



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

A Component Unit of Howard County, Maryland



Vision

Every student and staff member embraces diversity and possesses the skills, knowledge, and confidence to positively influence the larger community.

Mission

HCPSS ensures academic success and social-emotional well-being for each student in an inclusive and nurturing environment that closes opportunity gaps.

Four Overarching Commitments

- Value** Every HCPSS stakeholder feels happy and rewarded in their roles and takes pride in cultivating the learning community.
- Achieve** An individualized focus supports every person in reaching milestones for success.
- Connect** Students and staff thrive in a safe, nurturing, and inclusive culture that embraces diversity.
- Empower** Schools, families, and the community are mutually invested in student achievement and well-being.



Howard
County

**Public
School
System**

A Component Unit of Howard County, Maryland

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2017

Prepared By:

The Division of Business and Technology

10910 Clarksville Pike
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Introductory Section



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Introductory Section

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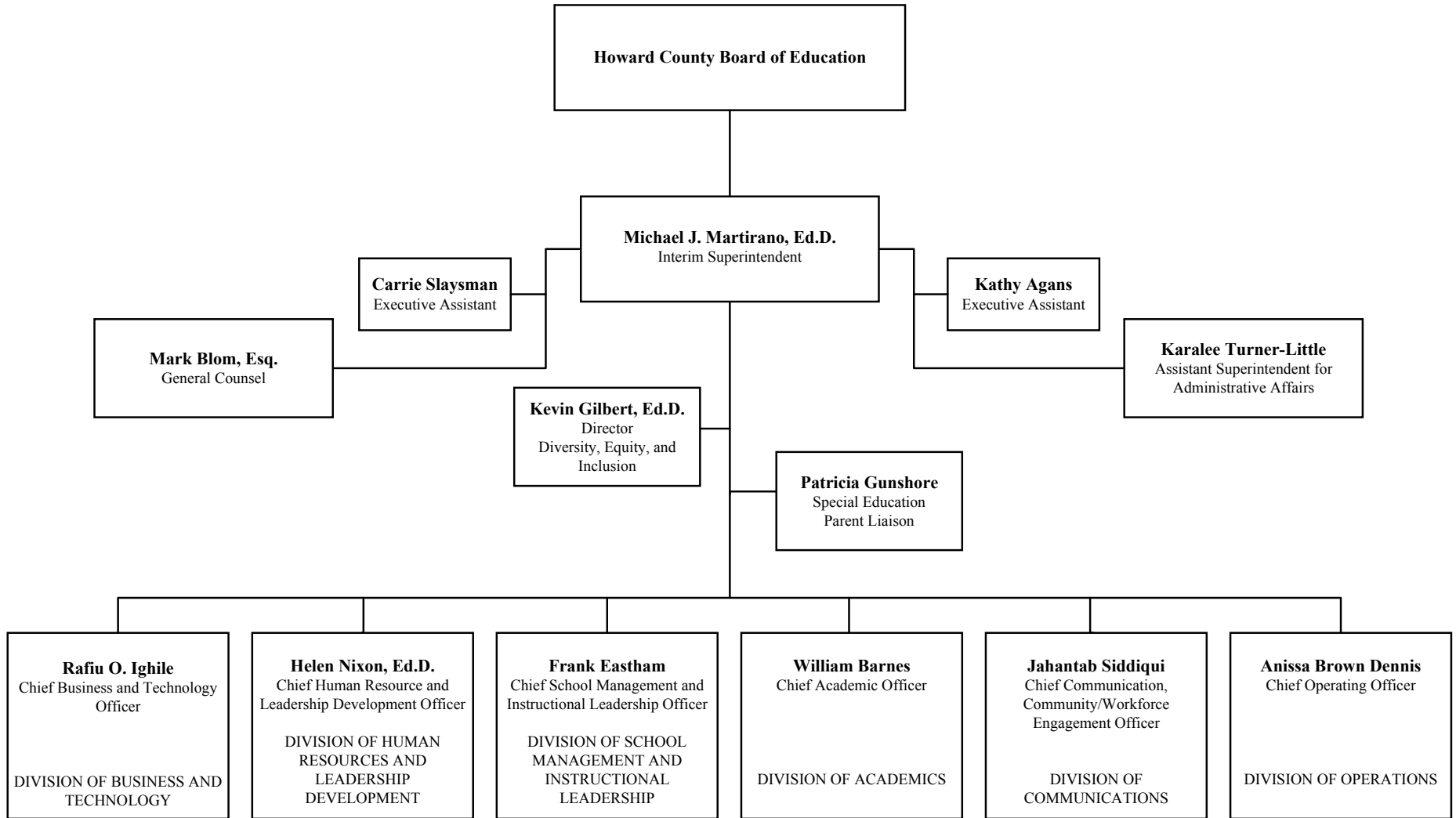
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Organizational Chart

THE FIERCE URGENCY OF NOW: EDUCATING EVERY STUDENT THROUGH THE LENS OF EQUITY

“WORK HARD AND BE KIND”



Principal Officials

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

Howard County Public Schools Officials

Interim Superintendent of Schools



Michael J. Martirano, Ed.D.

Rafiu O. Ighile, CPA, CGMA, MBA
Chief Business and Technology Officer

Helen Nixon, Ed.D.
Chief Human Resource and Leadership
Development Officer

Frank Eastham
Chief School Management and
Instructional Leadership Officer

William Barnes
Chief Academic Officer

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Workforce Engagement Officer

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Independent Auditor

CliftonLarsonAllen LLP
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Board of Education

Cynthia L. Vaillancourt
Chairman



Bess Altweger, Ed. D
Vice Chairman



Kirsten Coombs
Member



Christina Delmont-Small
Member



Mavis Ellis
Member



Sandra French
Member



Ananta Hejeebu
Member





December 1, 2017

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 Business and Technology (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, 2017.

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 auditors' report is located at the front of the financial section of this report. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter and should be read in conjunction with it.

Entity Services

HCPSS is extremely dedicated to realizing the following vision: "Every student and staff member embraces diversity and possesses the skills, knowledge, and confidence to positively influence the larger community." With a guiding mission of "HCPSS ensures academic success and social-emotional well-being for each student in an inclusive and nurturing environment that closes opportunity gaps," the HCPSS Strategic Call to Action - Learning and Leading with Equity, The Fierce Urgency of Now, provides these four overarching commitments:

- **Value** – Every HCPSS stakeholder feels happy and rewarded in their roles and takes pride in cultivating the learning community.
- **Achieve** – An individualized focus supports every person in reaching milestones for success.
- **Connect** – Students and staff thrive in a safe, nurturing, and inclusive culture that embraces diversity.
- **Empower** – Schools, families, and the community are mutually invested in student achievement and well-being.

Located in central Maryland, the HCPSS serves a diverse population exceeding 55,600 students. The HCPSS has realized an increase of nearly 6,800 students over the last decade. Projections show that student enrollment will continue to increase. In fact, the counts for the 2017–2018 school year show an increase of nearly 1,050 students over the previous year.

To provide for this continued growth, the HCPSS has completed numerous additions and renovations to existing schools and built five new schools – four elementary schools and one middle school – since 2006. In the next ten years, the Long-Range Master Plan includes the building of four new elementary schools, one new high school, an elementary replacement school, and renovations/additions to two elementary schools, two middle schools, and one high school. In January 2017, HCPSS opened the first net zero energy school in the state of Maryland, a replacement middle school. The school is nearly twice the size of the original school, but only utilizes less than half of the energy. The school achieves net zero energy efficiency with the use of solar panels and associated systems and equipment.

HCPSS operated 76 schools in the 2016–2017 academic year, with the average age of school buildings varying from 15.1 years for elementary schools, 16.7 years for middle schools, and 20.0 years for high schools. A wide range of services are offered to Howard County students and parents through guidance counselors, nurses, psychologists, and student 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 the HCPSS as they relate to the services provided for a public school education system of 41 elementary schools, 20 middle schools, 12 high schools, and 3 special schools. There currently are no charter schools in Howard County.

Economic Condition and Outlook

In FY 2017 the HCPSS received approximately 70 percent of its governmental funds operating budget from Howard County and approximately 29 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 more than ten years, and therefore persists as an economic force itself.

Howard County is among the wealthiest counties in the United States based on median income. As a result, Howard County has not suffered as much as many other jurisdictions during the recession and leading economic indicators have seen measurable improvement in the last year. Howard County's unemployment rate was 3.0% at September 2017, a decrease from the 4.0% unemployment rate as of June 30, 2015, and was below the national and state levels.

Maryland's cyber security, telecommunications, 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, with the expected 2045 population of 372,350, a 30% increase from the 2010 Census.

Economic Condition and Outlook (continued)

As Maryland's economy and revenues continue to grow, the state for the third straight year will continue its record level of funding going toward the education of our children. The state administration is investing \$6.4 billion into K–12 education, approximately \$28 million more than in FY 2017. Local budgets improved as well, allowing a \$10.7 million increase (1.33%) in the HCPSS budget.

Long-term Financial Planning

Interim Superintendent, Dr. Michael J. Martirano, presented his Strategic Call to Action for the HCPSS, Learning and Leading with Equity, *The Fierce Urgency of Now*. The full text of the HCPSS Strategic Call to Action is available at <http://www.hcpss.org/f/superintendent/strategic-call-to-action.pdf>.

The development of the FY 2018 Operating Budget was influenced by the economic climate more than any other factors. 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 2018 Approved Operating Budget provided funding for the following:

- Continuation of the current level of service and quality education
- Salary increases agreed upon in negotiations
- Additional positions to support enrollment growth and new initiatives
- 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 rerequired to keep HCPSS facilities in good operating condition.

School System Budget

The School System's final Approved Operating Budget for FY 2018 appropriates \$819.1 million for revenues and expenses. This represents a total increase of \$0.7 million or approximately 1.3 percent. By increasing the budget by more than required by law, the county met its statutory obligation for maintenance of effort.

The FY 2018 budget cycle marked the fourth year of zero-based budgeting (ZBB) implementation. 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.

Internal Controls

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

Budgetary Controls

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

The budget is subdivided into state-mandated categories of expenditures including Administration, Mid-level Administration, Instructional Salaries, Textbooks and Instructional Supplies, Other Instructional Costs, Special Education, Student Personnel Services, 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, 2017. The MD&A provides additional details about budgetary controls utilized by the HCPSS.

Independent Audit

The financial statements for FY 2017 have been audited by CliftonLarsonAllen, LLP in accordance with Section 5-109 of the Public School Laws of Maryland. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The auditor's report on the financial statements is included in the Financial Section of this report. We are pleased to report that the auditor's report on the School System's basic financial statements is without qualification, the highest possible outcome of the audit process.

System Achievements

The HCPSS graduating Class of 2017 achieved outstanding scores on the new SAT, with average scores of 581 in evidence-based reading and writing (ERW) and 580 in Mathematics, which averages to a composite score of 1161. HCPSS scores significantly outpaced the Maryland public schools averages of 104 composite, 528 ERW and 518 Mathematics, as well as the national public school averages of 527 ERW and 517 Mathematics. The SAT underwent significant revisions in March 2016; thus, scores reflect only testing among students taking the new SAT, and are not comparable with prior year results.

The Class of 2017 also showed impressive scores and increased participation in the ACT. HCPSS students outpaced their peers in Maryland and the nation. The mean composite score was 25.8, with mean scores in test categories of reading, 26.1; math, 25.9; English, 25.6; and science, 25.2. In comparison, scores at the state and national level, respectively, were composite, 23.4 and 21.0; reading, 23.9 and 21.4; math, 23.1 and 20.7; English, 22.8 and 20.3; and science, 23.1 and 21.0.

Students at all levels are demonstrating academic achievement. HCPSS students took 11,275 Advanced Placement Exams in 2017. Of these, 79.9% of the exams were scored at 3. 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 55 HCPSS schools have been certified as Maryland Green Schools. Also, the first net zero energy school building in the state, Wilde Lake Middle School, opened in January 2017. This school provides students with a unique learning opportunity in environmental science while also addressing projected enrollment needs.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Howard County Public School System for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This was the eleventh 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, 2016. This award reflects our commitment to the highest standards in School System reporting.

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

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

Conclusion

This report has been prepared to provide financial information for the fiscal year ended June 30, 2017, 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 on [page 18](#).

Respectfully submitted,



Rafiu Ighile, CPA, CGMA, MBA
Chief Business and Technology Officer



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Howard County Public School System

for its **Comprehensive Annual Financial Report (CAFR)**
for the **Fiscal Year Ended June 30, 2016.**

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 'Anthony N. Dragona', written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

John D. Musso, CAE
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, 2016

Christopher P. Morill

Executive Director/CEO

Financial Section





CliftonLarsonAllen LLP
CLAAconnect.com

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, 2017, 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 HCPSS'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, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 6 through 18 and budgetary comparison information on pages 56 and 57, and the schedule of the Board's proportionate share of the net pension liability, schedule of Board contributions and notes to the required supplementary information on pages 58 through 60 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), 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory 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 them.

Members of the Board of Education
of Howard County, Maryland

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017 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 solely 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 the effectiveness of HCPSS's 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, 2017

Financial Section

Management's Discussion and Analysis



Management's Discussion and Analysis

Introduction

As Management of the Howard County Public School System (HCPSS, School System, Board), we have prepared the following discussion and analysis to inform readers of HCPSS's annual financial report about the financial information that the enclosed statements present for the year ended June 30, 2017 with selected comparative data for the year ended June 30, 2016. 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's financial position and changes in financial position.

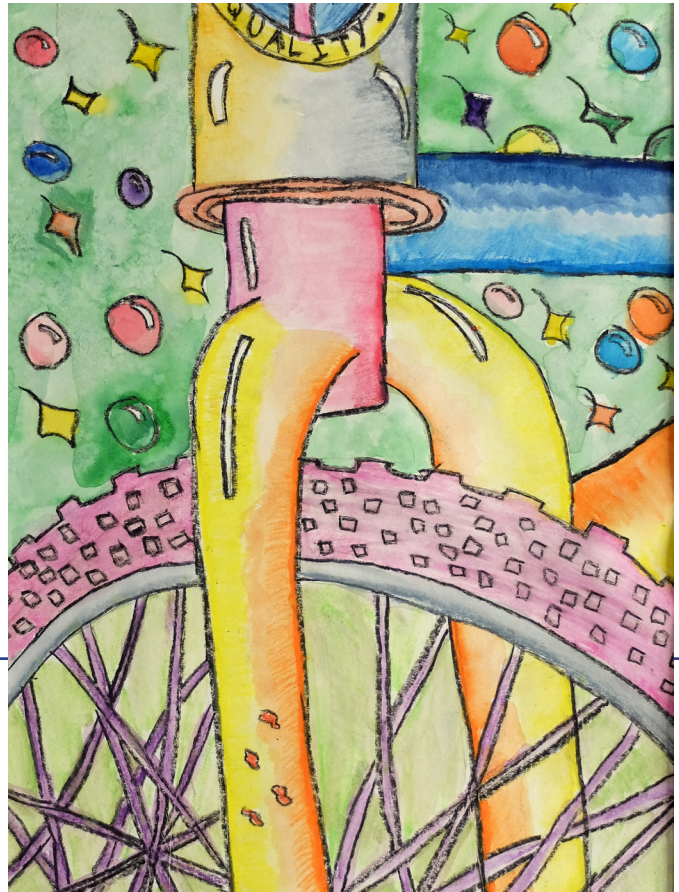
Financial Highlights for FY 2017

Government-wide financial statements

The School System's financial status as of June 30, 2017, and as reflected in total net position, increased by \$50.2 million to \$1,177.7 million from \$1,127.5 million. The increase in total net position reflects increases in capital assets of \$47.5 million, and increase in deferred outflows of resources of \$3.6 million as well as decreases in current and other assets of \$11.2 million, and an increase in liabilities of \$12.7 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 \$770.8 million, including \$562.3 million in local appropriations and \$207.4 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 \$ 2264.8 million. The total revenue from all sources was \$1,035.6 million.

The School System had \$985.4 million in expenses related to programs, an increase of \$21.2 million from the prior year. The increase in expenses is primarily due to an increase in salaries and benefits costs.

