)
General Revenues - Unrestricted:						
Local Appropriations				497,485,719	-	497,485,719
State Aid				192,048,215	-	192,048,215
Federal Aid				127,950	-	127,950
Interest and Investment Earnings				42,530	-	42,530
Miscellaneous				1,832,600	-	1,832,600
Total General Revenues				691,537,014	-	691,537,014
<b>CHANGES IN NET POSITION</b>						
<b>NET POSITION, BEGINNING OF YEAR</b>				1,053,912,676	206,637	1,054,119,313
<b>NET POSITION, END OF YEAR</b>				\$ 1,097,217,584	\$ 221,175	\$ 1,097,438,759

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, 2014**

	General Fund	Food Service Fund	Glenelg Wastewater Treatment Plant Fund	Restricted Programs Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 25,434,619	\$ 3,041,210	\$ -	\$ -	\$ -	\$ 28,475,829
Investments	72,075,244	460,395	1,239,058	-	-	73,774,697
Accounts receivable	1,138,458	447,010	178,009	398,798	-	2,162,275
Prepaid items	51,223	-	-	-	-	51,223
Due from other funds	4,078,164	-	-	-	6,158,940	10,237,104
Due from other units of government	-	-	-	6,993,165	6,371,225	13,364,390
Inventory	786,622	190,260	-	-	-	976,882
<b>TOTAL ASSETS</b>	<b>\$ 103,564,330</b>	<b>\$ 4,138,875</b>	<b>\$ 1,417,067</b>	<b>\$ 7,391,963</b>	<b>\$ 12,530,165</b>	<b>\$ 129,042,400</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	3,610,018	-	32,130	1,126,938	1,484,809	6,253,895
Accrued liabilities	73,921,316	203,998	9,403	238	-	74,134,955
Due to other funds	9,605,575	1,969,979	155,970	1,703,482	-	13,435,006
Unearned revenue	462,669	203,027	-	4,561,305	12,457,123	17,684,124
Compensated absences Payable	10,000	-	-	-	-	10,000
Total liabilities	87,609,578	2,377,004	197,503	7,391,963	13,941,932	111,517,980
<b>FUND BALANCES</b>						
Non-spendable:						
Prepaid items	51,223	-	-	-	-	51,223
Inventories	786,622	190,260	-	-	-	976,882
Restricted	-	-	1,219,564	-	-	1,219,564
Assigned	5,362,344	-	-	-	-	5,362,344
Unassigned	9,754,563	1,571,611	-	-	(1,411,767)	9,914,407
Total fund balances (deficiency)	15,954,752	1,761,871	1,219,564	-	(1,411,767)	17,524,420
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 103,564,330</b>	<b>\$ 4,138,875</b>	<b>\$ 1,417,067</b>	<b>\$ 7,391,963</b>	<b>\$ 12,530,165</b>	<b>\$ 129,042,400</b>

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, 2014

**TOTAL FUND BALANCES—GOVERNMENTAL FUNDS (page 29)** \$ 17,524,420

**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 \$1,473,393,984 and the accumulated depreciation is \$399,557,535. 1,073,836,449

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. 17,583,795

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 \$3,372,983 of capital leases and \$8,354,097 of compensated absences payable. (11,727,080)

**TOTAL NET ASSETS—GOVERNMENTAL ACTIVITIES (page 25)** \$ 1,097,217,584

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, 2014

	General Fund	Food Services Fund	Glenc Wastewater Treatment Plant Fund	Restricted Programs Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>						
Intergovernmental revenues:						
Local sources	\$ 505,089,425	\$ -	\$ -	\$ 1,085,290	\$ 61,096,442	\$ 567,271,157
State sources	269,135,680	332,874	-	8,044,616	25,711,134	303,224,304
Federal sources	370,684	5,974,198	-	17,636,775	-	23,981,657
Earnings on investments	22,513	2,180	706	-	1,100	26,499
Charges for services	5,159,512	5,701,738	229,510	-	-	11,090,760
Miscellaneous revenues	1,796,603	-	-	-	-	1,796,603
Total revenues	<u>781,574,417</u>	<u>12,010,990</u>	<u>230,216</u>	<u>26,766,681</u>	<u>86,808,676</u>	<u>907,390,980</u>
<b>EXPENDITURES</b>						
Current:						
Administration	12,110,692	-	-	345,708	-	12,456,400
Mid-level Administration	53,506,198	-	-	3,055,565	-	56,561,763
Instruction:						
Instructional Salaries and Wages	301,504,685	-	-	2,776,432	-	304,281,117
Instructional Textbooks/Supplies	12,757,695	-	-	1,146,383	-	13,904,078
Other Instructional Costs	3,141,731	-	-	1,700,436	-	4,842,167
Special Education	88,410,775	-	-	13,634,199	-	102,044,974
Student Personnel Services	2,833,203	-	-	52,744	-	2,885,947
Student Health Services	6,609,323	-	-	-	-	6,609,323
Student Transportation Services	36,433,079	-	-	23,449	-	36,456,528
Operation of Plant	38,946,862	-	-	-	-	38,946,862
Maintenance of Plant	19,400,725	-	251,006	-	-	19,651,731
Fixed Charges	206,838,258	-	-	3,815,397	-	210,653,655
Community Services	5,818,347	-	-	216,368	-	6,034,715
Costs of Operation - Food Service	-	12,923,279	-	-	-	12,923,279
Capital Outlay	804,366	-	-	-	85,363,518	86,167,884
Total Expenditures	<u>789,115,939</u>	<u>12,923,279</u>	<u>251,006</u>	<u>26,766,681</u>	<u>85,363,518</u>	<u>914,420,423</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(7,541,522)</u>	<u>(912,289)</u>	<u>(20,790)</u>	<u>-</u>	<u>1,445,158</u>	<u>(7,029,443)</u>
<b>FUND BALANCE (DEFICIENCY), BEGINNING OF YEAR</b>	<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>
<b>FUND BALANCE (DEFICIENCY), END OF YEAR</b>	<u>\$ 15,954,752</u>	<u>\$ 1,761,871</u>	<u>\$1,219,564</u>	<u>\$ -</u>	<u>\$ (1,411,767)</u>	<u>\$ 17,524,420</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 Statement of  
 Revenues, Expenditures, and Changes in Fund Balances  
 to the Statement of Activities  
 June 30, 2014**

<b>TOTAL NET CHANGE IN FUND BALANCES—</b>	
<b>GOVERNMENTAL FUNDS (page 31)</b>	\$ (7,029,443)
 <b>Amounts reported for governmental activities in the Statement of    Activities are different because:</b>	
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, \$76,861,358 exceeds depreciation expense, \$25,740,876 in the period.	51,120,482
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, \$417,427, exceeded the accumulated depreciation, \$346,174, is reported as a loss in the Statement of Activities.	(71,253)
The issuance of capital lease obligations provides current financial resources to governmental funds, while the repayment of the principal of capital lease obligations consumes the current financial resources of governmental funds. Neither, however, has any effect on net position.	101,048
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:	(934,944)
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.	<hr/> 119,018
<b>CHANGES IN NET POSTITION OF      GOVERNMENTAL ACTIVITIES (page 26)</b>	<hr/> <b>\$43,304,908</b> <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 Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	<b>Enterprise Fund</b>	<b>Governmental Activities Internal Service Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Investments	\$ -	\$ 31,884,308
Accounts receivable	7,041	44,291
Due from other funds	192,225	3,254,410
Inventory	-	298,282
Prepaid expenses	-	191,810
	<u>199,266</u>	<u>35,673,101</u>
Total current assets		
<b>NONCURRENT ASSETS</b>		
Capital assets:		
Furniture, fixtures, and equipment	156,407	2,197,353
Less accumulated depreciation	<u>(133,970)</u>	<u>(1,611,549)</u>
Total capital assets, net	<u>22,437</u>	<u>585,804</u>
Total assets	<u>221,703</u>	<u>36,258,905</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	528	804,345
Due to other funds	-	248,733
Accrued liabilities	-	2,048,684
Claims payable	-	10,603,850
Unearned revenue	-	4,069,572
	<u>528</u>	<u>17,775,184</u>
Total current liabilities		
<b>LONG-TERM LIABILITIES</b>		
Claims payable, net of current portion	<u>-</u>	<u>899,926</u>
Total long-term liabilities	<u>-</u>	<u>899,926</u>
Total liabilities	<u>528</u>	<u>18,675,110</u>
<b>NET POSITION</b>		
Net Investment in capital assets	22,437	585,804
Unrestricted	<u>198,738</u>	<u>16,997,991</u>
<b>TOTAL NET POSITION</b>	<u>\$ 221,175</u>	<u>\$ 17,583,795</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, 2014

	Enterprise Fund	Governmental Activities Internal Service Funds
	<u>Fund</u>	<u>Funds</u>
<b>OPERATING REVENUES</b>		
Charges for services—internal	\$ -	\$ 100,342,882
Charges for services—other	126,688	-
Miscellaneous revenue	-	35,997
Contributions from employees and retirees	-	21,276,122
	<u>126,688</u>	<u>121,655,001</u>
Total operating revenues	126,688	121,655,001
<b>OPERATING EXPENSES</b>		
Operating expenses	105,766	-
Administrative expenses	-	17,097,645
Claims and related expenses	-	104,270,127
Depreciation expense	6,384	187,519
	<u>112,150</u>	<u>121,555,291</u>
Total operating expenses	112,150	121,555,291
Operating income (loss)	<u>14,538</u>	<u>99,710</u>
<b>NON-OPERATING REVENUE</b>		
Investment income	-	19,308
Loss on sale of asset	-	-
	<u>-</u>	<u>19,308</u>
Non-operating income	-	19,308
<b>CHANGES IN NET POSITION</b>	14,538	119,018
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	<u>206,637</u>	<u>17,464,777</u>
<b>TOTAL NET POSITION, END OF YEAR</b>	<u>\$ 221,175</u>	<u>\$ 17,583,795</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 Cash Flows Proprietary Funds Year Ended June 30, 2014

	Enterprise Fund	Governmental Activities Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 126,388	\$ -
Cash received from other funds	(16,430)	94,044,875
Cash received from employees and retirees	-	21,276,122
Payments to employees	-	(4,217,230)
Payments to suppliers	(109,958)	(117,911,102)
Net cash used in operating activities	-	(6,807,335)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of equipment	-	(192,665)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	-	6,980,692
Interest received	-	19,308
Net cash provided by investing activities	-	7,000,000
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	-	-
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	-	-
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ -	\$ -
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 14,538	\$ 99,710
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	6,384	187,519
Effects of changes in operating assets and liabilities:		
Accounts receivable	-	(12,772)
Prepaid Expenses	-	(177,463)
Due from other funds	(300)	319,552
Inventory	-	146,081
Accounts payable	(16,430)	64,591
Accrued liabilities	(4,192)	(494,098)
Unpaid claims	-	(711,683)
Due to other funds	-	(6,390,025)
Unearned revenue	-	161,253
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	\$ -	\$ (6,807,335)

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, 2014**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,795,481
<b>TOTAL ASSETS</b>	<u>\$ 4,795,481</u>
<b>LIABILITIES</b>	
School activity funds payable	\$ 4,795,481
<b>TOTAL LIABILITIES</b>	<u>\$ 4,795,481</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

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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

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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 Service Fund—a special revenue fund, Glenelg Wastewater 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

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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 Service Fund (Special Revenue Fund)** – The Food Service 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.

**Glenelg Wastewater Treatment Plant Fund (Special Revenue Fund)** – The Glenelg Wastewater Treatment Plant 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.

**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)

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#### Proprietary Funds

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 Jim Rouse Theater Fund is reported as an enterprise fund.

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

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 Fund, the Workers’ Compensation Fund, the Print Services Fund and the Information and Network Technology Services Fund. Operating revenues for the enterprise fund, Jim 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)

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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

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#### 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, 2014, are expected to be minimal based upon collection experience and review of the status of existing receivables.

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

# Summary of Significant Accounting Policies

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

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### 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 Service 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 Fund consist of insurance premiums and other administrative expenditures that relate to FY 2014. Prepaid expenses are accounted for in accordance with the consumption method.

### 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, 2014.

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, 2014, for the first three months of FY 2015.

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

## Summary of Significant Accounting Policies

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

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#### 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 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 established, modified, or rescinded only through formal actions consisting of 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 delegating 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. The General Fund is the only fund that reports a positive unassigned fund balance amount. 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.