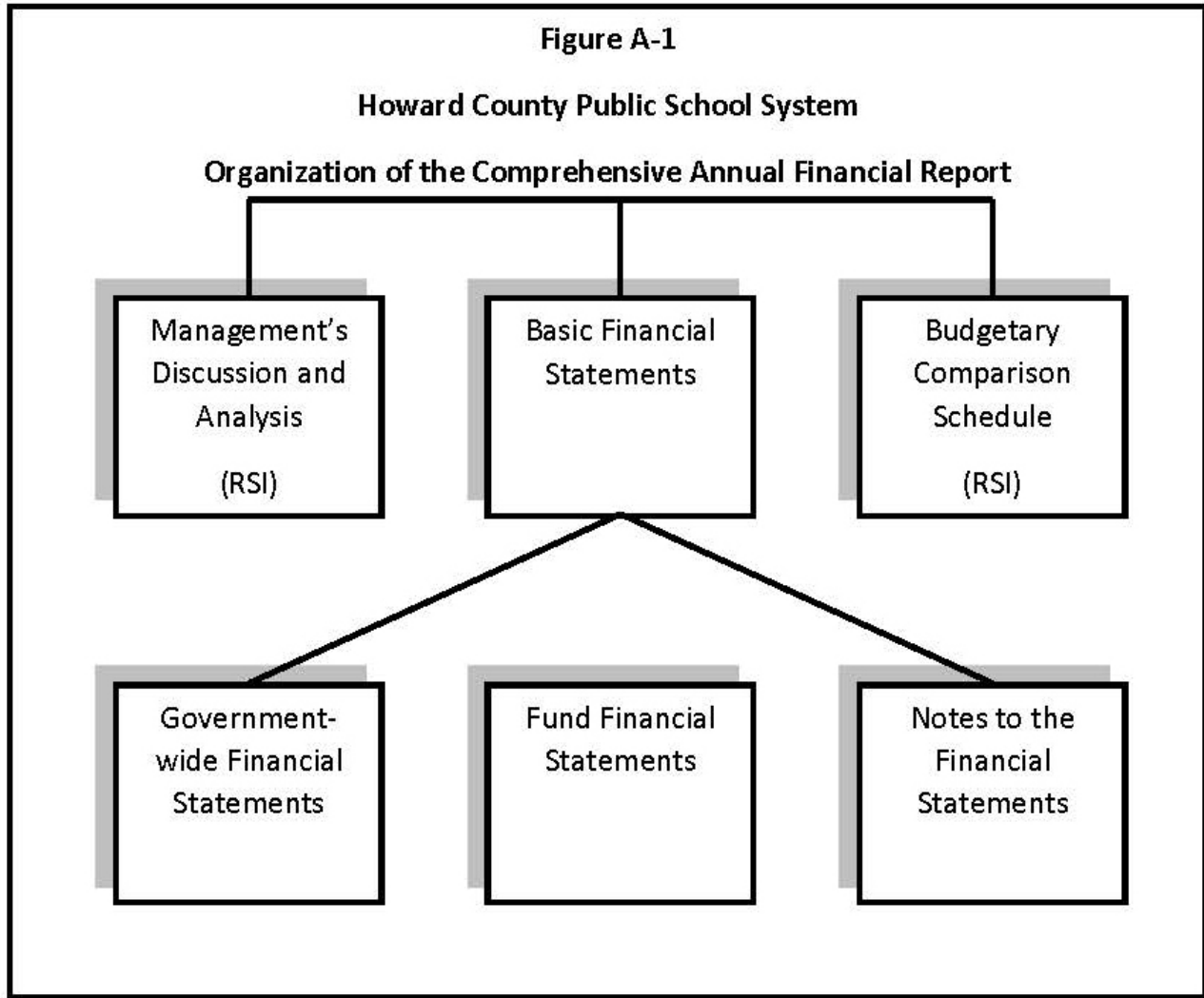


Student - Caroline Vernon

Governmental funds financial statements

The overall fund balance of the General Fund, the primary operating fund, increased by \$3.4 million to \$21.3 million from \$17.9 million. The General Fund balance is comprised of \$1.1 million in nonspendable fund balance related to prepaid items and inventories, \$1.0 million committed to severance payable, \$10.8 million assigned for encumbrances and subsequent year's budgeted appropriation of fund balance, and fund balance and \$8.3 million in unassigned fund balance.

Management's Discussion and Analysis



Overview of the Basic Financial Statements

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

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

Management's Discussion and Analysis

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, liabilities, and deferred inflows/outflows of resources with the difference between the two reported as "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, in 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 20–21](#) 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 24 and 26](#) of this report, respectively.

The governmental fund financial statements can be found on [pages 23 and 25](#) 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 accrual 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, Technology Services, Health and Dental, and Workers' Compensation.

The proprietary fund financial statements can be found on [pages 27–29](#) 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 30](#) of this report.

Summary of Significant Accounting Policies and the Notes to 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 32–39](#) of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the HCPSS's budget process. HCPSS adopts an annual expenditure budget for all governmental funds. The 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 School System's basic financial statements. The required supplementary information can be found on [pages 56–60](#) 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 approximately 73 percent of its governmental activities funding from the County, and approximately 27 percent 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

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, governmental activities assets exceeded liabilities by \$1,177.7 million at the close of the most recent fiscal year.

The most significant portion of the School System's net position (103.4%) 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, including technology equipment and software. 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 result 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: Net Position – Years ended June 30, 2017 and 2016 (In Thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 123,081	\$ 111,847	\$ 262	\$ 261	\$ 123,343	\$ 112,108
Capital assets (net)	1,225,193	1,177,710	74	46	1,225,267	1,177,756
Total Assets	1,348,274	1,289,557	336	307	1,348,610	1,289,864
Deferred outflows of resources	17,969	14,395	-	-	17,969	14,395
Liabilities						
Long-term liabilities	67,757	61,085	-	-	67,757	61,085
Other liabilities	117,926	111,907	18	5	117,944	111,912
Total liabilities	185,683	172,992	18	5	185,701	172,997
Deferred inflows of resources	3,152	3,716	-	-	3,152	3,716
Net Position						
Net investment in capital assets	1,217,728	1,166,847	74	46	1,217,802	1,166,893
Restricted for GWWTP	1,230	1,222	-	-	1,230	1,222
Restricted for food services	192	234	-	-	192	234
Unrestricted	(41,742)	(41,059)	244	256	(41,498)	(40,803)
Total Net Position	\$ 1,177,408	\$ 1,127,244	\$ 318	\$ 302	\$ 1,177,726	\$ 1,127,546

Change in Net Position

The School System's net position increased \$50.2 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

Table 2: Change in Net Position – Years ended June 30, 2017 and 2016 (In Thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2017	2016	2017	2016	2017	2016
Revenues						
Charges for services	\$ 18,178	\$ 17,812	\$ 125	\$ 134	\$ 18,303	\$ 17,946
Operating grants and contributions	155,999	146,211	-	-	155,999	146,211
Capital gains and contributions	90,519	80,150	-	-	90,519	80,150
General revenues						
County appropriations	562,260	544,145	-	-	562,260	544,145
State aid	207,399	197,822	-	-	207,399	197,822
Federal aid	135	160	-	-	135	160
Interest and investment earnings	286	101	-	-	286	101
Miscellaneous	759	1,962	-	-	759	1,962
Total Revenues	1,035,535	988,363	125	134	1,035,660	988,497
Expenses						
Instruction						
Regular instruction	549,749	536,486	-	-	549,749	536,486
Special instruction	159,479	153,791	-	-	159,479	153,791
Support services						
Administration	22,437	19,105	-	-	22,437	19,105
Mid-level administration	94,884	92,335	-	-	94,884	92,335
Student services	4,931	4,852	-	-	4,931	4,852
Health services	11,963	11,397	-	-	11,963	11,397
Student transportation	38,839	38,035	-	-	38,839	38,035
Operations of plant	49,465	49,707	-	-	49,465	49,707
Maintenance of plant	30,121	30,755	-	-	30,121	30,755
Community services	8,603	8,741	-	-	8,603	8,741
Food services	14,857	13,845	-	-	14,857	13,845
Interest on long-term debt	43	61	-	-	43	61
Enterprise funds	-	-	109	90	109	90
Total Expenses	985,371	959,110	109	90	985,480	959,200
Increase (Decrease) in Net Position	50,164	29,253	16	44	50,180	29,297
Beginning Net Position	1,127,244	1,097,991	302	258	1,127,546	1,098,249
Ending Net Position	\$ 1,177,408	\$ 1,127,244	\$ 318	\$ 302	\$ 1,177,726	\$ 1,127,546

Management's Discussion and Analysis

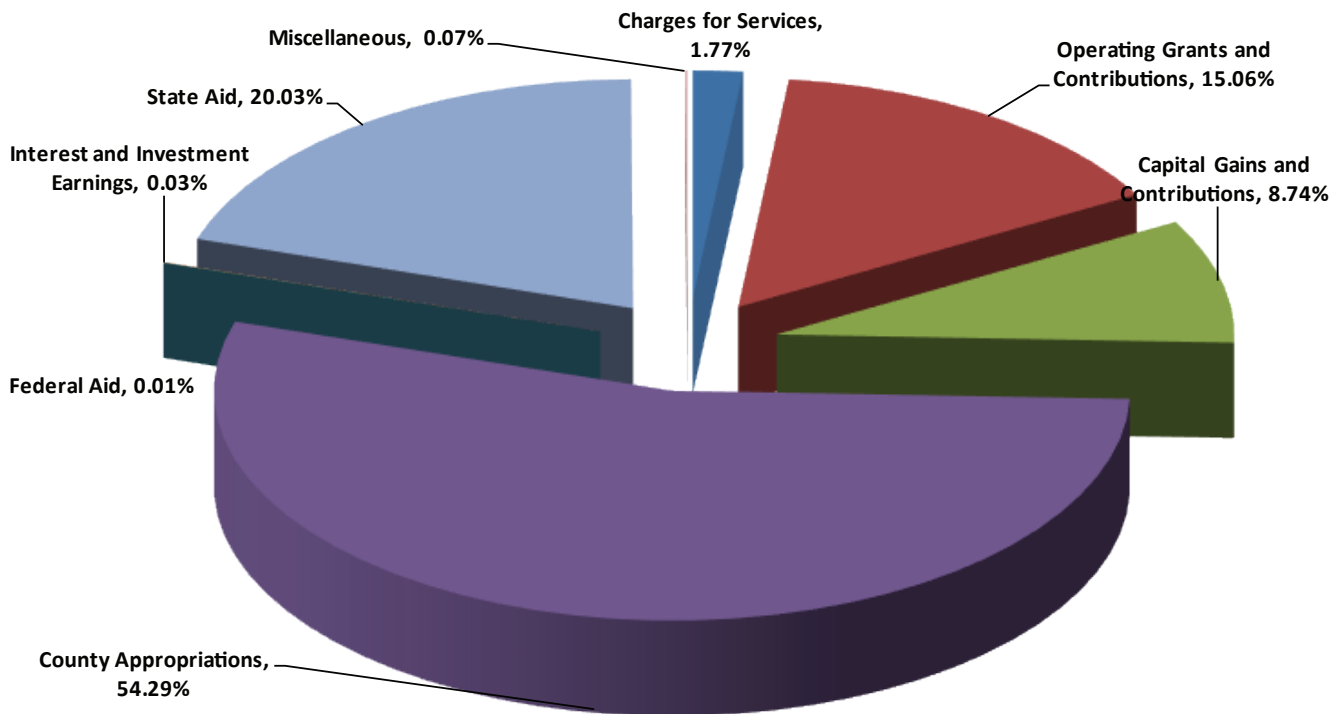
Government-Wide Revenues and Expenses

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 \$1,035.6 million. County appropriations and State formula aid accounted for most of HCPSS revenue. Funds from these two sources contributed approximately 75 cents of every dollar needed. The remaining 25 cents came from federal aid for specific programs, fees charged for services and other miscellaneous revenues. Total revenues surpassed expenditures, increasing net position by \$50.2 million over last year. The revenue increase was primarily attributable to an increase in county funding.

to instruction (including special education), instructional support and student transportation services. Expenses in these areas comprised approximately 77.62% of all School System expenditures. The business and administration activities, food services, and community services accounted for 11.9%, 1.5% and 0.9% of total costs, respectively. Maintenance and operation expenses represented approximately 8.1%. Generally, increases in expenses closely paralleled inflation and growth in the demand for services. Educational programs like the class size reduction and bilingual education continue to receive the funding priority because these programs are integral to promoting student achievement.

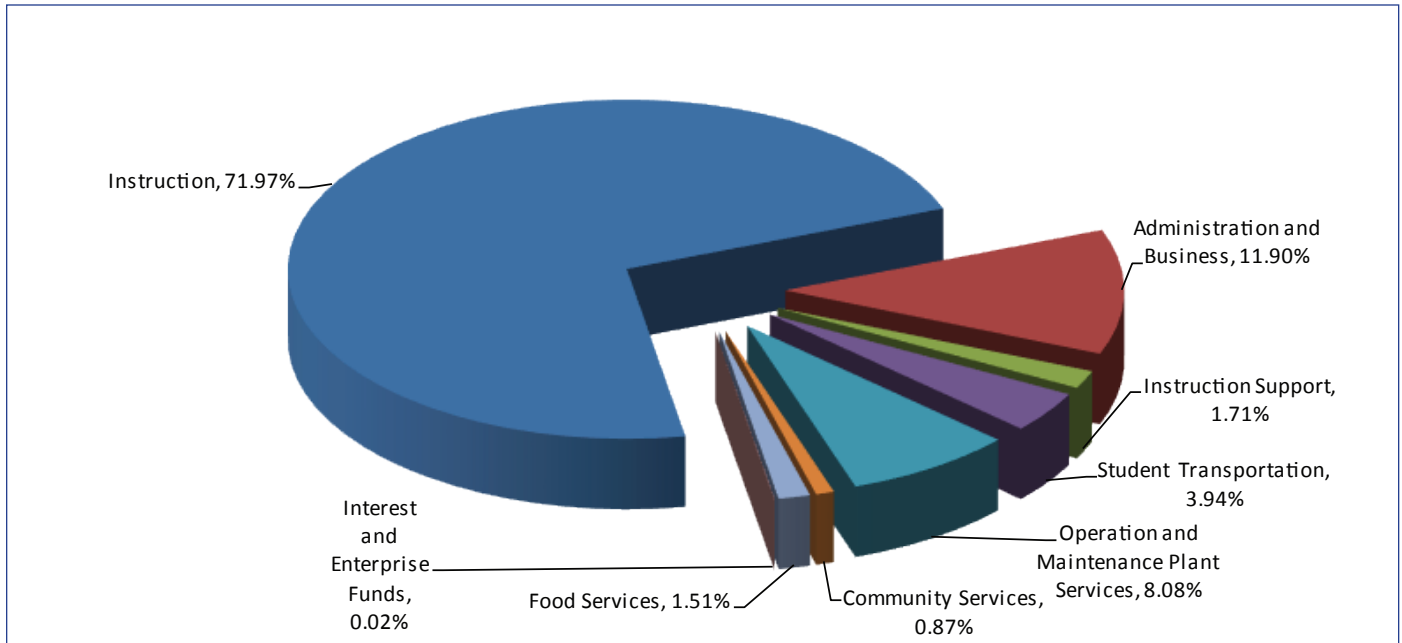
The total cost of all programs and services rose to \$985.4 million. Most of HCPSS expenses are related

Chart 1: Source of Revenues – FY 2017



Management's Discussion and Analysis

Chart 2: Expenses by Category – FY 2017



Expenditures Per Student		
	2017	2016
Total Student Enrollment*	54,347	53,634
EXPENDITURES**		
Current:		
Administration	\$ 250	\$ 230
Instruction		
Instructional Salaries and Wages	5,958	5,880
Instructional Textbooks/Supplies	171	219
Other Instructional Costs	52	62
Student Personnel Services	60	60
Health Services	145	144
Student Transportation	697	700
Operation of Plant	717	750
Maintenance of Plant	431	471
Fixed Charges	3,133	2,967
Mid-level Administration	1,097	1,091
Community Services	119	122
Special Education	1,815	1,742
Capital Outlay	14	15
Total Expenditures Per Student	\$ 14,659	\$ 14,453

*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 and health services, student transportation services, operation of plant, maintenance of plant, community services, and special education services, and food services. The table also shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided by specific programs).

Business-Type Activities

HCPSS has one business-type activity: The Jim Rouse Theatre. Operating revenues for the business-type activity totaled \$125 thousand for 2017. Operating expenses totaled \$109 thousand for a net operating gain of \$16 thousand primarily due to an increase in charges for services. Details of the business-type activity can be found on [page 21](#) of this report.

Management's Discussion and Analysis

Table 3: Cost of Governmental Activities – Year ended June 30, 2017 (In Thousands)

	Total Cost of Services	Less Program Revenues	Net Cost of Services
Instruction			
Regular instruction	\$ 549,749	\$ 164,057	\$ (385,692)
Special instruction	159,479	40,041	(119,438)
Support services			
Administration	22,437	1,860	(20,577)
Mid-level administration	94,884	10,135	(84,749)
Student services	4,931	617	(4,314)
Health services	11,963	1,291	(10,672)
Student transportation	38,839	15,940	(22,899)
Operations of plant	49,465	12,754	(36,711)
Maintenance of plant	30,121	1,961	(28,160)
Community services	8,603	652	(7,951)
Food Services	14,857	15,389	532
Interest on long-term debt	43	-	(43)
Total Expenses	<u>\$ 985,371</u>	<u>\$ 264,697</u>	<u>\$ (720,674)</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 \$28.6 million, an increase of \$11.0 million. This includes nonspendable fund balance which is comprised of \$1.2 million in inventories and \$114 thousand in prepaid expenses. Funds restricted for the Glenelg Waste Water Treatment Plant totals \$1.2 million. Committed fund balance consists of \$1.0 million for severance payable. Assigned fund balance includes \$9.3 million for encumbrances and \$1.6 million for subsequent year's budgeted appropriation of fund balance, \$1.4 million for food service operations and \$4.3 million for capital projects. The unassigned fund balance is \$8.3 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 increased by \$3.4 million. Any change in the School System's fund balance is a result of timing of expenditures. The School System's revenues and expenditures are fixed depending upon funding adopted by the county and state governments.

The fund balance of the Food Service Fund, a special revenue fund, increased during the current fiscal year by \$535 thousand due to increased sales. The Glenelg Waste Water Treatment Plant fund finished with a fund balance of \$1.2 million.

Revenues for HCPSS's governmental funds increased 4.3% while total expenses increased 3.6%. County revenue increased by 1.9% or \$11.7 million over the previous year. While the general fund revenues from the county increased by 3.6% or \$19.6 million, the County revenues for the Capital Projects fund decreased by 13.4% or \$8.2 million. The Capital Projects Fund recognizes county revenues when project expenditures are incurred. Significant projects completed were Patuxent Valley Middle School renovation, and Wilde Lake Middle School replacement. State funding increased by 98.2% or \$18.6 million from the previous year.

Management's Discussion and Analysis

General Fund Budgetary Highlights

The General (Current Expense) Fund operates under a legally adopted annual budget. The budget is subdivided into State mandated categories of expenditures including administration, mid-level administration, instructional salaries, textbooks and instructional supplies, other instructional costs, special education, student personnel services and 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 2017, General Fund Budgeted Revenues were under budget by \$2.0 million 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 \$10.0 million in unspent budgeted appropriations. The net positive budget variance of \$8.0 million in the General Fund will be available for the County to appropriate in future budgets.

Capital Assets

HCPSS had \$1,225.2 million invested in land, construction in progress, buildings and improvements, and furniture and equipment at June 30, 2017.

Table 4 shows governmental activities capital asset balances, net of accumulated depreciation, at June 30, 2017 and 2016. During FY 2017, capital assets increased by a net of \$47.5 million from the prior year. Depreciation expense on these assets was approximately \$32.1 million in FY 2017. More detailed information about capital assets can be found on [pages 41–42](#) of this report.

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

- Completed construction for Wilde Lake Middle School replacement
- Completed construction for renovations at Patuxent Valley Middle School
- Construction for the New Elementary School #42

- Continued construction for renovation/addition at Swansfield Elementary
- Continued construction renovation/additions at Waverly Elementary
- Other major projects include technology projects

HCPSS FY 2018 capital budget proposes spending \$16.0 million for systemic renovations, \$4.4 million for Swansfield ES renovation/addition, \$17.4 million for Waverly ES renovation/Phase II addition, \$18.7 for New Elementary School #42, and \$1.0 million to begin planning for the Talbott Springs ES replacement.

HCPSS proposed capital spending totaling \$496.0 million over the FY 2019-2023 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.

Management's Discussion and Analysis

Table 4: Capital Assests – Governmental Activities – Years ended June 30, 2017 and 2016

	2017	2016
Land	\$ 31,903,533	\$ 31,903,533
Construction in progress	256,054,484	223,847,417
Buildings and improvements	1,384,870,191	1,338,244,595
Furniture and equipment	41,804,810	41,210,742
(Less accumulated depreciation)	(489,439,544)	(457,495,956)
Total Capital Assets	<u>\$ 1,225,193,474</u>	<u>\$ 1,177,710,331</u>

Long-Term Obligations

School systems in Maryland have no authority to incur bonded debt. The only long-term obligations of HCPSS consist of capital lease obligations and compensated absences resulting from annual leave earned but not taken by employees. The capital lease obligations were incurred 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 \$9.5 million at June 30, 2017. Net pension liability totaled approximately \$51.1 million. Total long term obligations totaled approximately \$74.6 million at June 30, 2017. For an increase of approximately \$6.7 million over the balance of \$67.8 million at June 30, 2017.

Additional information on the School System's long-term obligation can be found on [page 44](#) of this report.

Factors Influencing Future Budgets

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 enrollments 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 2018.
- Increases in the cost of employee health and dental benefits.

Management's Discussion and Analysis

Economic Factors

Since the recession, Howard County has experienced a year of healthier recovery than its counterparts in other areas of the state and country. Higher tax revenues (over 3% up from prior year), stronger new homes market, and a positive overall economic climate have contributed to its better performance. Even with these favorable conditions, the economy has yet to reach the heights of pre-recession levels. The recovery has continued to show signs of fragility which has created a volatile future for the American economy and uncertainty for future budgets. Concurrently, the State of Maryland has recently disclosed in its two year forecast that gains on jobs are weak tempering growth prospects for income and housing.

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:

- A growing segment of our student population carry heavy burdens to school, including poverty, homelessness, and language barriers.
- Howard County provides approximately 70% of HCPSS operating budget funding needs.
- 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 June 2016 was 3.5% compared to the state average of 4.5%.
- The State of Maryland has projected shortfalls over the next year, which could mean cuts to the state funding.

These factors were considered in preparing the HCPSS budget for FY 2018.

Contacting HCPSS Financial Management

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

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

Financial Section

Basic Financial Statements

Government-Wide Financial Statements



Government-Wide Financial Statements

Statement of Net Position – June 30, 2017

Howard County Public School System

Statement of Net Position

June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 33,936,571	\$ -	\$ 33,936,571
Investments	55,886,708	-	55,886,708
Accounts receivable	1,905,700	10,373	1,916,073
Internal balances	(251,854)	251,854	-
Due from other units of government	29,285,669	-	29,285,669
Prepaid items	930,578	-	930,578
Inventory	1,387,530	-	1,387,530
Capital assets:			
Land	31,903,533	-	31,903,533
Construction in progress	256,054,484	-	256,054,484
Building and improvements	1,384,870,191	-	1,384,870,191
Furniture and equipment	41,804,810	228,081	42,032,891
Less: accumulated depreciation	(489,439,544)	(154,583)	(489,594,127)
Total capital assets, net of depreciation	1,225,193,474	73,498	1,225,266,972
Total Assets	1,348,274,376	335,725	1,348,610,101
DEFERRED OUTFLOWS OF RESOURCES	17,969,084	-	17,969,084
LIABILITIES			
Accounts payable	17,774,045	14,739	17,788,784
Accrued liabilities	80,606,183	-	80,606,183
Unearned revenue	12,721,735	3,265	12,725,000
Long-term liabilities:			
Current portion	6,823,886	-	6,823,886
Long-term portion	67,756,559	-	67,756,559
Total Liabilities	185,682,408	18,004	185,700,412
DEFERRED INFLOWS OF RESOURCES	3,152,354	-	3,152,354
NET POSITION			
Net investment in capital assets	1,217,727,851	73,498	1,217,801,349
Restricted for:			
Wastewater treatment plant	1,229,898	-	1,229,898
Food service	192,597	-	192,597
Unrestricted	(41,741,648)	244,223	(41,497,425)
TOTAL NET POSITION	\$ 1,177,408,698	\$ 317,721	\$ 1,177,726,419

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, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular education	\$ 549,749,247	\$ 2,417,494	\$ 71,120,616	\$ 90,519,063	\$ (385,692,074)	\$ -	\$ (385,692,074)
Special education	159,479,442	-	40,040,635	-	(119,438,807)	-	(119,438,807)
Total instruction	709,228,689	2,417,494	111,161,251	90,519,063	(505,130,881)	-	(505,130,881)
Support services:							
Administration	22,437,144	-	1,859,890	-	(20,577,254)	-	(20,577,254)
Mid-level administration	94,884,243	-	10,134,804	-	(84,749,439)	-	(84,749,439)
Student personnel services	4,930,796	-	617,133	-	(4,313,663)	-	(4,313,663)
Health services	11,962,727	-	1,290,518	-	(10,672,209)	-	(10,672,209)
Student transportation services	38,838,828	-	15,939,595	-	(22,899,233)	-	(22,899,233)
Operation of plant	49,465,182	9,266,434	3,487,293	-	(36,711,455)	-	(36,711,455)
Maintenance of plant and equipment	30,121,315	-	1,961,299	-	(28,160,016)	-	(28,160,016)
Community services	8,602,698	-	651,776	-	(7,950,922)	-	(7,950,922)
Food services	14,856,665	6,494,372	8,894,944	-	532,651	-	532,651
Interest on long-term debt	42,888	-	-	-	(42,888)	-	(42,888)
Total support services	276,142,486	15,760,806	44,837,252	-	(215,544,428)	-	(215,544,428)
Total governmental activities	985,371,175	18,178,300	155,998,503	90,519,063	(720,675,309)	-	(720,675,309)
Business-type activities:							
Jim Rouse Theatre	109,353	125,001	-	-	-	15,648	15,648
	109,353	125,001	-	-	-	15,648	15,648
TOTAL SCHOOL SYSTEM	\$ 985,480,528	\$ 18,303,301	\$ 155,998,503	\$ 90,519,063	(720,675,309)	15,648	(720,659,661)
General revenues - unrestricted:							
Local appropriations					562,260,253	-	562,260,253
State Aid					207,398,720	-	207,398,720
Federal Aid					135,360	-	135,360
Interest and investment earnings					285,858	-	285,858
Miscellaneous					759,151	-	759,151
Total general revenues					770,839,342	-	770,839,342
CHANGES IN NET POSITION					50,164,033	15,648	50,179,681
NET POSITION, BEGINNING OF YEAR					1,127,244,665	302,073	1,127,546,738
NET POSITION, END OF YEAR					\$ 1,177,408,698	\$ 317,721	\$ 1,177,726,419

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

Financial Section

Basic Financial Statements

Fund Financial Statements



Fund Financial Statements

Howard County Public School System

Balance Sheet

Governmental Funds

June 30, 2017

	Glenelg Wastewater					Total
	General	Food	Treatment	Restricted	Capital	Governmental
	Fund	Services	Plant	Programs	Projects	Funds
	Fund	Fund	Fund	Fund	Fund	Funds
ASSETS						
Cash and cash equivalents	\$ 24,954,499	\$ 8,982,072	\$ -	\$ -	\$ -	\$ 33,936,571
Investments	48,455,091	464,235	1,249,392	-	-	50,168,718
Accounts receivable	959,584	421,024	138,650	278,015	-	1,797,273
Prepaid items	113,536	-	-	-	-	113,536
Due from other funds	22,858,581	-	-	-	-	22,858,581
Due from other units of government	-	-	-	4,690,647	24,595,022	29,285,669
Inventory	1,019,283	192,597	-	-	-	1,211,880
TOTAL ASSETS	\$ 98,360,574	\$ 10,059,928	\$ 1,388,042	\$ 4,968,662	\$ 24,595,022	\$ 139,372,228
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 4,801,962	\$ 107,513	\$ 25,844	\$ 1,619,256	\$ 7,065,202	\$ 13,619,777
Accrued liabilities	68,463,012	-	-	5,202	31,075	68,499,289
Due to other funds	2,960,962	7,858,578	132,300	1,165,632	8,195,706	20,313,178
Unearned revenue	777,258	397,172	-	2,178,572	5,021,114	8,374,116
Compensated absences payable	10,000	-	-	-	-	10,000
Total liabilities	77,013,194	8,363,263	158,144	4,968,662	20,313,097	110,816,360
FUND BALANCES						
Nonspendable:						
Prepaid items	113,536	-	-	-	-	113,536
Inventories	1,019,283	192,597	-	-	-	1,211,880
Restricted	-	-	1,229,898	-	-	1,229,898
Committed	1,042,680	-	-	-	-	1,042,680
Assigned	10,849,240	1,504,068	-	-	4,281,925	16,635,233
Unassigned	8,322,641	-	-	-	-	8,322,641
Total fund balances (deficiency)	21,347,380	1,696,665	1,229,898	-	4,281,925	28,555,868
TOTAL LIABILITIES AND FUND BALANCES (DEFICIENCY)	\$ 98,360,574	\$ 10,059,928	\$ 1,388,042	\$ 4,968,662	\$ 24,595,022	\$ 139,372,228

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, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (page 23) \$ 28,555,868

Amounts reported for governmental activities in the Statement of Net Position is 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 \$1,698,506,785 and the accumulated depreciation is \$482,611,083. 1,215,895,702

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. (18,177,680)

Deferred outflows of resources related to pensions include \$13,812,374 deferred outflows of resources pension expense and \$4,156,710 deferred outflow of employer contributions made after the measurement date; these amounts are not reported at the fund level. 17,969,084

Deferred inflows of resources related to pensions for the net difference between projected and actual earnings or pension plan investments; this amount is not reported at the fund level. (3,152,354)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of \$2,072,326 of capital leases, \$9,454,740 of compensated absences payable, \$51,112,176 of net pension liability and \$1,042,680 of severance payable. (63,681,922)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (page 20) \$ 1,177,408,698

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, 2017

	Glenelg					Total Governmental Funds
	General	Food	Wastewater	Restricted	Capital	
	Fund	Services Fund	Treatment Plant Fund	Programs Fund	Projects Fund	
REVENUES						
Intergovernmental revenues:						
Local sources	\$ 570,345,693	\$ -	\$ -	\$ 1,093,061	\$ 53,016,404	\$ 624,455,158
State sources	292,634,119	775,346	-	8,019,224	37,478,215	338,906,904
Federal sources	368,035	8,119,598	-	20,671,903	-	29,159,536
Earnings on investments	258,168	2,601	7,000	-	24,444	292,213
Charges for services	5,508,052	6,494,372	197,431	-	-	12,199,855
Miscellaneous revenues	449,571	-	-	-	-	449,571
Total Revenues	869,563,638	15,391,917	204,431	29,784,188	90,519,063	1,005,463,237
EXPENDITURES						
Current:						
Administration	13,696,056	-	-	39,138	-	13,735,194
Mid level administration	59,493,416	-	-	1,415,864	-	60,909,280
Instruction:						
Instructional salaries	325,321,988	-	-	5,855,091	-	331,177,079
Textbooks and classroom supplies	8,163,102	-	-	1,351,797	-	9,514,899
Other instructional costs	2,848,685	-	-	3,833,464	-	6,682,149
Special education	98,606,400	-	-	13,692,391	-	112,298,791
Student personnel services	3,265,344	-	-	81,279	-	3,346,623
Health services	8,010,463	-	-	-	-	8,010,463
Student transportation	37,990,848	-	-	3,734	-	37,994,582
Operation of plant	39,879,424	-	-	-	-	39,879,424
Maintenance of plant and equipment	23,668,818	-	197,431	-	-	23,866,249
Fixed charges	237,906,861	-	-	3,511,430	-	241,418,291
Community services	6,493,848	-	-	-	-	6,493,848
Costs of operation - food service	-	14,856,665	-	-	-	14,856,665
Capital outlay	786,948	-	-	-	83,538,000	84,324,948
Total Expenditures	866,132,201	14,856,665	197,431	29,784,188	83,538,000	994,508,485
EXCESS OF REVENUES OVER EXPENDITURES	3,431,437	535,252	7,000	-	6,981,063	10,954,752
FUND BALANCE (DEFICIENCY), BEGINNING OF YEAR						
	17,915,943	1,161,413	1,222,898	-	(2,699,138)	17,601,116
FUND BALANCE (DEFICIENCY), END OF YEAR						
	<u>\$ 21,347,380</u>	<u>\$ 1,696,665</u>	<u>\$ 1,229,898</u>	<u>\$ -</u>	<u>\$ 4,281,925</u>	<u>\$ 28,555,868</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, 2017

TOTAL NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS (page 25) \$ 10,954,752

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay, \$79,152,183 exceeds depreciation expense, \$29,705,467 in the period. 49,446,716

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, \$152,998, exceeded the accumulated depreciation, \$152,402, is reported as a loss in the Statement of Activities. (596)

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. 846,682

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: 65,247

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of the pension benefits earned net of employer contributions is reported as pension expense. (2,994,858)

In the Statement of Activities, termination benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for termination benefits are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This year, termination benefits used were less than the amounts earned by: (1,042,680)

Internal service funds are used by the Board to account for printing services, technology services, workers' compensation activities, and health and dental activities. activities. The change in net position of the service fund is reported with governmental activities. (7,111,230)

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 21) \$ 50,164,033

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, 2017

	Enterprise Fund	Governmental Activities Internal Service Funds
ASSETS		
CURRENT ASSETS		
Investments	\$ -	\$ 5,717,990
Accounts receivable	10,373	108,427
Due from other funds	251,854	2,709,108
Inventory	-	175,650
Prepaid expenses	-	817,042
Total current assets	262,227	9,528,217
NONCURRENT ASSETS		
Capital assets:		
Furniture, fixtures and equipment	228,081	16,126,233
Less accumulated depreciation	(154,583)	(6,828,461)
Total capital assets, net	73,498	9,297,772
Total assets	335,725	18,825,989
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	14,739	4,154,268
Capital leases	-	3,190,626
Due to other funds	-	5,506,365
Accrued liabilities	-	842,293
Claims payable	-	13,264,601
Unearned revenue	3,265	4,347,619
Total current liabilities	18,004	31,305,772
LONG-TERM LIABILITIES		
Capital leases	-	2,202,671
Claims payable, net of current portion	-	3,495,226
Total long-term liabilities	-	5,697,897
Total liabilities	18,004	37,003,669
NET POSITION		
Net investment in capital assets	73,498	3,904,475
Unrestricted	244,223	(22,082,155)
TOTAL NET POSITION	\$ 317,721	\$ (18,177,680)