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



# Summary of Significant Accounting Policies

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

Policy 4070 Fund Balance, states in what order fund balance categories are spent: (1) Nonspendable balance first, 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 assigned and unassigned fund balance is available, the school system considers assigned 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 finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

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

# Summary of Significant Accounting Policies

## Budgets and Budgetary Accounting

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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:

### 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 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.

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

# Summary of Significant Accounting Policies

## Budgets and Budgetary Accounting (Continued)

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### 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 Service Fund)

This budget is not legally adopted. The comparison of the Food Service 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 (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 (Jim Rouse Theatre Fund)

This budget is not legally adopted. The enterprise fund accounts for revenue and expenditures relative to the Jim Rouse Theatre 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





# Notes to Financial Statements

## Note 1 – Cash and Investments

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### Deposits

At year-end, the carrying amount of the school system's deposits was \$33,271,310, consisting of \$28,475,829 in the governmental activities and \$4,795,481 in the agency fund and the corresponding bank balances were \$34,606,174. Of the bank balances, \$750,000 was covered by Federal Depository Insurance and \$38,043,862 was covered by collateral held in the pledging bank's trust department in the school system's name. Of the Food Service depository balances of \$505,098, \$250,000 was covered by Federal Depository Insurance and \$1,450,000 was covered by collateral held in the pledging bank's trust department in the school system's name. 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, 2014, the school system's investments totaling \$105,659,005 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 under the Annotated Code of Maryland and is rated AAAM by Standard and Poors, their highest rating for money market funds. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked-to-market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

### 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 \$42,530 for the year ended June 30, 2014.

### 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.

# Notes to Financial Statements

## Note 2 – Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

	<u>Balance June 30, 2013</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Balance June 30, 2014</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 27,619,152	\$ 4,284,381	\$ -	\$ 31,903,533
Construction in progress	160,541,148	71,956,259	(40,495,246)	192,002,161
Total nondepreciable capital assets	<u>188,160,300</u>	<u>76,240,640</u>	<u>(40,495,246)</u>	<u>223,905,694</u>
Depreciable capital assets				
Land improvements	1,675,226	-	-	1,675,226
Buildings and improvements	1,184,476,247	40,516,742	-	1,224,992,989
Furniture and equipment	24,642,968	791,887	(417,427)	25,017,428
Total depreciable capital assets	<u>1,210,794,441</u>	<u>41,308,629</u>	<u>(417,427)</u>	<u>1,251,685,643</u>
Less accumulated depreciation for:				
Land improvements	(1,422,835)	(72,308)	-	(1,495,143)
Buildings and improvements	(353,398,162)	(24,553,196)	-	(377,951,358)
Furniture and equipment	(20,765,866)	(1,302,891)	346,174	(21,722,583)
Total accumulated depreciation	<u>(375,586,863)</u>	<u>(25,928,395)</u>	<u>346,174</u>	<u>(401,169,084)</u>
Total depreciable capital assets, net	<u>835,207,578</u>	<u>15,380,234</u>	<u>(71,253)</u>	<u>850,516,559</u>
<b>Governmental activities</b>	<u>\$1,023,367,878</u>	<u>\$ 91,620,874</u>	<u>\$ (40,566,499)</u>	<u>\$ 1,074,422,253</u>

Depreciation expense for the year ended June 30, 2014, was charged to governmental activities on the Statement of Activities as follows:

Instruction:

Regular Education	\$ 22,001,947
Special Education	131,575

Support services:

Administration	223,751
Mid-level Administration	2,968,385
Student Transportation Services	56,994
Operation and Maintenance of Plant	442,661
Community Services	<u>103,082</u>

**Total** \$ 25,928,395

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

# Notes to Financial Statements

## Note 2 – Capital Assets (continued)

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases /</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2014</u>
Business-type activities:				
Furniture and equipment at historical cost	\$ 156,407	\$ -	\$ -	\$ 156,407
Less accumulated depreciation	<u>(127,586)</u>	<u>(6,384)</u>	<u>-</u>	<u>(133,970)</u>
<b>Capital assets, net</b>	<u>\$ 28,821</u>	<u>\$ (6,384)</u>	<u>\$ -</u>	<u>\$ 22,437</u>

Depreciation expenses charged to business-type activities for the year ended June 30, 2014, was \$6,384.

The school system has active school construction projects as of June 30, 2014, as follows:

Project:	<u>Spent to Date</u>	<u>Remaining</u> <u>Commitment</u>
Roofing Projects	\$ 32,558,208	\$ 2,978,947
Running Brook ES	3,352,655	2,901,398
Atholton HS Renovation	42,942,021	9,746,039
Ducketts Lane ES	31,621,209	2,825,791
Technology	22,684,280	1,801,720
Gorman Crossing ES Addition	4,986,224	1,124,008
Thomas Viaduct MS	22,483,582	5,437,201
Phelps Luck ES Renovation	16,986,427	2,750,293
Longfellow ES Addition	4,212,315	11,971,685
Deep Run ES Renovation/Addition	924,667	5,475,333
Wilde Lake MS Replacement	<u>778,194</u>	<u>1,879,806</u>
Subtotal	<u>183,529,782</u>	<u>48,892,221</u>
Other Projects	<u>294,847,160</u>	<u>23,274,440</u>
<b>Total</b>	<u>\$ 478,376,942</u>	<u>\$ 72,166,661</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.



# Notes to Financial Statements

## Note 3 – Due To/From Other Funds

The composition of inter-fund balances as of June 30, 2014, is as follows:

### Due To/From Other Funds

Receivable Fund	Payable Fund	Purpose	Amount
General	Workers' Compensation	Reimbursable expenditures	\$ 248,733
Capital Projects	General	Reimbursable expenditures	6,158,940
Data Processing	General	Reimbursable expenditures	2,327,203
Health and Dental	General	Reimbursable expenditures	176,519
Jim Rouse Theatre	General	Reimbursable expenditures	192,225
Printing Services	General	Reimbursable expenditures	750,688
General	Glenelg WWTP	Treatment plant expenditures	155,970
General	Restricted Programs	Advances of pooled cash	1,703,482
General	Food Service	Food service expenditures	1,969,979
<b>Total</b>			<b>\$ 13,683,739</b>

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 ( <a href="#">page 29</a> )	\$ 13,435,006	\$ 10,237,104
Statement of Net Position—Proprietary Funds ( <a href="#">page 33</a> )	-	192,225
Statement of Net Position—Internal Service Funds ( <a href="#">page 33</a> )	<u>248,733</u>	<u>3,254,410</u>
<b>Total</b>	<b><u>\$ 13,683,739</u></b>	<b><u>\$ 13,683,739</u></b>

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.**

# Notes to Financial Statements

## Note 4 – Long-Term Liabilities

Activity in long-term liabilities for the year ended June 30, 2014, was as follows:

	<u>Balance 7/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2013</u>	<u>Due Within One Year</u>
Compensated absences	\$ 7,429,153	\$ 1,667,059	\$ (732,115)	\$ 8,364,097	\$ 575,000
Capital leases	3,474,031	211,949	(312,997)	3,372,983	593,142
Workers compensation	<u>2,969,748</u>	<u>1,082,010</u>	<u>(1,151,832)</u>	<u>2,899,926</u>	<u>2,000,000</u>
<b>Total governmental activities</b>	<u>\$ 13,872,932</u>	<u>\$ 2,961,018</u>	<u>\$ (2,196,944)</u>	<u>\$ 14,637,006</u>	<u>\$ 3,168,142</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, telephones, and performance contracting equipment that expire at various times through FY 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>
<b>Total</b>	<u>\$ -</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

<u>Year Ended June 30, 2014</u>	<u>Governmental Activities</u>
2015	\$ 657,609
2016	657,609
2017	657,609
2018	407,964
2019	407,964
2020–2021	<u>815,926</u>
Total minimum lease payments	3,604,681
Less amount representing interest	<u>(231,698)</u>
Present value of minimum lease payments	<u>\$ 3,372,983</u>

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

# Notes to Financial Statements

## Note 5 – Pension Plans

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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 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, 2014, 2013, and 2012, amounted to \$54,145,842; \$46,681,949; and \$59,463,535, respectively. The FY 2014 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, 2014, 2013, and 2012 of \$12,448,477, \$9,821,066, and \$4,753,913, respectively. The FY 2014 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 6 – Post-Employment Benefits Other Than Pension Benefits**

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#### **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 \$12,941,140, \$11,613,340 and \$10,853,720, for the years ended June 30, 2014, 2013, and 2012, respectively. These contributions were paid by and on behalf of the school system by the county. In addition, the county contributed an additional \$7,603,706 on behalf of the school system in FY 2014.

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

## Notes to Financial Statements

### Note 7 – Fund Balance

Fund balance at June 30, 2014, consists of the following:

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Glenelg Plant Fund</u>	<u>Capital Projects Fund</u>
<b>Fund Balances</b>				
<b>Non-spendable for:</b>				
Prepaid expenses	\$ 51,223	\$ -	\$ -	\$ -
Inventories	<u>786,622</u>	<u>190,260</u>	<u>-</u>	<u>-</u>
Total non-spendable	<u>837,845</u>	<u>190,260</u>	<u>-</u>	<u>-</u>
<b>Restricted For:</b>				
Glenelg Wastewater Treatment Plant	<u>-</u>	<u>-</u>	<u>1,219,564</u>	<u>-</u>
<b>Assigned To:</b>				
Encumbrances	<u>5,362,344</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assigned	<u>5,362,344</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Unassigned:</b>				
	<u>9,754,563</u>	<u>1,571,611</u>	<u>-</u>	<u>(1,411,767)</u>
Total fund balances	<u>\$ 15,954,752</u>	<u>\$ 1,761,871</u>	<u>\$ 1,219,564</u>	<u>\$ (1,411,767)</u>

The Capital Projects Fund reflects a deficit unassigned fund balance at June 30, 2014, 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.

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

**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.

Encumbrances at June 30, 2014, are for the following uses:

	<u>General Fund</u>
Administration	\$ 286,956
Mid-level Administration	383,375
Instruction	2,339,485
Special Education	514,128
Student Personnel Services	5,340
Student Health Services	2,753
Student Transportation Services	4,152
Operation of Plant	1,034,373
Maintenance of Plant	509,471
Community Services	281,811
Capital Outlay	500
<b>Total</b>	<u>\$ 5,362,344</u>

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

# Notes to Financial Statements

## Note 9 – Commitments and Contingencies

### Operating Leases

The school system leases equipment under various non-cancelable operating leases that expire during fiscal year 2020. Total costs were \$572,138 for the leases for the year ended June 30, 2014. The future minimum lease payments for these leases are as follows:

<u>Year Ended June 30, 2014</u>	<u>Amount</u>
2015	\$ 411,108
2016	336,798
2017	319,617
2018	314,010
2019	323,431
Thereafter	<u>83,283</u>
<b>Total</b>	<u>\$ 1,788,247</u>

### 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.

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

## Notes to Financial Statements

### 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, 2014, the inter-fund premiums did not exceed reimbursable expenditures in the Health and Dental Fund or the Workers' Compensation Fund. Settled claims did not exceed coverage in any of the past four years.

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:

	2014		2013	
	Workers' Compensation	Health and Dental	Workers' Compensation	Health and Dental
Beginning payable, July 1	\$ 2,969,748	\$ 9,245,710	\$ 2,897,104	\$ 9,843,759
Incurred claims (including IBNR)	1,012,188	103,628,267	2,267,649	91,847,407
Claim payments	(1,082,010)	(104,270,127)	(2,195,005)	(92,445,456)
<b>Ending payable, June 30</b>	<u>\$ 2,899,926</u>	<u>\$ 8,603,850</u>	<u>\$ 2,969,748</u>	<u>\$ 9,245,710</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, 2014**

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenues:				
Local sources	\$ 497,485,719	\$ 497,485,719	\$ 497,485,719	\$ -
State sources	216,329,691	216,143,151	214,989,838	(1,153,313)
Federal sources	379,000	379,000	370,684	(8,316)
Earnings on investments	100,000	100,000	22,513	(77,487)
Charges for services	5,128,900	5,128,900	4,862,019	(266,881)
Miscellaneous revenues	1,000,000	1,000,000	1,796,603	796,603
Total Revenues	<u>720,423,310</u>	<u>720,236,770</u>	<u>719,527,376</u>	<u>(709,394)</u>
<b>EXPENDITURES</b>				
Current:				
Administration	11,722,480	12,222,480	12,219,157	3,323
Instruction				
Instructional Salaries and Wages	302,847,890	302,397,890	301,504,691	893,199
Instructional Textbooks/Supplies	13,131,690	13,581,690	13,520,650	61,040
Other Instructional Costs	2,861,930	3,111,930	3,083,745	28,185
Student Personnel Services	2,839,830	2,839,830	2,837,504	2,326
Student Health Services	6,937,310	6,687,310	6,599,941	87,369
Student Transportation Services	36,471,020	36,121,020	36,042,026	78,994
Operation of Plant	39,868,920	39,318,920	39,304,729	14,191
Maintenance of Plant	20,608,740	18,408,740	18,361,070	47,670
Fixed Charges	137,125,250	145,088,710	145,088,710	-
Mid-level Administration	54,063,580	53,563,580	53,528,773	34,807
Community Services	6,149,740	5,999,740	5,981,423	18,317
Special Education	89,821,800	88,921,800	88,887,049	34,751
Capital Outlay	829,850	829,850	804,782	25,068
Total Expenditures	<u>725,280,030</u>	<u>729,093,490</u>	<u>727,764,250</u>	<u>1,329,240</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ (4,856,720)</u>	<u>\$ (8,856,720)</u>	(8,236,874)	<u>\$ 619,846</u>
<b>FUND BALANCE AT JUNE 30, 2013—BUDGETARY BASIS</b>			<u>18,829,282</u>	
<b>FUND BALANCE AT JUNE 30, 2014—BUDGETARY BASIS</b>			10,592,408	
Encumbrances at June 30, 2014			<u>5,362,344</u>	
<b>FUND BALANCE AT JUNE 30, 2014—GAAP BASIS</b>			<u>\$ 15,954,752</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, 2014

#### REVENUES

Budgetary basis	\$	719,527,376
Add		
Pension contribution paid by State of Maryland		54,145,842
OPEB contribution paid by Howard County Government		7,603,706
Revenues from loaned staff program		297,493
		<u>297,493</u>
GAAP basis	\$	<u>781,574,417</u>

#### EXPENDITURES

Budgetary basis	\$	727,764,250
Add		
Prior year's encumbrances expended this year		4,666,992
Pension contribution paid by state of Maryland		54,145,842
OPEB contribution paid by Howard County Government		7,603,706
Expenditures from loaned staff		297,493
		<u>65,714,033</u>
Less		
Current year's encumbrances outstanding		(5,362,344)
		<u>(5,362,344)</u>
GAAP basis	\$	<u>789,115,939</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, 2014

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
<b>INTERGOVERNMENTAL REVENUES</b>				
<b>Local Sources</b>				
Current expense	\$ 497,485,719	\$ 497,485,719	\$ 497,485,719	\$ -
<b>State Sources</b>				
Current expense	154,978,800	154,978,800	154,978,800	-
Transportation	14,558,590	14,372,050	14,372,046	(4)
Special education	9,311,424	9,311,424	8,365,572	(945,852)
Compensatory education	24,029,222	24,029,222	24,029,222	-
Limited English proficient	6,550,797	6,550,797	6,550,797	-
Students with disabilities	1,270,000	1,270,000	1,270,000	-
State geographic index	5,219,396	5,219,396	5,219,396	-
Other—LEA tuition	411,462	411,462	204,005	(207,457)
Total state sources	<u>216,329,691</u>	<u>216,143,151</u>	<u>214,989,838</u>	<u>(1,153,313)</u>
<b>Federal Sources</b>				
ROTC reimbursement	229,000	229,000	242,734	13,734
Impact Aid (PL 874)	<u>150,000</u>	<u>150,000</u>	<u>127,950</u>	<u>(22,050)</u>
Total federal sources	<u>379,000</u>	<u>379,000</u>	<u>370,684</u>	<u>(8,316)</u>
<b>Earnings on investments</b>	<u>100,000</u>	<u>100,000</u>	<u>22,513</u>	<u>(77,487)</u>
<b>Charges for Services, Etc.</b>				
Tuition from patrons	930,000	930,000	784,644	(145,356)
Use of school buildings	1,200,000	1,200,000	1,109,621	(90,379)
Athletic program—gate receipts	385,000	385,000	351,394	(33,606)
Energy rebates	936,150	936,150	808,321	(127,829)
Administration and overhead fees	<u>1,677,750</u>	<u>1,677,750</u>	<u>1,808,039</u>	<u>130,289</u>
Total charges for services, etc.	<u>5,128,900</u>	<u>5,128,900</u>	<u>4,862,019</u>	<u>(266,881)</u>
<b>Miscellaneous Revenues</b>				
Other	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,796,603</u>	<u>796,603</u>
<b>TOTAL</b>	<u>\$ 720,423,310</u>	<u>\$ 720,236,770</u>	<u>\$ 719,527,376</u>	<u>\$ (709,394)</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, 2014

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
<b>Administration</b>				
Salaries and wages	\$ 8,345,730	\$ 8,459,204	\$ 8,459,199	\$ 5
Contracted services	2,427,510	2,836,190	2,836,182	8
Supplies and materials	573,430	571,321	571,223	98
Other charges	375,810	348,865	345,653	3,212
Equipment	-	6,900	6,900	-
Total Administration	<u>11,722,480</u>	<u>12,220,480</u>	<u>12,219,157</u>	<u>3,323</u>
<b>Instructional Salaries and Wages</b>	<u>302,847,890</u>	<u>302,397,890</u>	<u>301,504,691</u>	<u>893,199</u>
<b>Instructional Textbooks/Supplies</b>	<u>13,131,690</u>	<u>13,581,690</u>	<u>13,520,650</u>	<u>61,040</u>
<b>Other Instructional Costs</b>				
Contracted services	1,957,220	1,934,800	1,922,025	12,775
Other charges	254,110	180,680	176,271	4,409
Equipment	70,600	366,450	366,416	34
Outgoing transfers	580,000	630,000	619,033	10,967
Total Other Instructional Costs	<u>2,861,930</u>	<u>3,111,930</u>	<u>3,083,745</u>	<u>28,185</u>
<b>Student Personnel Services</b>				
Salaries and wages	2,533,340	2,539,740	2,539,192	548
Contracted services	239,300	235,200	235,050	150
Supplies and materials	28,140	22,165	20,539	1,626
Other charges	39,050	42,725	42,723	2
Total Student Personnel Services	<u>2,839,830</u>	<u>2,839,830</u>	<u>2,837,504</u>	<u>2,326</u>
<b>Student Health Services</b>				
Salaries and wages	6,273,880	6,052,455	5,987,958	64,497
Contracted services	455,040	423,165	423,147	18
Supplies and materials	191,530	194,830	175,446	19,384
Other charges	16,860	16,860	13,390	3,470
Total Student Health Services	<u>6,937,310</u>	<u>6,687,310</u>	<u>6,599,941</u>	<u>87,369</u>
<b>Student Transportation Services</b>				
Salaries and wages	1,275,580	1,154,500	1,128,330	26,170
Contracted services	34,684,100	34,455,180	34,455,176	4
Supplies and materials	33,040	33,040	21,003	12,037
Other charges	478,300	478,300	437,517	40,783
Total Student Transportation Services	<u>36,471,020</u>	<u>36,121,020</u>	<u>36,042,026</u>	<u>78,994</u>
<b>Operation of Plant</b>				
Salaries and wages	19,438,490	18,558,310	18,545,980	12,330
Contracted services	1,694,650	1,447,982	1,447,536	446
Supplies and materials	1,279,580	1,320,078	1,316,617	3,461
Other charges	17,188,910	17,964,590	17,967,084	(2,494)
Equipment	267,290	27,960	27,512	448
Total Operation of Plant	<u>39,868,920</u>	<u>39,318,920</u>	<u>39,304,729</u>	<u>14,191</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, 2014

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
<b>Maintenance of Plant</b>				
Salaries and wages	\$ 12,167,180	\$ 11,367,180	\$ 11,361,477	\$ 5,703
Contracted services	4,852,140	4,184,307	4,184,298	9
Supplies and materials	2,937,650	1,952,236	1,927,366	24,870
Other charges	42,390	58,555	46,028	12,527
Equipment	609,380	846,462	841,901	4,561
Total Maintenance of Plant	<u>20,608,740</u>	<u>18,408,740</u>	<u>18,361,070</u>	<u>47,670</u>
<b>Other Fixed Charges</b>	<u>137,125,250</u>	<u>145,088,710</u>	<u>145,088,710</u>	<u>-</u>
<b>Mid-level Administration</b>				
Salaries and wages	48,658,550	48,078,050	48,077,164	886
Contracted services	3,500,120	3,368,427	3,367,847	580
Supplies and materials	1,422,130	1,696,549	1,697,041	(492)
Other charges	482,780	393,005	363,049	29,956
Equipment	-	27,549	23,672	3,877
Total Mid-level Administration	<u>54,063,580</u>	<u>53,563,580</u>	<u>53,528,773</u>	<u>34,807</u>
<b>Community Services</b>				
Salaries and wages	3,266,920	3,036,480	3,018,178	18,302
Contracted services	1,080,640	1,190,904	1,190,900	4
Supplies and materials	509,190	483,190	483,180	10
Other charges	1,024,290	1,035,630	1,035,629	1
Equipment	268,700	253,536	253,536	-
Total Community Services	<u>6,149,740</u>	<u>5,999,740</u>	<u>5,981,423</u>	<u>18,317</u>
<b>Special Education</b>				
Salaries and wages	81,427,830	79,586,005	79,576,307	9,698
Contracted services	1,021,360	1,888,275	1,888,268	7
Supplies and materials	330,410	512,219	512,215	4
Other charges	308,670	295,032	282,425	12,607
Equipment	70,000	43,579	43,579	-
Outgoing transfers	6,663,530	6,596,690	6,584,255	12,435
Total Special Education	<u>89,821,800</u>	<u>88,921,800</u>	<u>88,887,049</u>	<u>34,751</u>
<b>Capital Outlay</b>				
Salaries and wages	792,470	803,422	779,714	23,708
Contracted services	15,160	6,321	6,274	47
Supplies and materials	11,120	7,385	7,247	138
Other charges	11,100	12,722	11,547	1,175
Total Capital Outlay	<u>829,850</u>	<u>829,850</u>	<u>804,782</u>	<u>25,068</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 725,280,030</u>	<u>\$ 729,093,490</u>	<u>\$ 727,764,250</u>	<u>\$ 1,329,240</u>

## Other Supplementary Information

**Howard County Public School System**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance—Budget and Actual**  
**Food Service Fund**  
**Year Ended June 30, 2014**

	<u>Budget (*)</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Intergovernmental revenues:			
State:			
Reimbursements	\$ 170,000	\$ 332,874	\$ 162,874
Federal:			
National School Lunch and Milk Programs	4,500,000	4,227,976	(272,024)
National School Breakfast	-	969,530	969,530
U.S.D.A. Commodity Program	-	776,692	776,692
Total intergovernmental revenues	<u>4,500,000</u>	<u>5,974,198</u>	<u>1,474,198</u>
Earnings on investments	2,000	2,180	180
Charges for services:			
Food sales	<u>7,057,000</u>	<u>5,701,738</u>	<u>(1,355,262)</u>
Total revenues	<u>11,729,000</u>	<u>12,010,990</u>	<u>281,990</u>
<b>EXPENDITURES</b>			
Costs of Operation - Food Service:			
Cost of food	4,043,980	4,315,121	(271,141)
U.S.D.A. Commodity Program	-	646,997	(646,997)
Salaries and wages	7,286,370	7,220,392	65,978
Equipment/miscellaneous	<u>1,177,060</u>	<u>740,769</u>	<u>436,291</u>
Total expenditures	<u>12,507,410</u>	<u>12,923,279</u>	<u>(415,869)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (778,410)</u>	<u>(912,289)</u>	<u>\$ (133,879)</u>
<b>FUND BALANCE AT JULY 1, 2013</b>		<u>2,674,160</u>	
<b>FUND BALANCE AT JUNE 30, 2014</b>		<u>\$ 1,761,871</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, 2014