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 Net Position

Proprietary Funds

Year Ended June 30, 2017

	Enterprise Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES		
Charges for services - internal	\$ -	\$ 119,369,153
Charges for services - other	124,988	-
Miscellaneous revenue	13	309,580
Contributions from employees and retirees	-	23,892,346
	<u>125,001</u>	<u>143,571,079</u>
OPERATING EXPENSES		
Operating expenses	100,165	-
Administrative expenses	-	25,594,805
Claims and related expenses	-	122,740,727
Depreciation expense	9,188	2,390,523
	<u>109,353</u>	<u>150,726,055</u>
Total operating expenses		
	<u>109,353</u>	<u>150,726,055</u>
Operating income (loss)	<u>15,648</u>	<u>(7,154,976)</u>
NON-OPERATING REVENUES		
Interest income	-	43,746
	<u>-</u>	<u>43,746</u>
Non-operating income	<u>-</u>	<u>43,746</u>
CHANGES IN NET POSITION	15,648	(7,111,230)
TOTAL NET POSITION, BEGINNING OF YEAR	<u>302,073</u>	<u>(11,066,450)</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 317,721</u>	<u>\$ (18,177,680)</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, 2017

	Enterprise Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 136,491	\$ -
Cash received (paid) from other funds	(12,738)	108,399,775
Cash received from employees and retirees	-	23,892,346
Payments to employees	-	(5,569,820)
Payments to suppliers	(86,880)	(138,743,517)
Net cash provided by (used by) operating activities	<u>36,873</u>	<u>(12,021,216)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of equipment	(36,873)	(56,657)
Principal paid on capital lease	-	(2,922,127)
Net cash used by capital and related financing activities	<u>(36,873)</u>	<u>(2,978,784)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	14,956,254
Interest received	-	43,746
Net cash provided by investing activities	<u>-</u>	<u>15,000,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 15,648	\$ (7,154,976)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	9,188	2,390,523
Effects of changes in operating assets and liabilities:		
Accounts receivable	11,490	146,891
Prepaid expenses	-	(271,596)
Due from other funds	(12,738)	(1,961,176)
Accounts payable	14,470	3,385,833
Accrued liabilities	(700)	(1,796,456)
Claims payable	-	2,704,414
Due to other funds	-	(9,586,426)
Unearned revenue	(485)	121,753
NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES	<u>\$ 36,873</u>	<u>\$ (12,021,216)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Purchase of equipment through a capital lease	<u>\$ -</u>	<u>\$ 370,889</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 Assets and Liabilities

Fiduciary Funds

June 30, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>4,884,562</u>
TOTAL ASSETS	\$ <u><u>4,884,562</u></u>
LIABILITIES	
School activity funds payable	\$ <u>4,884,562</u>
TOTAL LIABILITIES	\$ <u><u>4,884,562</u></u>

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

Financial Section

Basic Financial Statements

Summary of Significant Accounting Policies



Summary of Significant Accounting Policies

Financial Reporting Entity

Howard County Public School System (the School System) is a body politic and corporate established by the Public School Laws of Maryland. For financial reporting purposes, the School System (alternatively referred to herein as Howard County Public School System (HCPSS)) is a component unit of Howard County, Maryland (the County) by virtue of the County's responsibility for levying taxes and incurring debt for the benefit of the School System and its budgetary control over the School System.

Accordingly, the financial statements of the School System are included in the financial statements of the County. The School System itself has no component units.

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

Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the School System as a whole. For the most part, the effect of interfund activity has been removed from these statements. The activities of the General Fund, Food Services Fund – a special revenue fund, Glenelg 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.



Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

recognized when the obligations are 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. The primary source of funding is from sales of meals. 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.

Summary of Significant Accounting Policies

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

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 Theatre 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 print and technology 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 self-insurance fund, the workers’ compensation fund, the print services fund and the technology services fund. Operating revenues for the enterprise fund, Jim Rouse Theatre 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.

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 have been eliminated in the Statement of Activities, so that only the net amount is included in the governmental activities column.

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, 2017, are expected to be minimal based upon collection experience and review of the status of existing receivables.

Summary of Significant Accounting Policies

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Inventory and Prepaid Items

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of parts and supplies maintained in the warehouse. Inventory in the Food Services Fund consists of expendable food and supplies held for consumption. The cost is recorded as an asset at the time individual inventory items are purchased. As inventory is consumed, the cost is charged to expenditures.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid expenses in the general fund and workers' compensation insurance internal service fund consist of insurance premiums and other administrative expenditures that relate to fiscal year 2018. 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 acquisition value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment 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, 2017.

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, 2017 for the first three months of fiscal year 2018.

Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The Board recognizes deferred outflows for changes in actuarial assumptions that are being amortized over a period of 5-5.87 years and contributions made subsequent to the measurement date related to pensions.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period. The Board recognizes deferred inflows for the difference between the projected an actual investment earnings related to pensions.

Summary of Significant Accounting Policies

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (continued)

Pensions

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

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 consists of capital assets, net of accumulated depreciation and capital lease liability. Under state law, the School System is prohibited from incurring debt to finance the acquisition of capital assets, except for those capital assets purchased under capital leases. 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 their 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:

Nonspendable – 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.

Policy 4070, Fund Balance, states in what order fund balance categories are spent: (1) Nonspendable balance first, and then (2) restricted fund balance, and then (3) committed fund balance, then (4) assigned fund balance, and (5) unassigned fund balance.

When an expenditure is incurred for purposes for which both 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 stated otherwise in its commitment or assignment actions.

Summary of Significant Accounting Policies

Budgets and Budgetary Accounting

Budgetary compliance is measured using the budgetary basis of accounting, the purpose of which is to demonstrate compliance with the legal requirements of Howard County and the State of Maryland. The budgetary basis differs from GAAP, which is used for the fund financial statements, in that encumbrances, which represent commitments to purchase goods and services, are treated as expenditures of the current period rather than as reservations of the fund balance. In addition, pension contributions made by the State of Maryland on behalf of the School System and OPEB contributions made by the Howard County Government on behalf of the School System are excluded from the budgetary basis. Another 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.
- 10) The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the State Category level.

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. The comparison of the Restricted Programs 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 (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.

Summary of Significant Accounting Policies

Budgets and Budgetary Accounting (continued)

Operating Budget (Glenelg Wastewater Treatment Plant Fund)

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

Operating Budget (Jim Rouse Theatre Fund)

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

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.



Financial Section

Basic Financial Statements

Notes to Basic Financial Statements



Notes to Basic Financial Statements

Note 1 – Cash and Investments

Deposits

At year-end, the carrying amount of the School System's deposits was \$38,821,133 consisting of \$33,936,571 in the governmental activities and \$4,884,562 in the agency fund and the corresponding bank balances were \$41,088,664. Bank balances were covered by either Federal Depository Insurance or 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, 2017, the School System's investments totaling \$55,886,708 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. MLGIP is a 2a7 like pool, which is not registered with the Securities and Exchange Commission, but generally operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 (Rule 2a7). Unit value is computed using the amortized cost method and maintains a \$1 per share 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 \$285,858 for the year ended June 30, 2017.

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.

Notes to Basic Financial Statements

Note 2 – Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

<u>Governmental Activities</u>	Balance July 1, 2016	Increases	Decreases/ Reclassifications	Balance June 30, 2017
Non depreciable capital assets				
Land	\$ 31,903,533	\$ -	\$ -	\$ 31,903,533
Construction in progress	223,847,417	78,832,663	(46,625,596)	256,054,484
Total nondepreciable capital assets	<u>255,750,950</u>	<u>78,832,663</u>	<u>(46,625,596)</u>	<u>287,958,017</u>
Depreciable capital assets				
Land improvements	1,675,226	-	-	1,675,226
Buildings and improvements	1,336,569,369	46,625,596	-	1,383,194,965
Furniture and equipment	41,210,742	747,066	(152,998)	41,804,810
Total depreciable capital assets	<u>1,379,455,337</u>	<u>47,372,662</u>	<u>(152,998)</u>	<u>1,426,675,001</u>
Less accumulated depreciation for:				
Land improvements	(1,540,207)	(5,938)	-	(1,546,145)
Buildings and improvements	(429,705,537)	(28,238,900)	-	(457,944,437)
Furniture and equipment	(26,250,212)	(3,851,152)	152,402	(29,948,962)
Total accumulated depreciation	<u>(457,495,956)</u>	<u>(32,095,990)</u>	<u>152,402</u>	<u>(489,439,544)</u>
Total depreciable capital assets, net	<u>921,959,381</u>	<u>15,276,672</u>	<u>(596)</u>	<u>937,235,457</u>
Capital assets, net	<u>\$ 1,177,710,331</u>	<u>\$ 94,109,335</u>	<u>\$ (46,626,192)</u>	<u>\$ 1,225,193,474</u>

Reclassifications for capital assets were required for the comparability to the current year's financial statements and must be considered when comparing the financial statements of this report with those of prior reports.

Depreciation expense for the year ended June 30, 2016, was charged to Governmental activities on the Statement of Activities as follows:

Instruction:

Regular education	\$ 25,665,817
Special education	139,746

Support services:

Administration	107,017
Mid-level administration	5,691,700
Student transportation	74,424
Operation and maintenance of plant	304,525
Community services	<u>112,761</u>

Total \$ 32,095,990

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

Notes to Basic Financial Statements

Note 2 – Capital Assets (continued)

	Balance July 1, 2016	Increases	Decreases / Reclassifications	Balance June 30, 2017
Business-type activities:				
Furniture and equipment	\$ 191,209	\$ 36,873	\$ -	\$ 228,082
Less: accumulated depreciation	(145,396)	(9,188)	-	(154,584)
Capital assets, net	<u>\$ 45,813</u>	<u>\$ 27,685</u>	<u>\$ -</u>	<u>\$ 73,498</u>

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

Project	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Waverly ES Renovation/Addition	\$ 17,284,734	\$ 1,972,725
Roofing Projects	42,955,344	2,880,903
Technology	33,960,814	5,525,186
Deep Run ES Renovation/Addition	21,761,427	2,249,533
Wilde Lake MS Replacement	36,827,471	5,949,529
Patuxent Valley MS Renovation	22,609,532	5,425,468
Swansfield ES Renovation/Addition	18,332,643	4,162,357
Subtotal	<u>193,731,965</u>	<u>28,165,701</u>
Other Projects	<u>409,757,524</u>	<u>18,558,826</u>
Total	<u>\$ 603,489,489</u>	<u>\$ 46,724,527</u>

These projects were 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 Basic Financial Statements

Note 3 – Due To/From Other Funds

The composition of inter-fund balances as of June 30, 2017, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Purpose	Amount
Workers Compensation	General	Reimbursable expenditures	\$ 1,463,618
General	Capital Projects	Reimbursable expenditures	8,195,706
Technology Services	General	Reimbursable expenditures	761,941
General	Health and Dental	Reimbursable expenditures	5,506,365
Jim Rouse Theatre	General	Reimbursable expenditures	251,854
Print Services	General	Reimbursable expenditures	483,549
General	Glenelg WWTP	Treatment plant expenditures	132,300
General	Restricted Programs	Advances of pooled cash	1,165,632
General	Food Services	Food service expenditures	7,858,578
Total			\$ 25,819,543

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

	<u>Due From</u>	<u>Due To</u>
Balance Sheet–Governmental Funds (page 23)	\$ 20,313,178	\$ 22,858,581
Statement of Net Position–Proprietary Funds (page 27)	-	251,854
Statement of Net Position–Internal Service Fund (page 27)	<u>5,506,365</u>	<u>2,709,108</u>
Total	<u>\$ 25,819,543</u>	<u>\$ 25,819,543</u>

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

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

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

Notes to Basic Financial Statements

Note 4 – Long-Term Liabilities

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 9,529,987	\$ 741,717	\$ (806,964)	\$ 9,464,740	\$ 650,000
Capital leases	10,863,543	609,567	(4,007,487)	7,465,623	3,817,326
Severance payable	-	1,303,680	(261,000)	1,042,680	356,560
Net pension liability	43,979,901	7,132,275 *	-	51,112,176	-
Workers compensation	<u>3,468,833</u>	<u>4,491,721</u>	<u>(2,465,328)</u>	<u>5,495,226</u>	<u>2,000,000</u>
Total governmental activities	<u>\$67,842,264</u>	<u>\$ 14,278,960</u>	<u>\$ (7,540,779)</u>	<u>\$ 74,580,445</u>	<u>\$ 6,823,886</u>

Compensated absences are generally liquidated by the General Fund.

The School System has entered into several lease agreements as lessee to finance the purchase of student information system, data warehouse, learning management system, and enterprise resources that expire at various times through FY 2021. The assets acquired and capitalized as capital assets under capital leases are as follows:

	<u>Governmental</u> <u>Activities</u>
Equipment at cost	\$ 23,450,637
Less: accumulated depreciation	<u>(14,540,353)</u>
Total	<u>\$ 8,910,284</u>

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

	<u>Governmental</u> <u>Activities</u>
2018	\$ 3,913,640
2019	3,926,640
2020	1,289,017
2021	<u>407,964</u>
Total minimum lease payments	9,537,261
Less: amount not drawn	(1,891,570)
Less: amount representing interest	<u>(180,068)</u>
Present value of minimum lease payments	<u>\$ 7,465,623</u>

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

Notes to Basic Financial Statements

Note 5 – Pension Plans

General Information about the Plan

Plan Description

The employees of HCPSS are covered by the Maryland State Retirement and Pension System (the System), which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, employees of HCPSS are a member of either the Teachers' Retirement and Pension Systems or the Employees' Retirement and Pension Systems. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publically available financial report that can be obtained at <http://www.sra.state.md.us>.

Benefits Provided

The System provides retirement allowances and other benefits to State teachers and employees of participating governmental units, among others. For individuals who become members of the Teachers' Retirement and Pension Systems and the Employees' Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the Teachers' Pension System and Employees' Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefits allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals $1/55$ (1.81%) of the member's average final compensation (AFC) multiplied by the number of years of accumulated creditable service.

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

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

Notes to Basic Financial Statements

Note 5 – Pension Plans (continued)

Contributions

HCPSS and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System and Employees' Pension System are required to contribute 7% annually. Members of the Teachers' Retirement System and Employees' Retirement System are required to contribute 5-7 % annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the System.

The State makes a substantial portion of HCPSS's annual required contribution to the Teachers' Retirement and Pension Systems on behalf of HCPSS. The State's contributions on behalf of HCPSS for the year ended June 30, 2017, was \$55,880,481. The fiscal 2017 contributions made by the State on behalf of HCPSS 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 in the Statement of Activities.

Beginning in FY 2013, the State of Maryland General Assembly passed a bill that required the Boards of Education in Maryland to begin paying the normal cost for their teachers into the Teachers' Retirement and Pension Systems. The legislation structured this as a four year phase in to the full normal cost so that 50% was paid in FY 2013. Full normal cost will be paid in FY 2017 and each year thereafter. HCPSS's required contribution to the Teachers' Retirement and Pension Systems for the year ended June 30, 2017 was \$19,796,016.

HCPSS's contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2017, was 6.73% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. HCPSS made its share of the required contributions during the year ended June 30, 2017 of \$19,796,016.

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

Employees Retirement and Pension Systems

At June 30, 2017, HCPSS reported a liability of \$51,112,176 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. HCPSS's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2016. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2016, HCPSS's proportionate share was 0.217%, which was an increase of 0.005 from its proportion measured at June 30, 2015.

Notes to Basic Financial Statements

Note 5 – Pension Plans (continued)

For the year ended June 30, 2017, HCPSS recognized pension expense of \$7,151,568. At June 30, 2017, HCPSS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 1,997,493	\$ -
Changes in proportion	2,909,106	
Differences between expected and actual experience	-	1,275,747
Net difference between projected and actual earnings on pension plan investments	7,975,253	1,876,607
Net difference between actual and proportionate share of contributions	930,522	-
HCPSS contributions subsequent to the measurement date	<u>4,156,710</u>	<u>-</u>
Total	<u>\$ 17,969,084</u>	<u>\$ 3,152,354</u>

\$4,156,710 reported as deferred outflows of resources related to pensions resulting from HCPSS contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 2,626,149
2019	2,626,149
2020	3,209,861
2021	2,125,672
2022	72,189
Thereafter	-

Teachers' Retirement and Pension Systems

At June 30, 2017, HCPSS did not report a liability related to the Teachers' Retirement and Pension Systems due to a special funding situation. The State of Maryland pays the unfunded liability for HCPSS and HCPSS pays the normal cost related to HCPSS's members in the Teachers' Retirement and Pension Systems; therefore, HCPSS is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the State of Maryland. The amount recognized by HCPSS as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with HCPSS were as follows:

State's proportionate share of the net pension liability	\$ 676,791,275
HCPSS's proportionate share of the net pension liability	<u>-</u>
Total	<u>\$ 676,791,275</u>

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

Notes to Basic Financial Statements

Note 5 – Pension Plans (continued)

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2017, HCPSS recognized pension expense of \$73,738,251 and revenue of \$59,942,235 for support provided by the State. Due to the special funding situation noted above related to the Teachers' Retirement and Pension Systems, HCPSS did not report deferred outflows of resources and deferred inflows of resources related to the Teachers' Retirement and Pension Systems.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.70% general, 3.20% wage
Salary increases	3.20% to 9.2%. including inflation
Investment rate of return	7.55%

Mortality rates were based on RP-2014 Mortality Table with projected generational mortality improvement based on the MP-2014 2-dimensional mortality improvement scale.