	<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>
<b>ASSETS</b>					
Current Assets					
Investments	\$ -	\$ -	\$ 3,816,939	\$ 28,067,369	\$ 31,884,308
Accounts receivable	-	-	-	44,291	44,291
Due from other funds	750,688	2,327,203	-	176,519	3,254,410
Inventory	295,735	2,547	-	-	298,282
Prepaid expenses	-	-	191,810	-	191,810
	<u>-</u>	<u>-</u>	<u>191,810</u>	<u>-</u>	<u>191,810</u>
Total Current Assets	<u>1,046,423</u>	<u>2,329,750</u>	<u>4,008,749</u>	<u>28,288,179</u>	<u>35,673,101</u>
Non-Current Assets					
Capital assets:					
Furniture, fixtures and equipment	492,692	1,704,661	-	-	2,197,353
Less: accumulated depreciation	<u>(454,139)</u>	<u>(1,157,410)</u>	<u>-</u>	<u>-</u>	<u>(1,611,549)</u>
Total capital assets, net of depreciation	<u>38,553</u>	<u>547,251</u>	<u>-</u>	<u>-</u>	<u>585,804</u>
Total Assets	<u>1,084,976</u>	<u>2,877,001</u>	<u>4,008,749</u>	<u>28,288,179</u>	<u>36,258,905</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	16,579	227,396	111,238	449,132	804,345
Due to other funds	-	-	248,733	-	248,733
Accrued liabilities	-	(85,284)	-	2,133,968	2,048,684
Claims Payable	-	-	2,000,000	8,603,850	10,603,850
Unearned revenue	-	-	-	4,069,572	4,069,572
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,069,572</u>	<u>4,069,572</u>
Total Current Liabilities	<u>16,579</u>	<u>142,112</u>	<u>2,359,971</u>	<u>15,256,522</u>	<u>17,775,184</u>
<b>Long-Term Liabilities</b>					
Claims Payable	-	-	899,926	-	899,926
	<u>-</u>	<u>-</u>	<u>899,926</u>	<u>-</u>	<u>899,926</u>
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>899,926</u>	<u>-</u>	<u>899,926</u>
Total Liabilities	<u>16,579</u>	<u>142,112</u>	<u>3,259,897</u>	<u>15,256,522</u>	<u>18,675,110</u>
<b>NET POSITION</b>					
Invested in capital assets	38,553	547,251	-	-	585,804
Unrestricted	<u>1,029,844</u>	<u>2,187,638</u>	<u>748,852</u>	<u>13,031,657</u>	<u>16,997,991</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,068,397</u>	<u>\$ 2,734,889</u>	<u>\$ 748,852</u>	<u>\$ 13,031,657</u>	<u>\$ 17,583,795</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, 2014**

	<b>Printing and Duplicating Fund</b>	<b>Data Processing Fund</b>	<b>Workers Compensation Self-Insurance Fund</b>	<b>Health and Dental Self-Insurance Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>					
Charges for services—internal	\$ 817,740	\$ 5,190,210	\$ 2,246,689	\$ 92,088,243	\$100,342,882
Miscellaneous revenue	-	-	-	35,997	35,997
Contributions from employees and retirees	-	-	-	21,276,122	21,276,122
Total operating revenues	<u>817,740</u>	<u>5,190,210</u>	<u>2,246,689</u>	<u>113,400,362</u>	<u>121,655,001</u>
<b>OPERATING EXPENSES</b>					
Administrative expenses	1,039,732	5,428,770	1,985,442	8,643,701	17,097,645
Claims and related expenses	-	-	-	104,270,127	104,270,127
Depreciation expense	6,406	181,113	-	-	187,519
Total operating expenses	<u>1,046,138</u>	<u>5,609,883</u>	<u>1,985,442</u>	<u>112,913,828</u>	<u>121,555,291</u>
Operating income (loss)	(228,398)	(419,673)	261,247	486,534	99,710
<b>NON-OPERATING REVENUE -</b>					
Interest Income	-	-	2,177	17,131	19,308
Non-Operating income	-	-	2,177	17,131	19,308
<b>CHANGES IN NET POSITION</b>	(228,398)	(419,673)	263,424	503,665	119,018
<b>TOTAL NET POSITION, JULY 1, 2012</b>	<u>1,296,795</u>	<u>3,154,562</u>	<u>485,428</u>	<u>12,527,992</u>	<u>17,464,777</u>
<b>TOTAL NET POSITION, JUNE 30, 2013</b>	<u>\$ 1,068,397</u>	<u>\$ 2,734,889</u>	<u>\$ 748,852</u>	<u>\$ 13,031,657</u>	<u>\$ 17,583,795</u>

## Other Supplementary Information

### Howard County Public School System Combining Schedule of Cash Flows Internal Service Funds Year Ended June 30, 2014

	Printing and Duplicating Fund	Data Processing Fund	Workers Compensation Self-Insurance Fund	Health and Dental Self-Insurance Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from other funds	\$ 887,164	\$ 5,193,343	\$ 2,506,924	\$ 85,457,444	\$ 94,044,875
Cash received from employees and retirees	-	-	-	21,276,122	21,276,122
Payments to employees	(608,145)	(3,048,465)	(253,873)	(306,747)	(4,217,230)
Payments to suppliers	(279,019)	(1,952,213)	(2,253,051)	(113,426,819)	(117,911,102)
Net cash provided (used) by operating activities	-	192,665	-	(7,000,000)	(6,807,335)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases/sale of equipment	-	(192,665)	-	-	(192,665)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of investments	-	-	(2,177)	6,982,869	6,980,692
Interest received	-	-	2,177	17,131	19,308
Net cash provided by investing activities	-	-	-	7,000,000	7,000,000
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>					
	-	-	-	-	-
<b>CASH AND CASH EQUIVALENTS, JULY 1, 2012</b>					
	-	-	-	-	-
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2013</b>					
	\$ -	\$ -	\$ -	\$ -	\$ -
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$(228,398)	\$(419,673)	\$261,247	\$486,534	\$99,710
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:					
Depreciation	6,406	181,113	-	-	187,519
Effects of changes in assets and liabilities:					
Accounts receivable	-	-	-	(12,772)	(12,772)
Prepaid expenses	-	-	(177,755)	292	(177,463)
Due from other funds	69,424	415,145	11,502	(176,519)	319,552
Inventory	142,948	3,133	-	-	146,081
Accounts payable	9,620	98,231	(273,905)	230,645	64,591
Accrued liabilities	-	(85,284)	-	(408,814)	(494,098)
Claims payable	-	-	(69,822)	(641,861)	(711,683)
Due to other funds	-	-	248,733	(6,638,758)	(6,390,025)
Deferred revenue	-	-	-	161,253	161,253
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ -</b>	<b>\$192,665</b>	<b>\$ -</b>	<b>\$(7,000,000)</b>	<b>\$(6,807,335)</b>

## Other Supplementary Information

### Howard County Public School System Statement of Changes in Assets and Liabilities Agency Fund Year Ended June 30, 2014

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Elementary Schools</b>				
Atholton ES	\$ 14,868	\$ 40,401	\$ 47,867	\$ 7,402
Bellows Spring ES	68,020	71,402	80,990	58,432
Bollman Bridge ES	30,182	69,819	75,431	24,570
Bryant Woods ES	17,496	35,644	33,049	20,091
Bushy Park ES	28,095	71,469	65,478	34,086
Centennial Lane ES	17,433	37,856	36,118	19,171
Clarksville ES	17,382	57,124	47,391	27,115
Clemens Crossing ES	48,843	41,730	44,951	45,622
Cradlerock ES	12,842	51,593	44,225	20,210
Dayton Oaks ES	33,581	89,770	85,774	37,577
Deep Run ES	33,273	56,752	58,164	31,861
Ducketts Lane ES	768	63,366	49,654	14,480
Elkridge ES	43,703	97,404	90,740	50,367
Forest Ridge ES	15,786	53,068	49,490	19,364
Fulton ES	29,211	79,742	96,764	12,189
Gorman Crossing ES	38,676	93,560	84,517	47,719
Guilford ES	44,560	39,594	36,295	47,859
Hammond ES	22,738	36,881	45,687	13,932
Hollifield Station ES	29,385	106,333	104,130	31,588
Ilchester ES	92,801	140,710	131,616	101,895
Jeffers Hill ES	24,093	36,867	35,549	25,411
Laurel Woods ES	11,347	30,612	29,454	12,505
Lisbon ES	22,363	33,629	34,878	21,114
Longfellow ES	19,651	70,214	62,392	27,473
Manor Woods ES	26,848	75,524	66,386	35,986
Northfield ES	13,442	61,518	53,490	21,470
Phelps Luck ES	36,679	31,154	30,556	37,277
Pointers Run ES	76,783	121,995	106,613	92,165
Rockburn ES	15,228	73,627	47,738	41,117
Running Brook ES	30,525	56,564	57,507	29,582
St. John's Lane ES	46,120	37,859	40,857	43,122
Stevens Forest ES	26,961	43,776	37,211	33,526
Swansfield ES	12,493	32,092	28,116	16,469
Talbott Springs ES	24,351	52,560	50,060	26,851
Thunder Hill ES	21,375	23,572	36,260	8,687
Triadelphia Ridge ES	44,541	54,031	61,531	37,041
Veterans ES	40,676	72,409	78,467	34,618
Waterloo ES	46,949	81,693	73,343	55,299
Waverly ES	20,291	61,532	67,832	13,991
West Friendship ES	27,493	26,442	27,996	25,939
Worthington ES	8,752	53,432	44,928	17,256
<b>Total-Elementary Schools</b>	<b>\$ 1,236,604</b>	<b>\$ 2,465,320</b>	<b>\$ 2,379,495</b>	<b>\$ 1,322,429</b>

## Other Supplementary Information

### Howard County Public School System Statement of Changes in Assets and Liabilities Agency Fund Year Ended June 30, 2014

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Middle Schools</b>				
Bonnie Branch MS	\$ 75,990	\$ 166,304	\$ 162,384	\$ 79,910
Burleigh Manor MS	76,669	224,614	227,414	73,869
Clarksville MS	47,309	143,186	126,241	64,254
Dunloggin MS	43,855	103,653	106,552	40,956
Elkridge Landing MS	50,001	132,613	138,671	43,943
Ellicott Mills MS	52,789	117,198	113,445	56,542
Folly Quarter MS	33,353	122,032	121,451	33,934
Glenwood MS	26,308	135,081	130,899	30,490
Hammond MS	41,176	103,513	110,460	34,229
Harper's Choice MS	22,146	85,241	92,773	14,614
Lake Elkhorn MS	9,274	70,244	68,816	10,702
Lime Kiln MS	49,716	151,178	165,997	34,897
Mayfield Woods MS	27,041	139,154	137,448	28,747
Mount View MS	52,131	198,811	201,045	49,897
Murray Hill MS	26,385	70,674	65,214	31,845
Oakland Mills MS	41,771	74,579	78,789	37,561
Patapsco MS	33,830	130,920	125,387	39,363
Patuxent Valley MS	(1,648)	135,512	131,750	2,114
Thomas Viaduct MS	-	1,623	-	1,623
Wilde Lake MS	45,015	137,418	137,652	44,781
<b>Total—Middle Schools</b>	<b>\$ 753,111</b>	<b>\$ 2,443,548</b>	<b>\$ 2,442,388</b>	<b>\$ 754,271</b>
<b>High Schools</b>				
Atholton HS	\$ 212,214	\$ 401,787	\$ 413,953	\$ 200,048
Centennial HS	284,953	852,385	821,447	315,891
Glenelg HS	212,902	696,186	680,155	228,933
Hammond HS	143,658	516,695	508,279	152,074
Howard HS	408,107	653,933	648,837	413,203
Long Reach HS	151,615	493,432	482,626	162,421
Marriotts Ridge HS	187,687	665,002	673,638	179,051
Mt. Hebron HS	246,153	786,887	786,383	246,657
Oakland Mills HS	190,364	470,547	489,505	171,406
Reservoir HS	154,449	446,934	429,475	171,908
River Hill HS	196,127	799,732	767,381	228,478
Wilde Lake HS	160,441	361,088	353,464	168,065
<b>Total—High Schools</b>	<b>\$ 2,548,670</b>	<b>\$ 7,144,608</b>	<b>\$ 7,055,143</b>	<b>\$ 2,638,135</b>
<b>Special Schools</b>				
Apps and Research Lab	\$ 22,098	\$ 18,046	\$ 20,849	\$ 19,295
Cedar Lane School	53,765	83,834	83,606	53,993
Homewood School	8,428	15,841	16,911	7,358
<b>Total—Special Schools</b>	<b>\$ 84,291</b>	<b>\$ 117,721</b>	<b>\$ 121,366</b>	<b>\$ 80,646</b>
<b>Total—All Schools</b>	<b>\$ 4,622,676</b>	<b>\$ 12,171,197</b>	<b>\$ 11,998,392</b>	<b>\$ 4,795,481</b>

# Statistical Section





Statistical Section



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**Howard County Public School System  
Net Position by Component\*  
Year Ended June 30, 2014 and Nine Prior Years  
(amounts expressed in thousands)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 635,330	\$ 705,217	\$ 765,145	\$ 815,780	\$ 842,088	\$ 875,068	\$ 898,922	\$ 956,102	\$ 1,019,894	\$ 1,074,422
Restricted for construction	7,412	6,454	5,311	2,585	-	2	-	-	-	-
Restricted for GWWTP	-	-	-	-	984	1,181	1,236	1,236	1,240	1,220
Restricted for Food Service	1,415	1,485	1,120	2,274	806	3,036	146	145	152	190
Unrestricted	4,427	7,792	24,805	27,957	21,250	15,054	32,293	36,015	32,626	21,386
<b>Total Governmental Activities Net Position</b>	<b>648,584</b>	<b>720,948</b>	<b>796,381</b>	<b>848,596</b>	<b>865,128</b>	<b>894,341</b>	<b>932,597</b>	<b>993,498</b>	<b>1,053,912</b>	<b>1,097,218</b>
<b>Business-type Activities</b>										
Net investment in capital assets, Jim Rouse Theatre	53	113	89	69	67	47	27	23	29	22
Unrestricted, Jim Rouse Theatre	225	149	180	126	121	137	151	147	178	199
<b>Total Business-type Activities Net Position</b>	<b>278</b>	<b>262</b>	<b>269</b>	<b>195</b>	<b>188</b>	<b>184</b>	<b>178</b>	<b>170</b>	<b>207</b>	<b>221</b>
<b>Total Primary Government</b>										
Net investment in capital assets	635,383	705,330	765,234	815,849	842,155	875,115	898,949	956,125	1,019,923	1,074,445
Restricted for construction	8,827	7,939	6,431	4,859	1,790	4,219	1,382	1,381	1,392	1,410
Restricted for GWWTP	4,652	7,941	24,985	28,083	21,371	15,191	32,444	36,162	32,805	21,584
<b>Total Primary Government Net Position</b>	<b>\$ 648,862</b>	<b>\$ 721,210</b>	<b>\$ 796,650</b>	<b>\$ 848,791</b>	<b>\$ 865,316</b>	<b>\$ 894,525</b>	<b>\$ 932,775</b>	<b>\$ 993,668</b>	<b>\$ 1,054,119</b>	<b>\$ 1,097,439</b>

\*Modified accrual basis of accounting.

Source: HCPSS Finance Department. The 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.

**Howard County Public School System  
Changes in Net Position \*  
Year Ended June 30, 2014 and Nine Prior Years  
(amounts expressed in thousands)**

**Table 2**

Functions/Programs	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
<b>Governmental Activities</b>										
Instruction										
Regular education	\$ 304,177	\$ 339,932	\$ 349,849	\$ 401,309	\$ 437,654	\$ 436,546	\$ 465,690	\$ 463,498	\$ 476,879	\$ 501,414
Special education	89,054	94,877	103,170	114,495	123,944	128,051	131,738	130,779	134,681	141,204
<b>Total Instruction</b>	<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>	<u>642,618</u>
<b>Support Services</b>										
Administration	13,672	9,809	11,193	13,026	13,729	13,845	13,328	14,278	14,726	16,672
Mid-level Administration	45,888	50,984	59,362	65,680	74,012	74,277	80,223	62,950	82,617	83,136
Student Personnel Services	2,589	2,686	3,074	3,516	4,062	3,524	3,844	3,823	2,860	4,133
Student Health Services	4,573	5,264	5,841	6,782	7,755	8,057	8,324	8,387	8,543	9,551
Student Transportation Services	23,975	27,411	29,238	31,944	31,711	33,254	34,655	36,138	36,808	37,068
Operation of Plant	31,884	34,842	40,341	44,955	49,378	50,475	45,384	45,276	46,705	47,487
Maintenance of Plant	15,391	15,702	19,228	25,025	26,004	27,087	27,905	26,962	28,817	25,747
Community Services	4,678	5,305	5,609	6,827	7,043	7,091	7,298	7,264	7,265	7,556
Food Service	10,386	11,041	11,375	11,399	11,725	11,689	12,167	12,009	12,202	12,923
Interest on Long-Term Debt	72	127	642	555	580	433	325	163	96	75
<b>Total Support Services</b>	<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>	<u>244,348</u>
<b>Total Governmental Activities</b>	<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>	<u>886,966</u>
<b>Business-type Activities</b>										
Jim Rouse Theatre	91	148	148	228	164	132	150	177	103	112
<b>Total School System Expenses</b>	<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>	<u>\$ 887,078</u>

\*Modified accrual basis of accounting.

Source: HCPSS Finance Department

**Howard County Public School System  
Changes in Net Position\*  
Year Ended June 30, 2014 and Nine Prior Years  
(amounts expressed in thousands)**

**Table 2 (continued)**

Program Revenues	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Charges for Services										
Regular Education	\$ 1,345	\$ 2,709	\$ 4,094	\$ 3,868	\$ 4,847	\$ 4,776	\$ 5,061	\$ 18,645	\$ 3,020	\$ 2,315
Special Education										
Operation of Plant	813	2,544	1,957	2,288	14,331	(681)	3,418	4,750	4,341	4,826
Food Service	6,975	7,650	8,913	8,416	8,059	7,462	7,037	6,813	6,165	5,702
Operating grants and contributions	72,830	47,484	82,016	105,586	96,957	129,393	154,174	133,145	122,699	139,082
Capital grants and contributions	84,406	98,717	88,505	71,339	54,178	58,845	63,877	69,629	98,706	86,809
<b>Total Program Revenues</b>	<u>166,369</u>	<u>159,104</u>	<u>185,485</u>	<u>191,497</u>	<u>178,372</u>	<u>199,795</u>	<u>233,567</u>	<u>232,982</u>	<u>234,931</u>	<u>238,734</u>
Business-type Activities										
Jim Rouse Theatre	131	133	155	154	156	128	144	169	139	126
<b>Total School System Revenues</b>	<u>166,500</u>	<u>159,237</u>	<u>185,640</u>	<u>191,651</u>	<u>178,528</u>	<u>199,923</u>	<u>233,711</u>	<u>233,151</u>	<u>235,070</u>	<u>238,860</u>
<b>Total Governmental Net Expense</b>	<u>(379,930)</u>	<u>(438,891)</u>	<u>(453,430)</u>	<u>(534,090)</u>	<u>(609,233)</u>	<u>(594,538)</u>	<u>(597,320)</u>	<u>(578,543)</u>	<u>(617,270)</u>	<u>(648,232)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
General revenues										
Local appropriations	334,590	362,590	393,711	427,176	454,795	457,561	464,708	467,617	482,385	497,486
State	105,937	144,949	132,322	155,763	168,600	164,563	169,183	169,994	191,285	192,048
Federal	191	172	183	1,019	189	100	174	141	148	127
Interest and investment earnings	373	1,010	2,001	1,660	962	124	122	72	98	43
Miscellaneous	1,293	2,518	654	612	1,212	1,401	1,382	1,620	3,769	1,833
<b>Total General Revenues</b>	<u>442,384</u>	<u>511,239</u>	<u>528,871</u>	<u>586,230</u>	<u>625,758</u>	<u>623,749</u>	<u>635,569</u>	<u>639,444</u>	<u>677,684</u>	<u>691,537</u>
Changes in Net Position—Governmental Funds	62,414	72,363	75,435	52,214	16,533	29,213	38,255	60,902	60,415	43,305
Changes in Net Position—Jim Rouse Theatre	40	(15)	6	(74)	(8)	(4)	(5)	(9)	36	14
<b>Changes in Net Position</b>	<u>62,454</u>	<u>72,348</u>	<u>75,441</u>	<u>52,140</u>	<u>16,525</u>	<u>29,209</u>	<u>38,250</u>	<u>60,893</u>	<u>60,451</u>	<u>43,319</u>
<b>Net Position—Beginning of year</b>	<u>586,408</u>	<u>648,862</u>	<u>721,210</u>	<u>796,650</u>	<u>848,791</u>	<u>865,316</u>	<u>894,525</u>	<u>932,775</u>	<u>993,668</u>	<u>1,054,119</u>
<b>Net Position—End of Year</b>	<u>\$ 648,862</u>	<u>\$ 721,210</u>	<u>\$ 796,650</u>	<u>\$ 848,791</u>	<u>\$ 865,316</u>	<u>\$ 894,525</u>	<u>\$ 932,775</u>	<u>\$ 993,668</u>	<u>\$ 1,054,119</u>	<u>\$ 1,097,438</u>

\*Modified accrual basis of accounting.

**Howard County Public School System  
Changes in Fund Balances of Governmental Funds\*  
Year Ended June 30, 2014 and Nine Prior Years  
(amounts expressed in thousands)**

**Table 3**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
<b>Intergovernmental revenues</b>										
Local	\$ 412,225	\$ 446,121	\$ 479,538	\$ 495,391	\$ 491,086	\$ 502,374	\$ 531,120	\$ 530,955	\$ 553,213	\$ 567,271
State	155,153	183,371	189,850	233,546	258,699	262,276	263,990	267,750	298,841	303,224
Federal	22,574	17,093	17,777	21,678	21,043	30,818	39,986	23,860	23,580	23,982
Earnings on interest and investment	456	1,138	2,368	1,917	1,005	125	122	64	57	26
Charges for services	10,400	11,450	14,377	13,413	14,239	13,640	13,756	28,280	12,109	11,091
Miscellaneous revenues	1,293	2,518	654	612	1,212	1,401	1,398	1,039	1,471	1,797
<b>Total Revenues</b>	<b>602,101</b>	<b>661,691</b>	<b>704,564</b>	<b>766,557</b>	<b>787,284</b>	<b>810,634</b>	<b>850,372</b>	<b>851,949</b>	<b>889,271</b>	<b>907,391</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular education	218,808	248,244	250,110	277,498	296,527	297,340	302,091	306,791	316,259	323,027
Special education	71,118	79,623	82,168	88,837	95,766	96,986	98,017	96,411	99,859	102,045
<b>Support Services</b>										
Administration	7,872	8,466	9,240	10,443	11,540	10,634	10,663	10,676	11,511	12,456
Mid-level Administration	35,251	43,490	45,347	48,737	55,908	54,226	56,675	54,922	59,180	56,562
Student Personnel Services	2,020	2,465	2,396	2,669	3,133	2,462	2,751	2,738	2,860	2,886
Student Health Services	3,557	4,355	4,532	5,095	5,791	5,794	5,895	5,957	6,114	6,609
Student Transportation Services	23,651	27,138	28,861	31,538	31,412	32,742	34,052	35,573	36,325	36,456
Operation of Plant	28,473	33,265	38,672	43,120	43,245	43,411	37,721	37,850	39,439	38,947
Maintenance of Plant	12,885	16,247	15,410	19,556	21,452	22,030	22,235	21,643	23,574	19,652
Fixed Charges	98,666	83,280	120,871	153,117	151,094	165,229	193,730	181,842	178,693	210,654
Community Services	5,176	4,780	4,914	6,010	6,211	5,901	6,064	6,055	6,190	6,035
Food Services	10,398	11,041	11,375	11,399	11,725	11,689	12,167	12,009	12,202	12,923
Capital Outlay	85,967	104,788	91,375	76,930	70,906	60,809	64,035	71,076	97,446	86,168
<b>Total</b>	<b>603,842</b>	<b>667,182</b>	<b>705,271</b>	<b>774,949</b>	<b>804,710</b>	<b>809,253</b>	<b>846,096</b>	<b>843,543</b>	<b>889,652</b>	<b>914,420</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(1,741)</b>	<b>(5,491)</b>	<b>(707)</b>	<b>(8,392)</b>	<b>(17,426)</b>	<b>1,381</b>	<b>4,276</b>	<b>8,406</b>	<b>(381)</b>	<b>(7,029)</b>
<b>Other Financing Sources (Uses)</b>										
Capital contributions	4,093	7,648	4,504	6,027	971	195	52	-	-	-
<b>Net change in fund balances</b>	<b>\$ 2,352</b>	<b>\$ 2,157</b>	<b>\$ 3,797</b>	<b>\$ (2,365)</b>	<b>\$ (5,731)</b>	<b>\$ 1,576</b>	<b>\$ 4,328</b>	<b>\$ 8,406</b>	<b>\$ (381)</b>	<b>\$ (7,029)</b>