The economic and demographic actuarial assumptions used in the June 30, 2016, valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2010-2014, which was completed during FY 2014. Certain assumptions from the experience study including mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the System's Board for the first use in the actuarial valuation as of June 30, 2016. As a result, an investment return assumption of 7.55% and an inflation assumption of 2.70% were used for the June 30, 2016 valuation.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the System's Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

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

Notes to Basic Financial Statements

Note 5 – Pension Plans (continued)

Asset Class	Target Allocation	Long-Term Expected Real Return of Return
Public Equity	37%	6.60%
Rate Sensitive	20%	1.30%
Credit Opportunity	9%	3.20%
Real Assets	15%	4.20%
Absolute Return	9%	3.70%
Private Equity	10%	7.40%
Total	100%	

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2016.

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 1.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The single discount rate used to measure the total pension liability was 7.55%. This single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents HCPSS' net pension liability, calculated using a single discount rate of 7.55%, as well as what HCPSS' net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher for the Employees Retirement and Pension Systems:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
HCPSS's proportionate share of the net pension liability	\$ 70,206,993	\$ 51,112,176	\$ 35,222,409

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

Notes to Basic Financial Statements

Note 5 – Pension Plans (continued)

Due to the special funding situation noted above related to the Teachers' Retirement and Pension Systems, HCPSS did not record a net pension liability related to the Teachers' Retirement and Pension Systems.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System's financial report.

Note 6 – Postemployment Benefits Other Than Pension Benefits

Plan Description

The School System contributes to the Howard County, Maryland Post-Retirement Medical Plan (the plan), a cost-sharing multiple-employer defined benefit post employment healthcare plan administered by the Howard County Government (the County). The plan provides medical and life insurance benefits to retired employees of participating governmental entities. The County issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Howard County Government, 3430 Courthouse Drive, Ellicott City, MD 21043, or by calling 410-313-2195.

Funding Policy

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

Participating governmental entities are contractually required to contribute at a rate assessed each year by the Plan. The Plan's Trustees set the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the requirements of GASB Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The School System's contributions, which were equal to the required amounts, were \$15,807,027, \$16,244,929 and \$12,811,709, for the years ended June 30, 2017, 2016, and 2015, respectively. These contributions were paid by and on behalf of the School System by the County. In addition, the County contributed an additional \$8,085,440 on behalf of the School System in FY 2017.

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

Notes to Basic Financial Statements

Note 7 – Fund Balance/Net Position

Fund balance at June 30, 2017, consists of the following:

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Glenelg Waste-water Treatment Plant Fund</u>	<u>Capital Projects Fund</u>
Non-spendable for:				
Prepaid items	\$ 113,536	\$ -	\$ -	\$ -
Inventories	<u>1,019,283</u>	<u>192,597</u>	<u>-</u>	<u>-</u>
Total non-spendable	1,132,819	192,597	-	-
Restricted For:				
Glenelg Wastewater Treatment Plant	<u>-</u>	<u>-</u>	<u>1,229,898</u>	<u>-</u>
Committed To:				
Severance payable	<u>1,042,680</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned To:				
Subsequent year's				
Budget appropriations	1,500,000	63,896	-	-
Encumbrances	9,349,240	-	-	-
Food Services operations	-	1,440,172	-	-
Future School Construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,281,925</u>
Total assigned	10,849,240	1,504,068	-	4,281,925
Unassigned				
	<u>8,322,641</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 21,347,380</u>	<u>\$ 1,696,665</u>	<u>\$ 1,222,898</u>	<u>\$ 4,281,925</u>

Deficit Fund Balance/New Position

The Health and Dental Fund reflects a deficit net position balance at June 30, 2017, because of the rapid rise in health costs that exceeded allotted funding. 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.

Notes to Basic 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, 2017, are for the following uses:

	General Fund
Administration	\$ 317,066
Mid-level Administration	1,246,045
Instruction	2,797,002
Special Education	131,044
Student Personnel Services	15,013
Health Services	64,306
Student Transportation	74,367
Operation of Plant	1,294,955
Maintenance of Plant	2,765,442
Fixed Charges	528,923
Community Services	115,077
Total	\$ 9,349,240

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

Notes to Basic 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 2021. Total costs were \$687,840 for the leases for the year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2018	\$ 690,025
2019	463,583
2020	186,375
2021	66,270
Thereafter	<u>11,160</u>
Total	<u>\$ 1,417,413</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 Basic 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 current and future claims 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, 2017, the inter-fund premiums did not exceed reimbursable expenditures in the Health and Dental Self-Insurance Fund or the Workers' Compensation Self-Insurance 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:

	2017		2016	
	Workers' Compensation	Health and Dental	Workers' Compensation	Health and Dental
Beginning payable, July 1	\$ 3,468,833	\$ 10,586,580	\$ 2,547,792	\$ 9,665,165
Incurred claims (including IBNR)	4,491,721	123,418,748	2,042,542	122,863,015
Claim payments	<u>(2,465,328)</u>	<u>(122,740,727)</u>	<u>(1,121,501)</u>	<u>(121,941,600)</u>
Ending payable, June 30	<u>\$ 5,495,226</u>	<u>\$ 11,264,601</u>	<u>\$ 3,468,833</u>	<u>\$ 10,586,580</u>

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

Financial Section

Required Supplementary Information



Required Supplementary Information

Howard County Public School System Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund Year Ended June 30, 2017

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues:				
Local sources	\$ 562,244,625	\$ 562,244,625	\$ 562,260,253	\$ 15,628
State sources	235,110,462	235,110,462	232,691,884	(2,418,578)
Federal sources	350,000	350,000	368,035	18,035
Earnings on investments	20,000	20,000	258,168	238,168
Charges for services	4,662,769	4,662,769	5,369,004	706,235
Miscellaneous revenues	1,000,000	1,000,000	449,571	(550,429)
Total revenues	<u>803,387,856</u>	<u>803,387,856</u>	<u>801,396,915</u>	<u>(1,990,941)</u>
EXPENDITURES				
Current:				
Administration	12,894,327	13,644,327	13,582,729	61,598
Instruction				
Instructional salaries	337,202,925	331,702,925	325,321,987	6,380,938
Textbook and classroom supplies	11,709,755	9,309,755	9,306,446	3,309
Other instructional costs	3,349,210	3,174,210	2,853,232	320,978
Student personnel services	3,302,029	3,302,029	3,279,643	22,386
Health services	7,928,482	7,928,482	7,890,221	38,261
Student transportation	38,959,280	38,559,280	37,872,734	686,546
Operation of plant	44,124,441	40,024,441	38,996,338	1,028,103
Maintenance of plant	24,601,916	23,501,916	23,447,705	54,211
Fixed charges	156,484,715	170,544,715	170,296,393	248,322
Mid level administration	61,056,955	60,121,955	59,654,568	467,387
Community services	6,933,687	6,783,687	6,477,624	306,063
Special education	98,973,242	98,973,242	98,652,503	320,739
Capital outlay	866,892	816,892	786,861	30,031
Total expenditures	<u>808,387,856</u>	<u>808,387,856</u>	<u>798,418,984</u>	<u>9,968,872</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (5,000,000)</u>	<u>\$ (5,000,000)</u>	2,977,931	<u>\$ 7,977,931</u>
FUND BALANCE AT JUNE 30, 2016 - BUDGETARY BASIS			<u>9,020,209</u>	
FUND BALANCE AT JUNE 30, 2017 - BUDGETARY BASIS			11,998,140	
Encumbrances at June 30, 2017			<u>9,349,240</u>	
FUND BALANCE AT JUNE 30, 2017 - GAAP BASIS			<u>\$ 21,347,380</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, 2017

REVENUES

Budgetary basis	\$	801,396,915
Add		
- Pension contribution paid by State of Maryland		59,942,235
- OPEB contribution paid by Howard County Government		8,085,440
- Revenues from loaned staff program		<u>139,048</u>
GAAP basis	\$	<u><u>869,563,638</u></u>

EXPENDITURES

Budgetary basis	\$	798,418,984
Add		
- Prior year's encumbrances expended this year		8,895,734
- Pension contribution paid by State of Maryland		59,942,235
- OPEB contribution paid by Howard County Government		8,085,440
- Expenditures from loaned staff program		139,048
Less		
- Current year's encumbrances outstanding		<u>(9,349,240)</u>
GAAP basis	\$	<u><u>866,132,201</u></u>

Required Supplementary Information

Howard County Public School System

Schedule of the Board's Proportionate Share of the Net Pension Liability Maryland State Retirement and Pension System Last Ten Fiscal Years

Employees' Retirement and Pension System:

	<u>2017</u>		<u>2016</u>
HCPSS's proportion of the net pension liability	0.2166318%		0.2116279%
HCPSS's proportionate share of the net pension liability	\$ 51,112,176	\$	43,979,901
HCPSS's covered employee payroll	\$ 49,018,157	\$	48,409,886
HCPSS's proportionate share of the net pension liability as a percentage of its covered employee payroll	104.27%		90.85%
Plan fiduciary net position as a percentage of the total pension liability	62.97%		66.26%

Teacher's Retirement and Pension System:

HCPSS's proportion of the net pension liability	0.0%		0.0%
HCPSS's proportionate share of the net pension liability	\$ -	\$	-
State's proportionate share of the net pension liability of HCPSS Total	<u>676,791,275</u>		<u>710,782,005</u>
HCPSS's covered employee payroll	\$ 448,824,543	\$	448,446,514
HCPSS's proportionate share of the net pension liability as a percentage of its covered employee payroll	0.00%		0.00%
Plan fiduciary net position as a percentage of the total pension liability	67.95%		70.76%

The amounts presented for fiscal year 2017 were determined as of July 1 of two years prior, using membership data as of that date projected forward to June 30 of the previous year. Additionally, the HCPSS implemented GASB 68 during fiscal year 2015. As such, only three years of information are available.

Required Supplementary Information

**Howard County Public School System
Schedule of the Board's Contributions
Maryland State Retirement and Pension System
Last Ten Fiscal Years**

Employees' Retirement and Pension System

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 4,156,710	\$ 4,220,168	\$ 4,460,545	\$ 4,502,643	\$ 3,915,358	\$ 4,753,913	\$ 4,664,615	\$ 3,350,776	\$ 3,056,419	\$ 3,282,616
Contributions in relation to the contractually required contribution	(4,156,710)	(4,220,168)	(4,460,545)	(4,502,643)	(3,915,358)	(4,753,913)	(4,664,615)	(3,350,776)	(3,056,419)	(3,282,616)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
HCPSS's covered-employee payroll	\$ 52,660,440	\$ 49,018,157	\$ 48,409,885	\$ 46,836,572	\$ 45,820,362	\$ 44,589,336	\$ 43,901,214	\$ 43,053,303	\$ 43,198,071	\$ 39,520,041
Contributions as a percentage of covered-employee payroll	8%	9%	9%	10%	9%	11%	11%	8%	7%	8%

Teachers' Retirement and Pension System

	2017	2016	2015	2014	2013	2012*	2011*	2010*	2009*	2008*
Contractually required contribution	\$ 19,796,016	\$ 18,309,945	\$ 15,925,463	\$ 12,448,477	\$ 9,821,066	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	(19,796,016)	(18,309,945)	(15,925,463)	(12,448,477)	(9,821,066)	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
HCPSS's covered-employee payroll	\$ 469,912,057	\$ 448,824,543	\$ 448,446,514	\$ 433,872,077	\$ 424,458,383	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	4%	4%	4%	3%	2%	0%	0%	0%	0%	0%

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

Required Supplementary Information

Note 1 – Changes in Benefit Terms

There were no benefit changes during the year.

Note 2 – Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2016 valuation:

- Inflation assumptions changed from 2.90% to 2.70%

Note 3 – Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 year for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.70% general, 3.2% wage
Salary Increases	3.20% to 9.20%, including inflation
Investment Rate of Return	7.55%
Retirement Age	Experienced based table of rates that are specific to the type of eligibility condition. Last updated for 2015 valuation pursuant to the 2015 Experience study for the period July 1, 2010 to June 30, 2014
Mortality	RP-2014 Mortality Table with projected generational mortality improvement based on the MP-2014 2-dimensional mortality improvement scale.

Financial Section

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, 2017

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
Intergovernmental Revenues				
Local Sources				
Local appropriation	\$ 562,244,625	\$ 562,244,625	\$ 562,260,253	\$ 15,628
State Sources				
State Foundation	165,028,106	165,028,106	162,732,286	(2,295,820)
Transportation	15,669,649	15,669,649	15,688,227	18,578
Special education	9,449,351	9,449,351	9,452,790	3,439
Compensatory education	30,245,261	30,245,261	30,245,261	-
Limited English proficient	7,648,173	7,648,173	7,484,829	(163,344)
Students with Disabilities	1,362,578	1,362,578	1,344,000	(18,578)
State geographic index	5,592,344	5,592,344	5,592,344	-
Other - LEA tuition	115,000	115,000	152,147	37,147
Total state sources	235,110,462	235,110,462	232,691,884	(2,418,578)
Federal Sources				
ROTC reimbursement	215,000	215,000	232,675	17,675
Impact Aid (PL 874)	135,000	135,000	135,360	360
Total federal sources	350,000	350,000	368,035	18,035
Earnings on investments	20,000	20,000	258,168	238,168
Charges for Services				
Tuition from patrons	779,000	779,000	1,423,013	644,013
Use of school buildings	1,100,000	1,100,000	1,287,573	187,573
Athletic program - gate receipts	340,000	340,000	392,234	52,234
Energy rebates	540,000	540,000	366,497	(173,503)
Administration and overhead fees	1,903,769	1,903,769	1,899,687	(4,082)
Total charges for services, etc.	4,662,769	4,662,769	5,369,004	706,235
Miscellaneous Revenues				
Other	1,000,000	1,000,000	449,571	(550,429)
TOTAL	\$ 803,387,856	\$ 803,387,856	\$ 801,396,915	\$ (1,990,941)

Other Supplementary Information

Howard County Public School System

Schedule of Expenditures Compared to Budget (Non-GAAP Budgetary Basis)

General Fund

Year Ended June 30, 2017

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
Administration				
Salaries and wages	\$ 9,796,177	\$ 10,317,219	\$ 10,309,219	\$ 8,000
Contracted services	2,250,957	2,318,520	2,308,480	10,040
Supplies and materials	472,050	622,803	610,121	12,682
Other charges	375,143	385,785	354,909	30,876
Equipment	-	-	-	-
Total administration	12,894,327	13,644,327	13,582,729	61,598
Instructional salaries	337,202,925	331,702,925	325,321,987	6,380,938
Textbooks and classroom supplies	11,709,755	9,309,755	9,306,446	3,309
Other Instructional Costs				
Contracted services	2,501,780	2,342,730	2,261,312	81,418
Other charges	267,430	251,480	188,017	63,463
Equipment	-	116,961	116,961	-
Outgoing transfers	580,000	463,039	286,942	176,097
Total other instructional costs	3,349,210	3,174,210	2,853,232	320,978
Student Personnel Services				
Salaries and wages	2,956,719	2,944,315	2,931,969	12,346
Contracted services	283,285	279,735	279,060	675
Supplies and materials	24,033	44,487	40,531	3,956
Other charges	37,992	33,492	28,083	5,409
Total pupil personnel services	3,302,029	3,302,029	3,279,643	22,386
Health Services				
Salaries and wages	7,354,229	7,351,796	7,314,805	36,991
Contracted services	396,853	399,353	398,083	1,270
Supplies and materials	150,600	172,341	172,341	-
Other charges	26,800	4,992	4,992	-
Total health services	7,928,482	7,928,482	7,890,221	38,261
Student Transportation				
Salaries and wages	1,464,683	1,430,683	1,424,780	5,903
Contracted services	36,965,262	36,542,133	35,861,490	680,643
Supplies and materials	30,395	60,443	60,443	-
Other charges	498,940	501,171	501,171	-
Equipment	-	24,850	24,850	-
Total pupil transportation	38,959,280	38,559,280	37,872,734	686,546
Operation of Plant				
Salaries and wages	21,843,478	20,066,678	19,766,386	300,292
Contracted services	1,759,290	2,526,480	2,526,480	-
Supplies and materials	1,340,325	1,505,966	1,505,966	-
Other charges	18,938,771	15,925,317	15,197,506	727,811
Equipment	242,577	-	-	-
Total operation of plant	44,124,441	40,024,441	38,996,338	1,028,103

Other Supplementary Information

Howard County Public School System

Schedule of Expenditures Compared to Budget (Non-GAAP Budgetary Basis)

General Fund

Year Ended June 30, 2017

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
Maintenance of Plant				
Salaries and wages	\$ 12,386,535	\$ 11,165,347	\$ 11,116,875	\$ 48,472
Contracted services	11,034,575	11,407,655	11,407,655	-
Supplies and materials	1,093,216	864,242	864,242	-
Other charges	87,590	37,606	31,867	5,739
Equipment	-	27,066	27,066	-
Total maintenance of plant	24,601,916	23,501,916	23,447,705	54,211
Other Fixed Charges	156,484,715	170,544,715	170,296,393	248,322
Mid-level Administration				
Salaries and wages	53,912,526	52,838,360	52,392,539	445,821
Contracted services	5,460,005	5,049,875	5,049,376	499
Supplies and materials	1,236,144	1,821,813	1,806,261	15,552
Other charges	448,280	411,907	406,392	5,515
Equipment	-	-	-	-
Total mid-level administration	61,056,955	60,121,955	59,654,568	467,387
Community Services				
Salaries and wages	3,935,854	3,781,754	3,694,338	87,416
Contracted services	1,527,803	1,629,103	1,597,480	31,623
Supplies and materials	413,660	316,360	185,317	131,043
Other charges	1,041,370	1,041,470	1,000,489	40,981
Equipment	15,000	15,000	-	15,000
Total community services	6,933,687	6,783,687	6,477,624	306,063
Special Education				
Salaries and wages	88,182,155	86,862,183	86,885,964	(23,781)
Contracted services	2,284,656	3,237,486	3,218,404	19,082
Supplies and materials	789,728	376,685	352,210	24,475
Other charges	322,303	302,303	247,324	54,979
Equipment	85,400	-	-	-
Outgoing transfers	7,309,000	8,194,585	7,948,601	245,984
Total special education	98,973,242	98,973,242	98,652,503	320,739
Capital Outlay				
Salaries and wages	814,306	764,306	751,480	12,826
Contracted services	18,922	18,922	14,199	4,723
Supplies and materials	12,064	11,939	5,040	6,899
Other charges	21,600	21,725	16,142	5,583
Total capital outlay	866,892	816,892	786,861	30,031
TOTAL EXPENDITURES	\$ 808,387,856	\$ 808,387,856	\$ 798,418,984	\$ 9,968,872

Other Supplementary Information

Howard County Public School System

Food Services Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Year Ended June 30, 2017

	<u>Budget (*)</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Intergovernmental Revenues:			
State	\$ 674,195	\$ 775,346	\$ 101,151
Federal:			
National School Lunch and Milk Programs	5,090,350	5,551,871	461,521
National School Breakfast	1,400,000	1,567,364	167,364
U.S.D.A. Commodity Program	550,000	1,000,363	450,363
Total intergovernmental revenues	<u>7,040,350</u>	<u>8,119,598</u>	<u>1,079,248</u>
Earnings on investments	832	2,601	1,769
Charges for Services:			
Food sales	5,616,114	6,494,372	878,258
Total revenues	<u>13,331,491</u>	<u>15,391,917</u>	<u>2,060,426</u>
EXPENDITURES			
Costs of operation - Food Service:			
Cost of food	4,623,000	5,570,437	(947,437)
U.S.D.A. Commodity Program	-	901,517	(901,517)
Salaries and wages	8,065,491	7,712,281	353,210
Equipment/Miscellaneous	709,000	672,430	36,570
Total expenditures	<u>13,397,491</u>	<u>14,856,665</u>	<u>(1,459,174)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>\$ (66,000)</u>	535,252	<u>\$ 601,252</u>
FUND BALANCE AT JULY 1, 2016		<u>1,161,413</u>	
FUND BALANCE AT JUNE 30, 2017		<u>\$ 1,696,665</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, 2017

	Print Services Fund	Technology Services Fund	Workers' Compensation Fund	Health and Dental Fund	Total
ASSETS					
Current Assets					
Investments	\$ -	\$ -	\$ 4,579,440	\$ 1,138,550	\$ 5,717,990
Accounts receivable	-	1,979	-	106,448	108,427
Due from other funds	483,549	761,941	1,463,618	-	2,709,108
Inventory	170,049	5,601	-	-	175,650
Prepaid expenses	-	239,747	44,000	533,295	817,042
Total current assets	653,598	1,009,268	6,087,058	1,778,293	9,528,217
Non-Current Assets					
Capital assets:					
Furniture, fixtures and equipment	575,150	15,551,083	-	-	16,126,233
Less accumulated depreciation	(437,622)	(6,390,839)	-	-	(6,828,461)
Total capital assets, net of depreciation	137,528	9,160,244	-	-	9,297,772
Total assets	791,126	10,169,512	6,087,058	1,778,293	18,825,989
LIABILITIES					
Current Liabilities					
Accounts payable	103,986	969,496	262,720	2,818,066	4,154,268
Capital leases	-	3,190,626	-	-	3,190,626
Due to other funds	-	-	-	5,506,365	5,506,365
Accrued liabilities	-	836,262	-	6,031	842,293
Claims payable	-	-	2,000,000	11,264,601	13,264,601
Unearned revenue	-	-	-	4,347,619	4,347,619
Total current liabilities	103,986	4,996,384	2,262,720	23,942,682	31,305,772
Long-Term Liabilities					
Capital leases	-	2,202,671	-	-	2,202,671
Claims payable, net of current portion	-	-	3,495,226	-	3,495,226
Total long-term liabilities	-	2,202,671	3,495,226	-	5,697,897
Total liabilities	103,986	7,199,055	5,757,946	23,942,682	37,003,669
NET POSITION					
Net investment in capital assets	137,528	3,766,947	-	-	3,904,475
Unrestricted	549,612	(796,490)	329,112	(22,164,389)	(22,082,155)
TOTAL NET POSITION	\$ 687,140	\$ 2,970,457	\$ 329,112	\$ (22,164,389)	\$ (18,177,680)

Other Supplementary Information

Howard County Public School System

Combining Schedule of Revenues, Expenses, and Changes in Net Position

Internal Service Funds

Year Ended June 30, 2017

	Print Services Fund	Technology Services Fund	Workers' Compensation Fund	Health and Dental Fund	Total
OPERATING REVENUES					
Charges for services - internal	\$ 1,182,758	\$ 11,604,397	\$ 4,700,000	\$ 101,881,998	\$ 119,369,153
Miscellaneous revenue	-	-	-	309,580	309,580
Contributions from employees and retirees	-	-	-	23,892,346	23,892,346
Total operating revenues	<u>1,182,758</u>	<u>11,604,397</u>	<u>4,700,000</u>	<u>126,083,924</u>	<u>143,571,079</u>
OPERATING EXPENSES					
Administrative expenses	1,265,035	9,779,972	5,492,991	9,056,807	25,594,805
Claims and related expenses	-	-	-	122,740,727	122,740,727
Depreciation expense	17,383	2,373,140	-	-	2,390,523
Total operating expenses	<u>1,282,418</u>	<u>12,153,112</u>	<u>5,492,991</u>	<u>131,797,534</u>	<u>150,726,055</u>
Operating income (loss)	(99,660)	(548,715)	(792,991)	(5,713,610)	(7,154,976)
NON-OPERATING REVENUE					
Interest Income	-	-	25,657	18,089	43,746
Non-operating income	-	-	25,657	18,089	43,746
CHANGES IN NET POSITION	(99,660)	(548,715)	(767,334)	(5,695,521)	(7,111,230)
TOTAL NET POSITION, BEGINNING OF YEAR	<u>786,800</u>	<u>3,519,172</u>	<u>1,096,446</u>	<u>(16,468,868)</u>	<u>(11,066,450)</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 687,140</u>	<u>\$ 2,970,457</u>	<u>\$ 329,112</u>	<u>\$ (22,164,389)</u>	<u>\$ (18,177,680)</u>

Other Supplementary Information

Howard County Public School System
 Combining Schedule of Cash Flows
 Internal Service Funds
 Year Ended June 30, 2017

	Print Services Fund	Technology Services Fund	Workers' Compensation Fund	Health and Dental Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from other funds	\$ 1,222,729	\$ 11,028,339	\$ 3,275,564	\$ 92,873,143	\$ 108,399,775
Cash received from employees and retirees	-	-	-	23,892,346	23,892,346
Payments to employees	(718,233)	(4,061,444)	(380,630)	(409,513)	(5,569,820)
Payments to suppliers	(455,601)	(4,037,006)	(2,894,934)	(131,355,976)	(138,743,517)
Net cash provided by (used by) operating activities	48,895	2,929,889	-	(15,000,000)	(12,021,216)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of equipment	(48,895)	(7,762)	-	-	(56,657)
Principal paid on capital lease	-	(2,922,127)	-	-	(2,922,127)
Net cash used by capital and related financing activities	(48,895)	(2,929,889)	-	-	(2,978,784)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	-	-	(25,657)	14,981,911	14,956,254
Interest received	-	-	25,657	18,089	43,746
Net cash used by (provided by) investing activities	-	-	-	15,000,000	15,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS					
	-	-	-	-	-
CASH AND CASH EQUIVALENTS, JULY 1, 2016					
	-	-	-	-	-
CASH AND CASH EQUIVALENTS, JUNE 30, 2017					
	\$ -	\$ -	\$ -	\$ -	\$ -
Reconciliation of Operating Income (Loss) to New Cash Provided by Operating Activities					
Operating income (loss)	\$ (99,660)	\$ (548,715)	\$ (792,991)	\$ (5,713,610)	\$ (7,154,976)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	17,383	2,373,140	-	-	2,390,523
Effects of changes in assets and liabilities:					
Accounts receivable	-	653	-	146,238	146,891
Prepaid expenses	35,128	59,937	166,634	(533,295)	(271,596)
Due from other funds	39,971	(576,711)	(1,424,436)	-	(1,961,176)
Inventory	4,896	(4,896)	-	-	-
Accounts payable	51,177	925,879	41,818	2,366,959	3,385,833
Accrued liabilities	-	700,602	(17,418)	(2,479,640)	(1,796,456)
Claims payable	-	-	2,026,393	678,021	2,704,414
Due to other funds	-	-	-	(9,586,426)	(9,586,426)
Deferred revenue	-	-	-	121,753	121,753
NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES	\$ 48,895	\$ 2,929,889	\$ -	\$ (15,000,000)	\$ (12,021,216)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Purchase of equipment through a capital lease	\$ -	\$ 370,889	\$ -	\$ -	\$ 370,889

Other Supplementary Information

Howard County Public School System
Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Elementary Schools				
Atholton ES	\$ 16,865	\$ 46,119	\$ 47,368	\$ 15,616
Bellows Spring ES	44,081	87,190	89,270	42,001
Bollman Bridge ES	24,162	76,763	67,561	33,364
Bryant Woods ES	15,514	40,162	42,316	13,360
Bushy Park ES	29,029	41,079	43,001	27,107
Centennial Lane ES	20,098	49,007	51,343	17,762
Clarksville ES	27,338	41,978	38,422	30,894
Clemens Crossing ES	43,193	54,331	53,928	43,596
Cradlerock School	24,151	44,713	50,256	18,608
Dayton Oaks ES	45,683	103,365	90,325	58,723
Deep Run ES	39,455	61,795	69,449	31,801
Duckett's Lane ES	17,577	50,743	52,654	15,666
Elkridge ES	59,499	53,757	55,681	57,575
Forest Ridge ES	21,975	38,177	36,142	24,010
Fulton ES	31,224	68,178	65,224	34,178
Gorman Crossing ES	47,102	64,667	72,735	39,034
Guilford ES	39,408	26,723	35,514	30,617
Hammond ES	8,303	53,157	42,600	18,860
Hollifield Station ES	33,282	104,306	101,007	36,581
Ilchester ES	102,922	92,014	95,816	99,120
Jeffers Hill ES	32,335	36,361	33,907	34,789
Laurel Woods ES	14,924	33,459	34,748	13,635
Lisbon ES	12,973	57,660	45,494	25,139
Longfellow ES	17,303	65,271	63,056	19,518
Manor Woods ES	30,610	60,991	53,174	38,427
Northfield ES	22,561	61,752	61,687	22,626
Phelps Luck ES	33,704	30,662	39,692	24,674
Pointers Run ES	79,948	102,170	123,009	59,109
Rockburn ES	42,023	118,383	122,994	37,412
Running Brook ES	26,923	79,571	73,666	32,828
St. John's Lane ES	43,214	35,650	40,285	38,579
Steven's Forest ES	36,786	36,814	33,568	40,032
Swansfield ES	22,278	21,960	24,585	19,653
Talbott Springs ES	22,910	28,328	27,511	23,727
Thunder Hill ES	17,408	35,660	32,057	21,011
Triadelphia Ridge ES	40,521	80,552	70,925	50,148
Veterans ES	41,548	107,457	109,009	39,996
Waterloo ES	65,680	81,969	76,244	71,405
Waverly ES	29,970	78,257	83,638	24,589
West Friendship ES	22,417	25,334	22,433	25,318
Worthington ES	37,306	42,677	38,394	41,589
Total - Elementary Schools	1,384,203	2,419,162	2,410,688	1,392,677

Other Supplementary Information

Howard County Public School System
Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2017

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Middle Schools				
Bonnie Branch MS	\$ 74,494	\$ 149,963	\$ 152,959	\$ 71,498
Burleigh Manor MS	87,378	245,052	259,709	72,721
Clarksville MS	66,983	165,766	169,149	63,600
Dunloggin MS	38,988	102,139	101,212	39,915
Elkridge Landing MS	23,355	115,358	108,778	29,935
Ellicott Mills MS	42,193	171,282	179,915	33,560
Folly Quarter MS	36,874	133,259	136,903	33,230
Glenwood MS	35,699	119,842	115,686	39,855
Hammond MS	19,722	80,363	82,688	17,397
Harper's Choice MS	14,016	99,415	96,287	17,144
Lake Elkhorn MS	11,795	77,685	76,387	13,093
Lime Kiln MS	39,492	103,881	100,758	42,615
Mayfield Woods MS	32,776	99,555	104,504	27,827
Mount View MS	61,920	243,981	258,308	47,593
Murray Hill MS	15,709	73,619	73,694	15,634
Oakland Mills MS	11,744	93,841	88,901	16,684
Patapsco MS	39,094	108,001	112,774	34,321
Patuxent Valley MS	14,429	97,251	97,922	13,758
Thomas Viaduct MS	16,221	90,539	80,757	26,003
Wilde Lake MS	31,546	107,704	109,801	29,449
Total - Middle Schools	714,428	2,478,496	2,507,092	685,832
High Schools				
Atholton HS	245,208	455,539	493,308	207,439
Centennial HS	367,084	941,279	935,760	372,603
Glenelg HS	279,036	736,605	731,108	284,533
Hammond HS	171,065	504,860	494,999	180,926
Howard HS	384,375	719,565	780,667	323,273
Long Reach HS	126,813	430,854	427,681	129,986
Marriotts Ridge HS	145,630	745,034	738,440	152,224
Mount Hebron HS	246,834	756,794	787,916	215,712
Oakland Mills HS	159,955	356,617	333,182	183,390
Reservoir HS	196,121	589,917	584,928	201,110
River Hill HS	252,805	850,457	834,756	268,506
Wilde Lake HS	183,678	391,973	375,780	199,871
Total - High Schools	2,758,604	7,479,494	7,518,525	2,719,573
Special Schools				
Apps and Research Lab	17,575	14,696	14,587	17,684
Cedar Lane School	58,182	49,861	60,017	48,026
Homewood School.	13,348	16,105	8,683	20,770
Total - Special Schools	89,105	80,662	83,287	86,480
Total - All Schools	\$ 4,946,340	\$ 12,457,814	\$ 12,519,592	\$ 4,884,562

Statistical Section



Statistical Section

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

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

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Statistical Section

Howard County Public School System Net Position by Component* Year Ended June 30, 2017 and Nine Prior Years (amounts expressed in thousands)

Table 1

	2008	2009	2010	2011	2012	2013	2014**	2015	2016	2017
Governmental Activities										
Net investment in capital assets	\$ 815,780	\$ 842,088	\$ 875,068	\$ 898,922	\$ 956,102	\$1,019,894	\$1,074,422	\$1,120,105	\$1,166,847	\$1,217,728
Restricted for construction	2,585	-	2	-	-	-	-	-	-	-
Restricted for GWWTP	-	984	1,181	1,236	1,236	1,240	1,220	1,220	1,222	1,230
Restricted for Food Services	2,274	806	3,036	146	145	152	190	216	234	192
Unrestricted	27,957	21,250	15,054	32,293	36,015	32,627	21,386	(23,550)	(41,059)	(41,741)
Total Governmental Activities Net Position	<u>848,596</u>	<u>865,128</u>	<u>894,341</u>	<u>932,597</u>	<u>993,498</u>	<u>1,053,913</u>	<u>1,097,218</u>	<u>1,097,991</u>	<u>1,127,244</u>	<u>1,177,409</u>
Business-type Activities										
Net investment in capital assets	69	67	47	27	23	29	22	30	46	73
Unrestricted	126	121	137	151	147	178	199	228	256	244
Total Business-type Activities Net Position	<u>195</u>	<u>188</u>	<u>184</u>	<u>178</u>	<u>170</u>	<u>207</u>	<u>221</u>	<u>258</u>	<u>302</u>	<u>317</u>
Total Primary Government										
Net investment in capital assets	815,849	842,155	875,115	898,949	956,125	1,019,923	1,074,444	1,120,135	1,166,893	1,217,801
Restricted	4,859	1,790	4,219	1,382	1,381	1,392	1,410	1,436	1,456	1,422
Unrestricted	28,083	21,371	15,191	32,444	36,162	32,805	21,585	(23,322)	(40,803)	(41,497)
Total Primary Government Net Position	<u>\$ 848,791</u>	<u>\$ 865,316</u>	<u>\$ 894,525</u>	<u>\$ 932,775</u>	<u>\$ 993,668</u>	<u>\$ 1,054,120</u>	<u>\$ 1,097,439</u>	<u>\$ 1,098,249</u>	<u>\$ 1,127,546</u>	<u>\$ 1,177,726</u>

*Modified accrual basis of accounting.