\* Modified accrual basis of accounting  
Source: HCPSS Finance Department

**Howard County Public School System  
Fund Balances of Governmental Funds\*  
Year Ended June 30, 2014 and Nine Prior Years  
(amounts expressed in thousands)**

**Table 4**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Fund</b>										
Nonspendable	\$ 684	\$ 718	\$ 1,309	\$ 1,252	\$ 1,836	\$ 1,887	\$ 1,365	\$ 1,585	\$ 1,474	\$ 838
Restricted	1,719	3,264	3,498	2,357	2,437	3,349	8,078	-	-	-
Assigned	962	533	1,135	1,909	1,530	1,808	-	15,213	6,410	5,362
Unassigned	574	2,469	5,594	5,703	4,338	5,739	7,266	8,885	15,613	9,755
<b>Total General Fund</b>	<b>3,939</b>	<b>6,984</b>	<b>11,536</b>	<b>11,221</b>	<b>10,141</b>	<b>12,783</b>	<b>16,709</b>	<b>25,683</b>	<b>23,497</b>	<b>15,955</b>
<b>Other Governmental Funds</b>										
Committed for school construction	7,412	6,454	5,311	2,585	(2,447)	(4,802)	(4,245)	(4,927)	(2,857)	(1,412)
Restricted for special revenue fund	1,248	1,073	1,549	2,317	2,931	4,114	4,065	4,179	3,914	1,410
Assigned	168	412	324	233	-	106	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	1,571
<b>Total Other Governmental Funds</b>	<b>8,828</b>	<b>7,939</b>	<b>7,184</b>	<b>5,135</b>	<b>484</b>	<b>(582)</b>	<b>(180)</b>	<b>(748)</b>	<b>1,057</b>	<b>1,569</b>
<b>Total All Governmental Funds</b>	<b>\$ 12,767</b>	<b>\$ 14,923</b>	<b>\$ 18,720</b>	<b>\$ 16,356</b>	<b>\$ 10,625</b>	<b>\$ 12,201</b>	<b>\$ 16,529</b>	<b>\$ 24,935</b>	<b>\$ 24,554</b>	<b>\$ 17,524</b>

\* Modified accrual basis of accounting

**Table 5**  
**Howard County Public School System**  
**General Fund Final Approved Operating Budgets**  
**Year Ended June 30, 2014 and Nine Prior Years**

	Instructional Salaries and Wages		Instructional Textbooks/Supplies		Other Instructional Costs		Student Personnel Services		Student Health Services		Student Transportation Services	
	Administration	Instructional Salaries and Wages	Instructional Textbooks/Supplies	Other Instructional Costs	Student Personnel Services	Student Health Services	Student Transportation Services					
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	11,668,190	276,368,350	12,957,500	2,768,760	2,988,800	5,892,900	31,734,320					
2010	10,410,000	278,465,440	13,551,890	2,495,820	2,638,660	5,950,430	32,692,230					
2011	10,532,430	281,109,655	17,871,900	2,630,210	2,811,970	6,116,460	34,055,950					
2012	10,598,810	286,111,020	13,746,330	2,675,540	2,793,820	6,065,790	36,402,790					
2013	11,632,220	296,701,890	13,445,390	3,018,300	2,838,010	6,221,890	37,088,910					
<b>2014</b>	<b>12,222,480</b>	<b>302,397,890</b>	<b>13,581,690</b>	<b>3,111,930</b>	<b>2,839,830</b>	<b>6,687,310</b>	<b>36,121,020</b>					

Source: HCPSS Finance Department



**Table 5 (continued)**  
**Howard County Public School System**  
**General Fund Final Approved Operating Budgets (Continued)**  
**Year Ended June 30, 2014 and Nine Prior Years**

	Operation of Plant		Maintenance of Plant		Fixed Charges	Mid-Level Administration	Community Services	Special Education	Capital Outlay	Total
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	43,209,530	22,219,340	103,648,720	53,575,570	6,146,920	82,985,640	923,480	657,088,020		
2010	44,981,460	22,438,300	103,535,867	49,032,880	6,173,050	80,755,100	914,260	654,035,387		
2011	42,499,470	20,985,670	112,000,647	50,502,540	5,939,820	81,531,860	890,560	669,479,142		
2012	39,227,090	24,080,030	116,901,680	54,763,110	6,020,350	83,601,650	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		
<b>2014</b>	<b>39,318,920</b>	<b>18,408,740</b>	<b>145,088,710</b>	<b>53,563,580</b>	<b>5,999,740</b>	<b>88,921,800</b>	<b>829,850</b>	<b>729,093,490</b>		

Source: HCPSS Finance Department

**Howard County Public School Systems  
Capital Assets By Function  
Year Ended June 30, 2014 and Nine Prior Years**

**Table 6**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Schools										
Buildings	70	71	72	72	72	72	72	73	74	75
Administration										
Buildings	3	3	3	3	3	3	2	3	3	3
Vehicles	29	24	34	32	19	19	19	18	17	17
Mid-level Administration										
Vehicles	*	*	*	*	12	11	11	14	11	11
Special Education										
Vehicles	*	*	*	*	1	1	1	1	1	1
Capital Outlay										
Vehicles	*	*	*	*	3	3	3	3	3	3
Maintenance of Plant										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	195	209	216	230	28	34	35	46	52	50
Operation of Plant										
Vehicles	*	*	*	*	208	207	200	194	177	173
Information and Network Technology Services										
Buildings	-	-	1	1	1	1	1	1	1	1
Vehicles	17	17	17	16	13	13	13	12	12	12
Print Services										
Print Presses	5	5	5	6	11	11	10	11	4	10
Community Services										
Vehicles	*	*	*	*	3	5	5	6	7	10
Student Transportation Services										
Vehicles	8	8	11	11	12	13	12	10	11	11

Source: HCPSS Finance Department  
\* Data not available for this year.

**Table 7**

**Howard County Public School System  
Computation of Debt Limits  
Year Ended June 30, 2014 and Nine Prior Years**

	2005*	2006*	2007	2008	2009	2010	2011	2012	2013	2014
Current Operating Budget	N/A	N/A	551,522,086	612,802,620	657,088,020	654,035,387	669,479,142	683,835,040	703,667,400	729,093,490
6% of Current Operating Budget	N/A	N/A	33,091,325	36,768,157	39,425,281	39,242,123	40,168,749	41,030,102	42,220,044	43,745,609
Total Debt Outstanding June 30	N/A	N/A	10,957,023	12,940,923	16,942,317	11,678,806	7,026,954	3,878,014	3,474,031	3,372,983
Compliance with Debt Limit	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3% of Current Operating Budget	N/A	N/A	16,545,662	18,384,079	19,712,641	19,621,062	20,084,374	20,515,051	21,110,022	21,872,805
Total Debt Service	N/A	N/A	3,149,141	4,061,178	6,722,505	5,981,054	4,651,852	3,148,940	403,983	312,997
Compliance with Debt Service Limit	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

\* The Board of Education of the Howard County Public School System adopted Policy 4090 Debt Management, effective July 1, 2008. Prior to 2007, the Board did not have long term capital leases, thus there is no calculation for years prior to 2007.

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  
Outstanding Debt by Type\*  
Year Ended June 30, 2014 and Nine Prior Years**

**Table 8**

Fiscal Year	Government Activities		Business-Type Activities	Total
	Capital Leases			
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	11,678,806	-	-	11,678,806
2011	7,026,954	-	-	7,026,954
2012	3,878,014	-	-	3,878,014
2013	3,474,031	-	-	3,474,031
2014	3,372,983	-	-	3,372,983

\*Details regarding the outstanding debt can be found in Note 4 to the Financial Statements.

**Howard County Public School System**  
**Enrollment by Grade\*\*\***  
**Year Ended June 30, 2014 and Nine Prior Years**

**Table 9**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Elementary School</b>										
Prekindergarten	751	804	893	948	1,015	958	1,002	1,058	1,072	1,118
Kindergarten	2,639	2,846	2,943	3,226	3,298	3,379	3,386	3,492	3,513	3,728
Grade 1	3,289	3,071	3,272	3,276	3,453	3,582	3,642	3,628	3,751	3,785
2	3,459	3,425	3,247	3,379	3,399	3,584	3,716	3,771	3,777	3,921
3	3,573	3,531	3,519	3,343	3,490	3,541	3,695	3,810	3,890	3,867
4	3,783	3,646	3,634	3,615	3,441	3,642	3,648	3,795	3,900	4,018
5	3,715	3,893	3,703	3,705	3,730	3,564	3,727	3,750	3,904	4,008
<b>Total Elementary School</b>	<b>21,209</b>	<b>21,216</b>	<b>21,211</b>	<b>21,492</b>	<b>21,826</b>	<b>22,250</b>	<b>22,816</b>	<b>23,304</b>	<b>23,807</b>	<b>24,445</b>
<b>Middle School</b>										
Grade 6	3,908	3,808	3,997	3,780	3,772	3,874	3,646	3,788	3,856	4,021
7	3,870	3,969	3,864	4,072	3,855	3,833	3,942	3,728	3,871	3,937
8	3,963	3,938	4,028	3,912	4,121	3,942	3,884	4,007	3,756	3,932
<b>Total Middle School</b>	<b>11,741</b>	<b>11,715</b>	<b>11,889</b>	<b>11,764</b>	<b>11,748</b>	<b>11,649</b>	<b>11,472</b>	<b>11,523</b>	<b>11,483</b>	<b>11,890</b>
<b>High School</b>										
Grade 9	4,254	4,308	4,419	4,401	4,263	4,535	4,301	4,265	4,315	4,204
10	3,845	3,988	4,025	4,147	4,175	4,067	4,368	4,163	4,091	4,179
11	3,734	3,671	3,892	3,875	3,965	4,067	3,911	4,215	4,000	3,942
12	3,344	3,611	3,522	3,768	3,828	3,988	4,034	3,984	4,254	4,053
<b>Total High School</b>	<b>15,177</b>	<b>15,578</b>	<b>15,858</b>	<b>16,191</b>	<b>16,231</b>	<b>16,657</b>	<b>16,614</b>	<b>16,627</b>	<b>16,660</b>	<b>16,378</b>
<b>Cedar Lane (includes Prekindergarten)</b>	<b>92</b>	<b>87</b>	<b>90</b>	<b>96</b>	<b>98</b>	<b>85</b>	<b>91</b>	<b>101</b>	<b>103</b>	<b>93</b>
<b>Total Enrollment*</b>	<b>48,219</b>	<b>48,596</b>	<b>49,048</b>	<b>49,543</b>	<b>49,903</b>	<b>50,641</b>	<b>50,993</b>	<b>51,555</b>	<b>52,053</b>	<b>52,806</b>
<b>Number of Teachers**</b>	2,655	2,736	2,625	2,742	2,816	2,810	2,832	2,866	2,793	2,829
<b>Ratio of Students to Teachers</b>	18:1	18:1	19:1	18:1	18:1	18:1	18:1	18:1	19:1	19:1

\*Total Enrollment includes Prekindergarten head count.

\*\*Source: MSDE [www.mdreportcard.org](http://www.mdreportcard.org). This number represents the number of classroom teachers who are teaching core academic subjects as defined by the federal government under the No Child Left Behind Act.

\*\*\*Source for Enrollment figures: Data Management Department. Enrollment is measured on September 30th at the beginning of the school year. Final headcount enrollment data presented.

**Howard County Public School System  
Enrollment by School\*\*  
Year Ended June 30, 2014 and Nine Prior Years**

**Table 10**

Elementary Schools*	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Capacity	% of Capacity
Atholton	486	443	418	437	441	480	478	499	414	421	424	99.3%
Bellows Springs	738	719	729	725	765	822	851	885	944	668	751	88.9%
Bollman Bridge	604	612	582	582	611	605	599	622	741	767	666	115.2%
Bryant Woods	360	392	398	337	347	353	349	360	366	367	361	101.7%
Bushy Park	690	677	688	691	697	636	644	638	613	608	788	77.2%
Centennial Lane	589	579	563	613	637	652	664	699	725	699	647	108.0%
Clarksville	678	675	559	532	553	542	527	500	522	502	612	85.5%
Clemens Crossing	482	459	462	469	483	488	491	497	499	520	521	96.4%
Cradlerock	414	429	459	461	468	476	474	497	500	520	398	130.7%
Deep Run	-	-	574	556	506	459	446	473	593	636	788	80.7%
Dayton Oaks	599	582	592	571	598	624	657	706	733	657	672	97.8%
Ducketts Lane	-	-	-	-	-	-	-	-	-	662	669	99.0%
Elkridge	686	662	638	690	760	795	847	886	857	767	760	100.9%
Forest Ridge	600	609	603	627	633	657	700	764	718	748	669	111.8%
Fulton	756	785	683	666	638	652	653	670	648	703	788	89.2%
Gorman Crossing	550	554	566	623	579	612	620	699	641	686	700	98.0%
Guilford	412	440	470	479	486	511	507	523	478	497	465	106.9%
Hammond	518	504	492	491	475	499	513	509	583	602	653	92.2%
Hollifield Station	816	819	788	613	609	636	675	675	697	745	694	107.3%
Ilohester	593	600	591	581	596	650	666	665	685	776	653	118.8%
Jeffers Hill	367	385	397	388	376	383	371	367	383	407	421	96.7%
Laurel Woods	478	484	483	531	561	569	599	609	564	572	540	105.9%
Lisbon	555	530	486	475	470	462	442	426	398	400	527	75.9%
Longfellow	389	394	395	420	427	417	442	446	442	457	512	89.3%
Manor Woods	675	674	639	602	609	629	644	637	616	676	681	99.3%
Northfield	610	620	639	533	553	596	608	611	595	723	700	103.3%
Pheips Luck	496	529	589	616	643	650	671	722	727	562	616	91.2%
Pointers Run	854	799	790	755	700	677	643	616	772	790	744	106.2%
Rockburn	662	686	709	714	757	731	731	710	705	710	672	105.7%
Running Brook	341	345	339	394	401	434	417	435	483	492	515	95.5%
St. John's Lane	712	766	785	551	555	549	562	552	582	681	612	111.3%
Stevens Forest	335	316	292	290	282	293	302	283	301	423	399	106.0%
Swansfield	515	525	513	518	527	505	563	562	585	594	521	114.0%
Talbot Springs	507	472	426	448	477	495	581	588	573	441	377	117.0%
Thunder Hill	339	319	317	344	356	349	370	382	349	470	509	92.3%
Triadelphia Ridge	701	671	432	431	429	428	408	411	442	485	581	83.5%
Veterans	-	-	-	800	868	904	982	997	1,062	821	788	104.2%
Waterloo	560	565	599	641	667	723	755	756	783	617	663	93.1%
Waverly	625	656	665	547	548	558	559	591	605	759	638	119.0%
West Friendship	426	413	310	315	315	297	297	289	274	287	414	69.3%
Worthington	491	527	551	435	439	452	494	522	533	524	590	88.8%
<b>Total Elementary Schools*</b>	<b>21,209</b>	<b>21,216</b>	<b>21,211</b>	<b>21,492</b>	<b>21,826</b>	<b>22,250</b>	<b>22,816</b>	<b>23,304</b>	<b>23,807</b>	<b>24,445</b>	<b>24,699</b>	<b>99.0%</b>

\* Numbers include Prekindergarten head count.

\*\* Source for Enrollment figures: HCPSS Data Management Department. Enrollment is measured on September 30th at the beginning of the school year. Final headcount enrollment data presented

Table 10 (continued)

**Howard County Public School System  
Enrollment by School\*\*  
Year Ended June 30, 2014 and Nine Prior Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Capacity	% of Capacity
<b>Middle Schools</b>												
Bonnie Branch	674	667	677	679	690	687	664	708	706	731	662	110.4%
Burleigh Manor	588	584	652	684	689	660	621	617	668	700	779	89.9%
Clarksville	693	729	748	728	720	693	685	655	637	608	643	94.6%
Dunloggin	492	533	557	512	526	515	529	559	565	574	565	101.6%
Elkridge Landing	542	691	701	626	642	666	684	694	683	733	779	94.1%
Ellicott Mills	695	583	684	673	709	699	669	715	731	774	662	116.9%
Folly Quarter	584	625	559	577	553	549	579	588	559	544	662	82.2%
Glenwood	628	651	670	660	633	642	600	593	536	544	545	99.8%
Hammond	629	630	670	620	583	573	542	529	499	477	604	79.0%
Harper's Choice	641	560	551	558	524	511	492	512	497	521	506	103.0%
Lake Elkhorn	605	484	462	450	448	476	463	467	470	510	643	79.3%
Lime Klein	584	608	648	648	673	654	624	593	596	635	701	90.6%
Mayfield Woods	579	548	517	640	684	725	716	724	717	779	798	97.6%
Mount View	691	721	721	720	710	710	682	679	718	734	798	92.0%
Murray Hill	591	634	684	669	658	680	724	725	725	735	662	111.0%
Oakland Mills	472	443	478	478	444	426	393	402	406	437	506	86.4%
Patapsco	743	762	681	633	648	603	605	583	568	628	643	97.7%
Patuxent Valley	724	739	728	742	744	705	689	660	654	680	760	89.5%
Wide Lake	586	523	501	467	470	475	511	520	548	546	467	116.9%
<b>Total Middle Schools</b>	<b>11,741</b>	<b>11,715</b>	<b>11,889</b>	<b>11,764</b>	<b>11,748</b>	<b>11,649</b>	<b>11,472</b>	<b>11,523</b>	<b>11,483</b>	<b>11,890</b>	<b>12,385</b>	<b>96.0%</b>
<b>High Schools</b>												
Atholton	1,251	1,365	1,374	1,446	1,419	1,473	1,460	1,489	1,490	1,464	1,360	107.6%
Centennial	1,614	1,498	1,466	1,473	1,452	1,488	1,475	1,441	1,442	1,370	1,360	100.7%
Glennig	1,278	1,200	1,181	1,187	1,185	1,188	1,234	1,227	1,281	1,274	1,420	89.7%
Hammond	1,341	1,305	1,323	1,270	1,280	1,341	1,344	1,341	1,297	1,256	1,220	103.0%
Howard	1,241	1,332	1,398	1,453	1,517	1,617	1,636	1,704	1,755	1,732	1,420	122.0%
Long Reach	1,478	1,428	1,372	1,264	1,233	1,224	1,229	1,318	1,344	1,370	1,488	92.1%
Marriotts Ridge	-	577	888	1,188	1,237	1,282	1,308	1,278	1,228	1,221	1,615	75.6%
Mt. Hebron	1,612	1,450	1,427	1,422	1,450	1,472	1,484	1,452	1,459	1,453	1,400	103.8%
Oakland Mills	1,109	1,159	1,168	1,237	1,217	1,201	1,175	1,156	1,163	1,128	1,400	80.6%
Reservoir	1,315	1,396	1,465	1,513	1,512	1,566	1,539	1,535	1,526	1,505	1,551	97.0%
River Hill	1,546	1,434	1,407	1,376	1,343	1,456	1,399	1,394	1,393	1,346	1,488	90.5%
Wide Lake	1,392	1,434	1,389	1,362	1,386	1,349	1,331	1,292	1,282	1,259	1,424	88.4%
<b>Total High Schools</b>	<b>15,177</b>	<b>15,578</b>	<b>15,858</b>	<b>16,191</b>	<b>16,231</b>	<b>16,657</b>	<b>16,614</b>	<b>16,627</b>	<b>16,660</b>	<b>16,378</b>	<b>17,146</b>	<b>95.5%</b>
<b>Special Schools</b>												
Cedar Lane*	92	87	90	96	98	85	91	101	103	93	120	77.5%
<b>Total All Schools</b>	<b>48,219</b>	<b>48,596</b>	<b>49,048</b>	<b>49,543</b>	<b>49,903</b>	<b>50,641</b>	<b>50,993</b>	<b>51,555</b>	<b>52,053</b>	<b>52,806</b>	<b>54,350</b>	<b>97.2%</b>

\* Numbers include Prekindergarten head count.  
\*\* Source for Enrollment figures: HCPSS Data Management Department. Enrollment is measured on September 30th at the beginning of the school year. Final headcount enrollment data presented

**Howard County Public School System  
Principal Employers: Howard County, Maryland  
Years Ended June 30, 2014 and June 30, 2005**

**Table 11**

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Howard County Public School System	7,666	1	4.54%	6,368	1	4.69%
Johns Hopkins Applied Physics Laboratory	5,000	2	2.96%	3,300	2	2.43%
Howard County Government	2,952	3	1.75%	2,566	3	1.89%
Verizon Wireless	2,028	4	1.20%	750	10	0.55%
Lorien Health Systems	2,000	5	1.19%	-	-	0.00%
Howard County General Hospital	1,777	6	1.05%	1,650	4	1.22%
Howard Community College	1,294	7	0.77%	-	-	0.00%
Leidos	1,195	8	0.71%	-	-	0.00%
Coastal Sunbelt Produce	1,050	9	0.62%	-	-	0.00%
Giant Food	1,050	9	0.62%	1,450	5	1.07%
The Columbia Association	900	10	0.53%	1,300	6	0.96%
SAIC	-	-	0.00%	1,100	7	0.81%
The Arbitron Company	-	-	0.00%	800	8	0.59%
Ascent One	-	-	0.00%	800	8	0.59%
W.R. Grace	-	-	0.00%	800	8	0.59%
Sysco Food Services of Baltimore	-	-	0.00%	760	9	0.56%
<b>Total</b>	<b>26,912</b>		<b>15.94%</b>	<b>21,644</b>		<b>15.95%</b>

Source: Howard County, Maryland 2014 Comprehensive Annual Financial Report

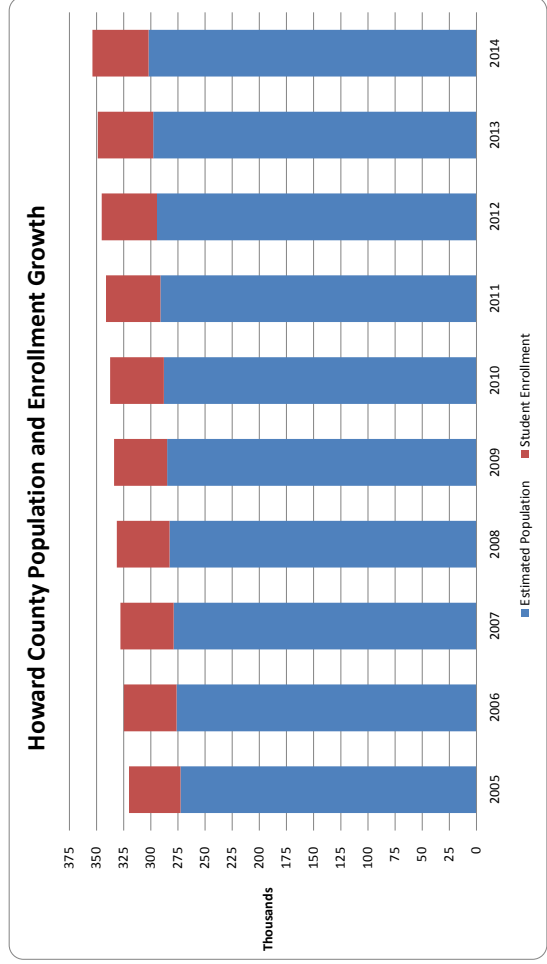


Table 12

**Howard County Public School System  
Demographic and Economic Statistics  
Year Ended June 30, 2014 and the Nine Prior Years**

Fiscal Year	Estimated Population	Personal Income (In Thousands)	Per Capita Personal Income	Public School Enrollment	Unemployment Rate
2005	272,584	15,119,598	56,292	47,552	3.2%
2006	276,287	16,326,809	60,071	48,596	3.1%
2007	278,900	17,265,744	62,740	49,048	2.7%
2008	282,674	17,916,377	64,354	48,595	3.2%
2009	284,952	18,008,846	63,622	48,888	5.7%
2010	287,907	18,715,798	64,849	49,635	5.5%
2011	291,200	20,189,734	68,701	49,991	5.6%
2012	294,256	21,119,771	70,533	50,997	5.5%
2013	297,732	*	*	51,190	5.6%
<b>2014</b>	<b>302,113</b>	*	*	<b>51,701</b>	<b>4.9%</b>

\* Data not available from the Howard County Government at the time of publication.  
Source: Howard County, Maryland 2014 Comprehensive Annual Financial Report. The County does not include Prekindergarten in enrollment figures.