**HCPSS implemented GASB Statement No. 68 effective July 1, 2014. The 2014 amounts presented have not been restated to reflect the implementation of GASB 68.

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 fund is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Prior year net position has been restated for this schedule in conformity with GASB 54.

Statistical Section

Howard County Public School System Changes in Net Position* Year Ended June 30, 2017 and Nine Prior Years (amounts expressed in thousands)

Table 2

<u>Functions/Programs</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014**</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Expenses</u>										
Governmental Activities										
Instruction										
Regular education	\$ 401,309	\$ 437,654	\$ 436,546	\$ 465,690	\$ 463,498	\$ 476,879	\$ 501,414	\$ 525,124	\$ 536,486	\$ 549,749
Special education	114,495	123,944	128,051	131,738	130,779	134,681	141,204	146,833	153,791	159,479
Total Instruction	<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>	<u>671,957</u>	<u>690,277</u>	<u>709,228</u>
Support Services										
Administration	13,026	13,729	13,845	13,328	14,278	14,726	16,672	18,166	19,105	22,437
Mid-level administration	65,680	74,012	74,277	80,223	62,950	82,617	83,136	88,165	92,335	94,884
Student personnel services	3,516	4,062	3,524	3,844	3,823	2,860	4,133	4,371	4,852	4,931
Health services	6,782	7,755	8,057	8,324	8,387	8,543	9,551	10,329	11,397	11,963
Student transportation	31,944	31,711	33,254	34,655	36,138	36,808	37,068	37,528	38,035	38,839
Operation of plant	44,955	49,378	50,475	45,384	45,276	46,705	47,487	49,682	49,707	49,465
Maintenance of plant and equipment	25,025	26,004	27,087	27,905	26,962	28,817	25,747	28,372	30,755	30,121
Community services	6,827	7,043	7,091	7,298	7,264	7,265	7,556	7,437	8,741	8,603
Food services	11,399	11,725	11,689	12,167	12,009	12,203	12,923	13,465	13,845	14,857
Interest on long-term debt	555	580	433	325	163	96	75	63	61	43
Total Support Services	<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>	<u>257,578</u>	<u>268,833</u>	<u>276,143</u>
Total Governmental Activities	<u>725,513</u>	<u>787,597</u>	<u>794,329</u>	<u>830,881</u>	<u>811,527</u>	<u>852,200</u>	<u>886,966</u>	<u>929,535</u>	<u>959,110</u>	<u>985,371</u>
Business-type Activities										
Jim Rouse Theatre	228	164	132	150	177	103	112	111	90	109
Total School System Expenses	<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>	<u>929,646</u>	<u>959,200</u>	<u>985,480</u>

*Modified accrual basis of accounting.

**HCPSS implemented GASB Statement No. 68 effective July 1, 2014. The 2014 amounts presented have not been restated to reflect the implementation of GASB 68.

Source: HCPSS Finance Department

Statistical Section

Howard County Public School System Changes in Net Position* Year Ended June 30, 2017 and Nine Prior Years (amounts expressed in thousands)

Table 2 (continued)

Program Revenues	2008	2009	2010	2011	2012	2013	2014**	2015	2016	2017
Charges for Services										
Regular education	\$ 3,868	\$ 4,847	\$ 4,776	\$ 5,061	\$ 18,645	\$ 3,020	\$ 2,315	\$ 2,232	\$ 2,473	\$ 2,417
Special education										
Operation of plant	2,288	14,331	(681)	3,418	4,750	4,341	4,826	7,328	9,362	9,266
Food services	8,416	8,059	7,462	7,037	6,813	6,165	5,702	5,552	5,978	6,494
Operating grants and contributions	105,586	96,957	129,393	154,174	133,145	122,699	139,082	145,645	146,211	155,999
Capital grants and contributions	<u>71,339</u>	<u>54,178</u>	<u>58,845</u>	<u>63,877</u>	<u>69,629</u>	<u>98,706</u>	<u>86,809</u>	<u>78,090</u>	<u>80,150</u>	<u>90,519</u>
Total Program Revenues	<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>	<u>238,847</u>	<u>244,174</u>	<u>264,695</u>
Business-type Activities										
Jim Rouse Theatre	<u>154</u>	<u>156</u>	<u>128</u>	<u>144</u>	<u>169</u>	<u>139</u>	<u>126</u>	<u>148</u>	<u>134</u>	<u>125</u>
Total School System Revenues	<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>	<u>238,995</u>	<u>244,308</u>	<u>264,820</u>
Total Governmental Net Expense	<u>(534,090)</u>	<u>(609,233)</u>	<u>(594,538)</u>	<u>(597,320)</u>	<u>(578,553)</u>	<u>(617,233)</u>	<u>(648,218)</u>	<u>(690,651)</u>	<u>(714,892)</u>	<u>(720,660)</u>
General Revenues and Other Changes in Net Position										
General revenues										
Local appropriations	427,176	454,795	457,560	464,708	467,617	482,385	497,486	530,440	544,145	562,260
State Aid	155,763	168,600	164,563	169,183	169,994	191,285	192,048	192,480	197,822	207,399
Federal Aid	1,019	189	100	174	141	148	127	163	160	135
Interest and investment earnings	1,660	962	124	122	72	98	43	33	101	286
Miscellaneous	<u>612</u>	<u>1,212</u>	<u>1,401</u>	<u>1,382</u>	<u>1,620</u>	<u>3,769</u>	<u>1,833</u>	<u>1,900</u>	<u>1,962</u>	<u>759</u>
Total General Revenues	<u>586,230</u>	<u>625,758</u>	<u>623,748</u>	<u>635,569</u>	<u>639,444</u>	<u>677,685</u>	<u>691,537</u>	<u>725,016</u>	<u>744,190</u>	<u>770,839</u>
Change in Net Position - Governmental Funds	52,214	16,533	29,213	38,255	60,901	60,415	43,305	34,328	29,253	50,164
Change in Net Position - Jim Rouse Theatre	<u>(74)</u>	<u>(8)</u>	<u>(4)</u>	<u>(6)</u>	<u>(8)</u>	<u>37</u>	<u>14</u>	<u>37</u>	<u>44</u>	<u>16</u>
Total Change in Net Position	<u>52,140</u>	<u>16,525</u>	<u>29,209</u>	<u>38,249</u>	<u>60,893</u>	<u>60,452</u>	<u>43,319</u>	<u>34,365</u>	<u>29,297</u>	<u>50,180</u>
Net Position - Beginning of year	<u>796,651</u>	<u>848,791</u>	<u>865,316</u>	<u>894,525</u>	<u>932,774</u>	<u>993,667</u>	<u>1,054,119</u>	<u>1,063,884</u>	<u>1,098,249</u>	<u>1,127,546</u>
Net Position - End of Year	<u>\$ 848,791</u>	<u>\$ 865,316</u>	<u>\$ 894,525</u>	<u>\$ 932,774</u>	<u>\$ 993,667</u>	<u>\$ 1,054,119</u>	<u>\$ 1,097,438</u>	<u>\$ 1,098,249</u>	<u>\$ 1,127,546</u>	<u>\$ 1,177,726</u>

*Modified accrual basis of accounting.

**HCPSS implemented GASB Statement No. 68 effective July 1, 2014. The 2014 amounts presented have not been restated to reflect the implementation of GASB 68.

Source: HCPSS Finance Department

Statistical Section

Howard County Public School System Changes in Fund Balances of Governmental Funds* Year Ended June 30, 2017 and Nine Prior Years (amounts expressed in thousands)

Table 3

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Intergovernmental revenues										
Local	\$ 495,391	\$ 491,086	\$ 502,374	\$ 531,120	\$ 530,955	\$ 553,213	\$ 567,271	\$ 584,657	\$ 612,804	\$ 624,455
State	233,546	258,699	262,276	263,990	267,750	298,841	303,224	314,110	304,642	338,907
Federal	21,678	21,043	30,818	39,986	23,860	23,580	23,982	26,097	27,984	29,160
Earnings on interest and investment	1,917	1,005	125	122	64	57	26	21	70	292
Charges for services	13,413	14,239	13,640	13,756	28,281	12,109	11,091	11,302	11,885	12,200
Miscellaneous revenues	612	1,212	1,401	1,398	1,039	1,471	1,797	1,737	1,825	449
Total Revenues	766,557	787,284	810,634	850,372	851,949	889,271	907,391	937,924	959,210	1,005,463
Expenditures										
Instruction										
Regular education	277,498	296,527	297,340	302,091	306,791	316,259	323,027	338,094	335,660	347,374
Special education	88,837	95,766	96,986	98,017	96,411	99,859	102,045	106,254	108,329	112,299
Support Services										
Administration	10,443	11,540	10,634	10,663	10,676	11,511	12,456	12,869	12,431	13,735
Mid-Level administration	48,737	55,908	54,226	56,675	54,922	59,180	56,562	60,254	61,473	60,909
Student personnel services	2,669	3,133	2,462	2,751	2,738	2,860	2,886	3,032	3,325	3,347
Health services	5,095	5,791	5,794	5,895	5,957	6,114	6,609	7,042	7,608	8,010
Student transportation	31,538	31,412	32,742	34,052	35,573	36,325	36,456	36,792	37,504	37,995
Operation of plant	43,120	43,245	43,411	37,721	37,850	39,439	38,947	40,911	39,202	39,879
Maintenance of plant and equipment	19,556	21,452	22,030	22,235	21,643	23,574	19,652	22,779	24,570	23,866
Fixed charges	153,117	151,094	165,229	193,730	181,842	178,693	210,654	212,958	224,675	241,418
Community services	6,010	6,211	5,901	6,064	6,055	6,190	6,035	6,074	6,765	6,494
Food services	11,399	11,725	11,689	12,167	12,009	12,202	12,923	13,465	13,845	14,857
Capital outlay	76,930	70,906	60,809	64,035	71,076	97,446	86,168	81,225	79,922	84,325
Total	774,949	804,710	809,253	846,096	843,543	889,652	914,420	941,749	955,309	994,508
Excess (deficit) of revenues over expenditures	(8,392)	(17,426)	1,381	4,276	8,406	(381)	(7,029)	(3,825)	3,901	10,955
Other Financing Sources (Uses)										
Capital Contributions	-	971	195	52	-	-	-	-	-	-
Proceeds from capital leases	6,027	10,724	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (2,365)	\$ (5,731)	\$ 1,576	\$ 4,328	\$ 8,406	\$ (381)	\$ (7,029)	\$ (3,825)	\$ 3,901	\$ 10,955

*Modified accrual basis of accounting.

Source: HCPSS records

Statistical Section

Howard County Public School System
Fund Balances of Governmental Funds*
Year Ended June 30, 2017 and Nine Prior Years
 (amounts expressed in thousands)

Table 4

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable	\$ 1,252	\$ 1,836	\$ 1,887	\$ 1,365	\$ 1,585	\$ 1,474	\$ 838	\$ 955	\$ 1,047	\$ 1,133
Restricted	2,357	2,437	3,349	8,078	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	1,043
Assigned	1,909	1,530	1,808	-	15,213	6,410	5,362	8,421	13,896	10,849
Unassigned	<u>5,703</u>	<u>4,338</u>	<u>5,739</u>	<u>7,266</u>	<u>8,885</u>	<u>15,613</u>	<u>9,755</u>	<u>6,100</u>	<u>2,973</u>	<u>8,322</u>
Total General Fund	11,221	10,141	12,783	16,709	25,683	23,497	15,955	15,476	17,916	21,347
Other Governmental Funds										
Committed for School construction	2,585	(2,447)	(4,802)	(4,245)	(4,927)	(2,857)	(1,412)	(3,783)	(2,699)	4,282
Restricted for Special Revenue Fund	2,317	2,931	4,114	4,065	4,179	3,914	1,410	2,006	1,457	1,423
Assigned	233	-	106	-	-	-	-	-	927	1,504
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,571</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Governmental Funds	5,135	484	(582)	(180)	(748)	1,057	1,569	(1,777)	(315)	7,209
Total All Governmental Funds	<u>\$ 16,356</u>	<u>\$ 10,625</u>	<u>\$ 12,201</u>	<u>\$ 16,529</u>	<u>\$ 24,935</u>	<u>\$ 24,554</u>	<u>\$ 17,524</u>	<u>\$ 13,699</u>	<u>\$ 17,601</u>	<u>\$ 28,556</u>

*Modified accrual basis of accounting.

Source: HCPSS Finance Department

Statistical Section

Howard County Public School System General Fund Final Approved Operating Budgets Year Ended June 30, 2017 and Nine Prior Years

Table 5

	Administration	Instructional Salaries	Textbooks and Classroom Supplies	Other Instructional Costs	Student Personnel Services	Health Services	Student Transportation
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
2014	\$ 12,222,480	\$ 302,397,890	\$ 13,581,690	\$ 3,111,930	\$ 2,839,830	\$ 6,687,310	\$ 36,121,020
2015	\$ 12,274,570	\$ 314,883,130	\$ 12,542,920	\$ 2,518,120	\$ 3,005,960	\$ 7,265,120	\$ 37,466,030
2016	\$ 12,400,033	\$ 315,646,974	\$ 11,753,227	\$ 3,414,360	\$ 3,229,291	\$ 7,817,556	\$ 37,582,625
2017	\$ 13,644,327	\$ 331,702,925	\$ 9,309,755	\$ 3,174,210	\$ 3,302,029	\$ 7,928,482	\$ 38,559,280

Source: HCPSS Finance Department

Statistical Section

Howard County Public School System General Fund Final Approved Operating Budgets Year Ended June 30, 2017 and Nine Prior Years

Table 5 (continued)

	Operation of Plant	Maintenance of Plant and Equipment	Fixed Charges	Mid Level Administration	Community Services	Special Education	Capital Outlay	Total
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
2014	\$ 39,318,920	\$ 18,408,740	\$ 145,088,710	\$ 53,563,580	\$ 5,999,740	\$ 88,921,800	\$ 829,850	\$ 729,093,490
2015	\$ 43,712,080	\$ 24,052,720	\$ 146,773,870	\$ 56,114,610	\$ 5,983,100	\$ 91,343,200	\$ 829,920	\$ 758,765,350
2016	\$ 40,436,229	\$ 25,295,656	\$ 159,105,740	\$ 58,609,689	\$ 6,626,238	\$ 93,591,283	\$ 829,479	\$ 776,338,380
2017	\$ 40,024,441	\$ 23,501,916	\$ 170,544,715	\$ 60,121,955	\$ 6,783,687	\$ 98,973,242	\$ 816,892	\$ 808,387,856

Source: HCPSS Finance Department

Statistical Section

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

Table 6

Capital Assests by Function

Year Ended June 30, 2017 and 9 Prior Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Schools										
Buildings	72	72	72	72	73	74	75	76	76	76
Administration										
Buildings	3	3	3	2	3	3	3	3	3	3
Vehicles	32	19	19	19	18	17	17	17	17	17
Mid-level Administration										
Vehicles	*	12	11	11	14	11	11	11	11	11
Special Education										
Vehicles	*	1	1	1	1	1	1	1	1	1
Capital Outlay										
Vehicles	*	3	3	3	3	3	3	3	3	3
Maintenance										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	230	28	34	35	46	52	50	51	58	60
Operations										
Vehicles	*	208	207	200	194	177	173	167	152	162
Technology										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	16	13	13	13	12	12	12	12	14	14
Print Shop										
Print Presses	6	11	11	10	11	4	10	17	18	20
Community Service										
Vehicles	*	3	5	5	6	7	10	13	14	14
Student Transportation										
Vehicles	11	12	13	12	10	11	11	11	17	17

* Transfers made between categories to better reflect the funding source of the various functions. Data not available for previous years.