**Howard County Public School System  
General Fund Cost per Student-Budgetary Basis (non-GAAP)  
Year Ended June 30, 2014 and Nine Prior Years**

**Table 13**

	<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>	<u>2014</u>
Total Student Enrollment*	47,468	47,792	48,155	48,595	48,888	49,683	49,991	50,497	50,981	51,688
<b>Expenditures**</b>										
Current:										
Administration	\$ 157	\$ 163	\$ 190	\$ 213	\$ 233	\$ 193	\$ 204	\$ 208	\$ 219	\$ 236
Instruction										
Instructional salaries	4,465	4,783	5,102	5,273	5,649	5,603	5,610	5,664	5,805	5,834
Instructional Textbooks/Supplies	-	-	-	258	263	255	348	272	230	262
Other Instructional Costs	-	-	-	55	51	49	48	51	59	60
Student Personnel Services	41	44	47	53	61	48	54	53	55	55
Student Health Services	75	83	92	104	119	117	118	117	120	128
Student Transportation Services	497	560	607	639	642	658	681	706	718	697
Operation of Plant	578	635	748	798	883	871	763	777	737	761
Maintenance of Plant	277	294	331	407	453	451	410	477	398	355
Fixed Charges	1,515	1,699	1,841	2,107	2,120	2,084	2,240	2,315	2,474	2,807
Mid-level Administration	733	818	904	967	1,096	976	1,000	1,082	1,032	1,036
Community Services	78	85	96	117	124	120	117	119	114	116
Special Education	1,278	1,357	1,453	1,582	1,696	1,622	1,611	1,655	1,702	1,720
Capital Outlay	15	17	18	20	18	16	15	15	16	16
Total Expenditure per Student	\$ 9,709	\$ 10,539	\$ 11,427	\$ 12,593	\$ 13,407	\$ 13,063	\$ 13,221	\$ 13,512	\$ 13,678	\$ 14,082
State Rank ***	4	3	4	5	5	5	5	4	4	N/A

\* Source: HCPSS Data Management Department. Enrollment is measured on September 30th at the beginning of the school year. Pre-K is excluded from cost per pupil calculations. Prior to FY 2008, enrollment included a head count of Kindergarten students.

\*\* Source: HCPSS Finance Department

\*\*\* Source: Maryland State Department of Education, *The Fact Book*. 2014 data not available at date of publication.

Statistical Section

**Howard County Public School System  
Food Service Data  
Year Ended June 2014 and Four Prior Years**

**Table 14**

	2010	2011	2012	2013	2014
Number of Schools	72	72	73	73	74
Number of days lunch served	179	180	179	177	178
Number of free lunches served to students annually	827,756	960,164	1,043,509	1,049,697	1,072,488
Average number of free lunches served to students daily	4,624	5,334	5,830	5,930	6,025
Number of paid lunches served to students annually:					
At reduced price	227,958	201,814	215,666	201,983	206,132
At regular price	1,933,054	1,810,481	1,775,034	1,593,948	1,433,397
Average number of paid lunches served to students daily:					
At reduced price	1,274	1,121	1,205	1,141	1,158
At regular price	10,799	10,058	9,916	9,005	8,053
Total number of lunches served to students annually	2,988,769	2,972,459	3,034,209	2,845,628	2,712,017
Average number of lunches served to students daily	16,697	16,514	16,951	16,077	15,236
Charge per lunch to pupils:					
Elementary	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.75
Secondary	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.25

Table 15

**Howard County Public School System  
Transportation Data  
Year Ended June 30, 2014 and Nine Prior Years**

	<u>Estimated number of eligible riders (Daily)</u>	<u>Number of bus routes (Daily)</u>
<b>2014</b>	41,989	448
<b>2013</b>	41,525	438
<b>2012</b>	41,504	436
<b>2011</b>	40,200	434
<b>2010</b>	40,180	432
<b>2009</b>	39,079	429
<b>2008</b>	40,425	425
<b>2007</b>	41,682	420
<b>2006</b>	41,345	416
<b>2005</b>	39,603	401

Source: HCPSS Transportation Office

Table 16

**Howard County Public School System  
High School Graduation Data  
Year Ended June 30, 2014 and Nine Prior Years**

	<u>Graduation Rate</u>
<b>2014</b>	N/A**
<b>2013</b>	93.30%*
<b>2012</b>	90.40%*
<b>2011</b>	90.60%*
<b>2010</b>	93.60%
<b>2009</b>	94.90%
<b>2008</b>	94.87%
<b>2007</b>	94.79%
<b>2006</b>	94.11%
<b>2005</b>	93.80%

\* 4-year adjusted cohort. 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.

\*\* Official graduation rate is not released at the time of this report.

Source: HCPSS Public Information Office

**Howard County Public School System  
Full-Time Equivalent School System Budgeted Positions by Function  
Year Ended June 30, 2014 and Nine Prior Years**

**Table 17**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Fund</b>										
Administration	73.5	78.5	86.3	94.3	97.8	94.1	91.1	92.4	96.4	96.2
Mid-level Administration	465.0	501.5	556.0	572.5	587.5	588.5	585.5	586.5	594.0	599.0
Instruction	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	4,588.8
Special Education	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	1,506.0
Student Personnel Services	24.2	25.0	30.0	32.0	32.0	32.0	32.0	32.0	31.0	32.0
Student Health Services	104.0	108.0	113.0	118.0	126.0	127.0	127.0	127.0	127.0	135.0
Student Transportation Services	13.0	13.0	12.0	12.0	13.0	14.0	14.0	14.0	14.0	14.0
Operation of Plant	402.5	417.0	433.5	447.0	449.0	449.0	449.0	450.0	450.5	456.5
Maintenance of Plant	151.0	164.0	174.0	184.0	189.0	187.0	182.0	183.0	183.0	184.0
Community Services	23.9	24.9	24.9	38.9	40.9	40.4	40.4	40.9	42.9	44.9
Capital Outlay	8.5	9.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	9.0
<b>Total General Fund</b>	<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>	<u>7,665.4</u>
<b>Total Grants Fund (estimated)</b>	<u>231.8</u>	<u>226.5</u>	<u>170.5</u>	<u>180.5</u>	<u>180.5</u>	<u>186.0</u>	<u>174.2</u>	<u>165.0</u>	<u>165.0</u>	<u>177.0</u>
<b>Restricted Funds</b>										
Food services	181.0	181.5	187.5	187.5	187.0	187.0	187.0	187.0	187.0	188.0
Printing and duplicating	9.0	9.0	10.0	10.0	10.0	11.0	11.0	11.0	10.0	10.0
Information management	21.0	23.0	24.0	33.0	36.0	35.0	38.0	38.0	37.0	37.0
Health and dental self-insurance	3.0	2.5	2.5	3.0	3.0	3.0	3.0	3.0	3.0	4.0
Workers' compensation	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<b>Total Revolving Funds</b>	<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>	<u>242.0</u>
<b>Total All Funds</b>	<u>6,769.8</u>	<u>7,021.4</u>	<u>7,269.1</u>	<u>7,629.6</u>	<u>7,796.1</u>	<u>7,851.8</u>	<u>7,839.5</u>	<u>7,873.5</u>	<u>7,957.7</u>	<u>8,084.4</u>

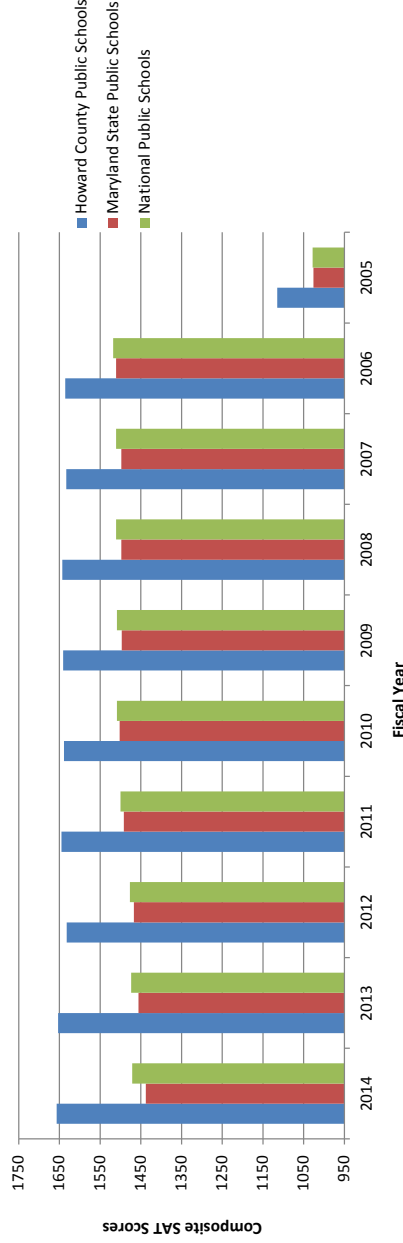
Source: HCPSS Human Resources Office

Table 18

**Howard County Public School System  
County, State, National Assessment Achievement  
Year Ended June 30, 2014 and Nine Prior Years**

	SAT **			Maryland State Assessment *				Howard County			High School Assessment ***				
	Howard County	Maryland State	National	Elementary Reading	Math	Middle Reading	Math	Algebra	Biology	English	Government	Algebra	Biology	English	Government
2014	1657	1438	1471	92.2	85.7	88.8	75.0	-	-	-	-	-	-	-	-
2013	1653	1456	1474	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	1467	1477	94.1	93.8	90.9	89.1	97.1	96.6	94.3	96.0	89.1	85.9	87.4	88.9
2011	1645	1492	1500	94.0	92.7	92.6	87.3	95.0	95.0	92.9	95.0	87.9	84.6	85.2	89.8
2010	1639	1502	1509	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

**SAT Composite Scores 2005- 2014\*\***



\* 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. 2014 HSA scores not available at time of publication.

Statistical Section

**Howard County Public School System  
Insurance Summary  
Year Ended June 30, 2014**

**Table 19**

Type of Coverage	Name of Company	Policy Period	Limits
Workers' Compensation	Self-Insured		
Excess Workers Compensation	Safety National	7/1/14 - 6/30/15	\$600,000 retention
Comprehensive General Liability	MABE Group Insurance Pool	7/1/14 - 6/30/15	Specific excess limit \$25 million \$100,000 per occurrence
Personal Injury Liability	MABE Group Insurance Pool	7/1/14 - 6/30/15	\$1 million per occurrence should sovereign immunity be abrogated \$100,000 per occurrence \$1 million per occurrence
Automobile Liability	MABE Group Insurance Pool	7/1/14 - 6/30/15	should sovereign immunity be abrogated \$100,000 combined single limit \$1 million combined single limit for Bus Contractors
Personal Injury Protection	MABE Group Insurance Pool	7/1/14 - 6/30/15	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	7/1/14/- 6/30/15	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	7/1/14 - 6/30/15	\$100,000 per loss
Criminal Proceeding and Intentional	MABE Group Insurance Pool	7/1/14 - 6/30/15	\$50,000 per covered person
Boiler and Machinery	MABE Group Insurance Pool	7/1/14 - 6/30/15	\$100,000 per occurrence
Excess Property	PEPIP	7/1/14 - 6/30/15	\$1,000,000,000 Total Property
Boiler & Machinery	Chubb	7/1/14 -6/30/15	\$100,000,000 per occurrence
Crime	Travelers	7/1/14 - 6/30/15	\$2,500,000 per occurrence
	Axis Insurance		\$2,500,000 Excess of Travelers
School Board Legal Liability	MABE Group Insurance Pool	7/1/14 - 6/30/15	\$250,000 per occurrence
School Board Legal Liability Reinsurance	United Educators		\$5 million per occurrence, excess of \$250,000, should sovereign immunity be abrogated

Source: HCPSS Office of Risk Management

# **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, 2014, and the related notes to the financial statements, which collectively comprise HCPSS's basic financial statements, and have issued our report thereon dated September 29, 2014.

**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.



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

## Report Required by Government Auditing Standards

### **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*.

### **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 29, 2014

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



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