Statistical Section

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

Table 7

Computation of Debt Limits

Year Ended June 30, 2017 and 9 Prior Years

	2008	2009	2010	2011	2012	2013	2014**	2015	2016	2017
Current Operating Budget	<u>612,802,620</u>	<u>657,088,020</u>	<u>654,035,387</u>	<u>669,479,142</u>	<u>683,835,040</u>	<u>703,667,400</u>	<u>729,093,490</u>	<u>758,765,350</u>	<u>776,338,380</u>	<u>808,387,856</u>
6 % of Current Operating Budget	<u>36,768,157</u>	<u>39,425,281</u>	<u>39,242,123</u>	<u>40,168,749</u>	<u>41,030,102</u>	<u>42,220,044</u>	<u>43,745,609</u>	<u>45,525,921</u>	<u>46,580,303</u>	<u>48,503,271</u>
Total Debt Outstanding June 30	<u>12,940,923</u>	<u>16,942,317</u>	<u>11,678,806</u>	<u>7,026,954</u>	<u>3,878,014</u>	<u>3,474,031</u>	<u>3,372,983</u>	<u>10,910,120</u>	<u>10,863,543</u>	<u>7,465,623</u>
Compliance with Debt Limit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3 % of Current Operation Budget	<u>18,384,079</u>	<u>19,712,641</u>	<u>19,621,062</u>	<u>20,084,374</u>	<u>20,515,051</u>	<u>21,110,022</u>	<u>21,872,805</u>	<u>22,762,961</u>	<u>23,290,151</u>	<u>24,251,636</u>
Total Debt Service	<u>4,061,178</u>	<u>6,722,505</u>	<u>5,981,054</u>	<u>4,651,852</u>	<u>3,148,940</u>	<u>403,983</u>	<u>312,997</u>	<u>2,859,283</u>	<u>4,110,209</u>	<u>4,110,209</u>
Compliance with Debt Service Limit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

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.

Statistical Section

Howard County Public School System

Table 8

Outstanding Debt by Type

Year Ended June 30, 2017 and 9 Prior Years

Fiscal Year	Governmental Activities Capital Leases	Business-Type Activities	Total
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
2015	\$ 10,910,120	-	\$ 10,910,120
2016	\$ 10,863,543	-	\$ 10,863,543
2017	\$ 7,465,623	-	\$ 7,465,623

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

Statistical Section

Howard County Public School System Enrollment by Grade Year Ended June 30, 2017 and 9 Prior Years

Table 9

	2008	2009	2010	2011	2012	2013	2014	2015	2016 (C)	2017 (D)
Elementary School										
Prekindergarten	948	1,015	958	1,002	1,058	1,072	1,118	1,144	1,288	1,281
Kindergarten	3,226	3,298	3,379	3,386	3,492	3,513	3,728	3,631	3,801	3,797
Grade 1	3,276	3,453	3,582	3,642	3,628	3,751	3,785	3,995	3,940	3,938
2	3,379	3,399	3,584	3,716	3,771	3,777	3,921	3,953	4,085	4,084
3	3,343	3,490	3,541	3,695	3,810	3,890	3,867	3,994	4,276	4,275
4	3,615	3,441	3,642	3,648	3,795	3,900	4,018	3,997	4,230	4,230
5	3,705	3,730	3,564	3,727	3,750	3,904	4,008	4,128	4,263	4,258
Total Elementary School	21,492	21,826	22,250	22,816	23,304	23,807	24,445	24,842	25,883	25,863
Middle School										
Grade 6	3,780	3,772	3,874	3,646	3,788	3,856	4,021	4,156	4,215	4,216
7	4,072	3,855	3,833	3,942	3,728	3,871	3,937	4,118	4,351	4,355
8	3,912	4,121	3,942	3,884	4,007	3,756	3,932	4,002	4,306	4,326
Total Middle School	11,764	11,748	11,649	11,472	11,523	11,483	11,890	12,276	12,872	12,897
High School										
Grade 9 and SP	4,401	4,263	4,535	4,301	4,265	4,315	4,204	4,365	4,619	4,591
10	4,147	4,175	4,067	4,368	4,163	4,091	4,179	4,011	4,206	4,206
11	3,875	3,965	4,067	3,911	4,215	4,000	3,942	4,000	3,983	3,986
12	3,768	3,828	3,988	4,034	3,984	4,254	4,053	4,062	3,987	3,985
Total High School	16,191	16,231	16,657	16,614	16,627	16,660	16,378	16,438	16,795	16,768
Cedar Lane (includes Prekindergarten)	96	98	85	91	101	103	93	129	109	110
Total Enrollment (A)	49,543	49,903	50,641	50,993	51,555	52,053	52,806	53,685	55,659	55,638
Number of School Teachers (B)	2,742	2,816	2,810	2,832	2,866	2,793	2,829	2,884	2,857	3,056
Ratio of Students to Teachers	18:1	18:1	18:1	18:1	18:1	19:1	19:1	19:1	19:1	18:1

(A) Total includes Prekindergarten head count.

(B) Sources: mdreportcard.org, Teacher Certifications

(C) FY 2016 drop of 27 teachers due to budget freeze.

(D) FY 2017, Special Education Teachers were added to the total classroom teachers.

Statistical Section

Howard County Public School System Enrollment by School Year Ended June 30, 2017 and 9 Prior Years

Table 10

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Capacity	Capacity
Elementary Schools (a)												
Atholton	437	441	480	478	499	414	421	392	468	468	424	110.4%
Bellows Springs	725	765	822	851	885	944	668	730	739	739	751	98.4%
Bollman Bridge	582	611	605	599	622	741	767	735	764	763	666	114.6%
Bryant Woods	337	347	353	349	360	366	367	353	413	413	361	114.4%
Bushy Park	691	697	636	644	638	613	608	636	617	615	788	78.0%
Centennial Lane	613	637	652	664	699	725	699	684	739	739	647	114.2%
Clarksville	532	553	542	527	522	526	523	485	430	430	612	70.3%
Clemens Crossing	469	483	488	491	500	499	502	487	532	531	521	101.9%
Cradlerock	461	468	476	474	497	500	520	482	491	491	398	123.4%
Dayton Oaks	556	506	459	446	473	593	636	639	677	677	788	85.9%
Deep Run	571	598	624	657	706	733	657	734	816	816	672	121.4%
Ducketts Lane	-	-	-	-	-	-	662	771	826	826	770	107.3%
Elkridge	690	760	795	847	886	857	767	781	871	870	760	114.5%
Forest Ridge	627	633	657	700	764	718	748	721	704	703	713	98.6%
Fulton	666	638	652	653	670	648	703	705	832	832	788	105.6%
Gorman Crossing	623	579	612	620	699	641	686	693	751	751	735	102.2%
Guildford	479	486	511	507	523	478	497	496	451	451	465	97.0%
Hammond	491	475	499	513	509	583	602	633	640	640	653	98.0%
Hollifield Station	613	609	636	675	675	697	745	750	796	796	694	114.7%
Ilchester	581	596	650	666	665	685	776	754	690	690	653	105.7%
Jeffers Hill	388	376	383	371	367	383	407	464	456	455	421	108.1%
Laurel Woods	531	561	569	599	609	564	572	587	601	601	640	93.9%
Lisbon	475	470	462	461	426	398	400	422	446	446	527	84.6%
Longfellow	420	427	417	442	446	442	457	453	457	457	512	89.3%
Manor Woods	602	609	629	644	637	616	676	669	759	759	681	111.5%
Northfield	533	553	596	608	611	595	723	690	710	710	700	101.4%
Phelps Luck	616	643	650	671	722	727	562	581	608	605	616	98.2%
Pointers Run	755	700	677	643	616	772	790	786	784	784	744	105.4%
Rockburn	714	757	731	731	710	705	710	661	726	726	653	111.2%
Running Brook	394	401	434	417	435	483	492	529	515	515	515	100.0%
St. John's Lane	551	555	549	562	552	582	681	722	701	701	612	114.5%
Stevens Forest	290	282	293	302	283	301	423	440	433	433	399	108.5%
Swansfield	518	527	505	563	562	585	594	588	641	640	521	122.8%
Talbort Springs	448	477	495	581	588	573	441	466	502	501	377	132.9%
Thunder Hill	344	356	349	370	382	421	470	528	558	558	509	109.6%
Triadelphia Ridge	431	429	428	408	411	442	485	509	560	560	581	96.4%
Veterans	800	868	904	982	997	1,062	821	865	931	928	821	113.0%
Waterloo	641	667	723	755	756	783	617	624	624	624	663	94.1%
Waverly	547	548	558	559	591	605	759	758	770	766	638	120.1%
West Friendship	315	299	297	292	289	274	287	287	326	326	414	78.7%
Worthington	435	439	452	494	522	533	524	552	528	527	590	89.3%
Total Elementary Schools	21,492	21,826	22,250	22,816	23,304	23,807	24,445	24,842	25,883	25,863	24,993	103.5%

(a) Includes PreKindergarten enrollment.

Statistical Section

Howard County Public School System Enrollment by School Year Ended June 30, 2017 and 9 Prior Years

Table 10 (continued)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Capacity	Capacity
Middle Schools												
Bonnie Branch	679	690	687	664	708	706	731	661	715	713	662	107.7%
Burleigh Manor	684	689	660	621	617	668	700	746	819	819	779	105.1%
Clarksville	728	720	693	685	655	637	608	635	560	560	643	87.1%
Dunloggon	512	526	515	529	559	565	574	607	617	617	565	109.2%
Elkridge Landing	626	642	666	684	694	683	733	710	700	700	779	89.9%
Ellicott Mills	673	709	699	669	715	731	774	758	828	829	701	118.3%
Folly Quarter	577	553	549	579	588	559	544	562	616	616	662	93.1%
Glenwood	660	633	642	600	593	536	544	555	517	517	545	94.9%
Hammond	620	583	573	542	529	499	477	551	592	593	604	98.2%
Harper's Choice	558	524	511	492	512	497	521	521	570	570	506	112.6%
Lake Elkhorn	450	448	476	463	467	470	510	500	530	530	643	82.4%
Lime Kiln	648	673	654	624	593	596	635	703	729	729	701	104.0%
Mayfield Woods	640	684	725	716	724	717	779	632	685	685	798	85.8%
Mount View	720	710	710	682	679	718	734	750	792	792	798	99.2%
Murray Hill	669	658	680	724	725	725	735	595	669	669	662	101.1%
Oakland Mills	478	444	426	393	402	406	437	423	443	443	506	87.5%
Patapsco	633	648	603	605	583	568	628	675	686	687	643	106.8%
Patuxent Valley	742	744	705	689	660	654	680	648	639	639	760	84.1%
Thomas Viaduct	-	-	-	-	-	-	-	523	632	633	701	90.3%
Wilde Lake	467	470	475	511	520	548	546	521	556	556	467	119.1%
Total Middle Schools	11,764	11,748	11,649	11,472	11,523	11,483	11,890	12,276	12,895	12,897	13,125	98.3%
High Schools												
Atholton	1,446	1,419	1,473	1,460	1,489	1,490	1,464	1,560	1,455	1,456	1,460	99.7%
Centennial	1,473	1,452	1,488	1,475	1,441	1,442	1,370	1,429	1,511	1,511	1,360	111.1%
Glen Elg	1,187	1,185	1,188	1,234	1,227	1,281	1,274	1,261	1,206	1,207	1,420	85.0%
Hammond	1,270	1,280	1,341	1,344	1,341	1,297	1,256	1,226	1,304	1,300	1,220	106.6%
Howard	1,453	1,517	1,617	1,636	1,704	1,755	1,732	1,758	1,839	1,837	1,420	129.4%
Long Reach	1,264	1,233	1,224	1,229	1,318	1,344	1,370	1,434	1,553	1,554	1,488	104.4%
Marriotts Ridge	1,188	1,237	1,282	1,308	1,278	1,228	1,221	1,161	1,264	1,264	1,615	78.3%
Mt. Hebron	1,422	1,450	1,472	1,484	1,452	1,459	1,453	1,498	1,583	1,582	1,400	113.0%
Oaklands Mills	1,237	1,217	1,201	1,175	1,156	1,163	1,128	1,085	1,171	1,174	1,400	83.9%
Reservoir	1,513	1,512	1,566	1,539	1,535	1,526	1,505	1,482	1,481	1,481	1,551	95.5%
River Hill	1,376	1,343	1,456	1,399	1,394	1,393	1,346	1,310	1,154	1,154	1,488	77.6%
Wilde Lake	1,362	1,386	1,349	1,331	1,292	1,282	1,259	1,234	1,251	1,248	1,424	87.6%
Total High Schools	16,191	16,231	16,657	16,614	16,627	16,660	16,378	16,438	16,772	16,768	17,246	97.2%
Special Schools												
Cedar Lane	96	98	85	91	101	103	93	129	109	110	120	91.7%
Total All Schools (a)	49,543	49,903	50,641	50,993	51,555	52,053	52,806	53,685	55,659	55,638	55,484	100.3%

Statistical Section

Howard County Public School System

Table 11

Principal Employers: Howard County, Maryland
Years Ended June 30, 2017 and June 30, 2008

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Howard County Public School System	8,230	1	4.91%	7,213	1	5.19%
Johns Hopkins Applied Physics Laboratory	5,545	2	3.31%	4,300	2	3.09%
Howard County Government	3,200	3	1.91%	2,843	3	2.05%
Howard County General Hospital	1,765	4	1.05%	1,720	7	1.24%
Verizon	1,700	5	1.01%	2,028	4	1.46%
Howard Community College	1,400	6	0.83%	-	-	-
Lorien Health Systems	1,190	7	0.71%	-	-	-
W.R. Grace & Co	1,100	8	0.66%	-	-	-
Coastal Sunbelt Produce	1,050	9	0.63%	-	-	-
Wells Fargo	840	10	0.50%	842	10	0.61%
SAIC	-	-	-	2,000	5	1.44%
Giant Food	-	-	-	1,953	6	1.41%
Arbitron, Inc.	-	-	-	963	9	0.69%
Columbia Association	-	-	-	1,600	8	1.15%
Total	26,020		15.52%	25,462		18.33%

Source: Howard County, Maryland Comprehensive Annual Financial Report

Statistical Section

Howard County Public School System
 Demographic and Economic Statistics
 Year Ended June 30, 2017 and 9 Prior Years

Table 12

Fiscal Year	Estimated Population (a)	Personal Income (b) (thousands)	Per Capita Personal Income (b)	Public Student Enrollment (c)	Unemployment Rate (d)
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	\$ 21,587,512	\$ 70,876	51,190	5.6%
2014	302,113	\$ 20,909,127	\$ 67,605	51,701	4.9%
2015	305,462	*	*	54,875	4.0%
2016	316,579	*	*	54,262	3.5%
2017	317,233	*	*	55,638	3.3%

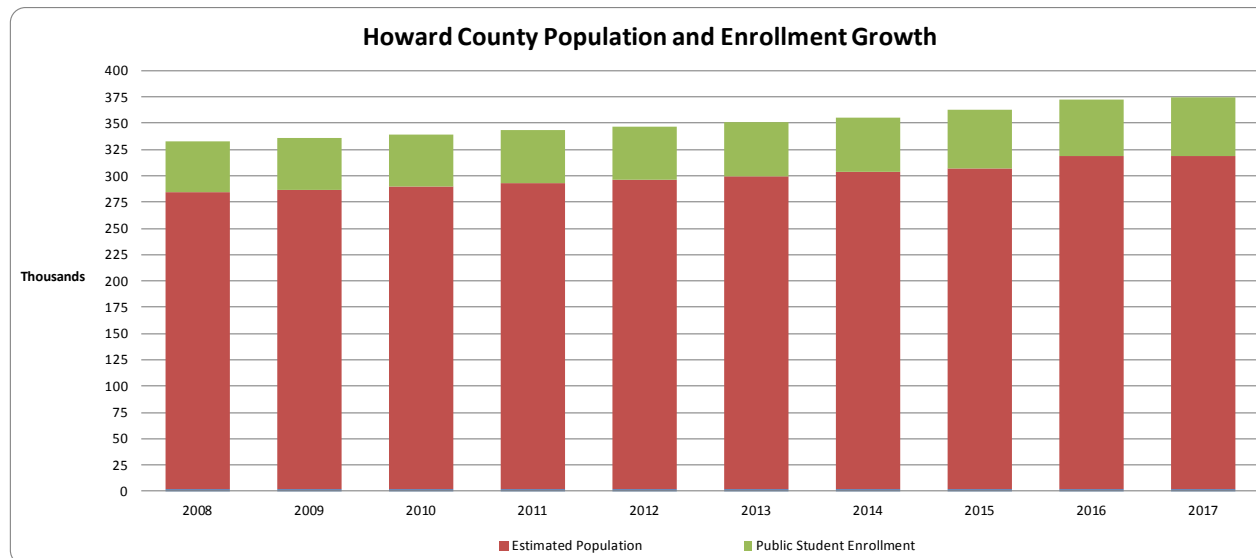
(a) Howard County Department of Planning and Zoning - Estimated population is presented as of July 1st.

(b) Personal Income and Per Capita Personal Income revised and restated for all years per Bureau of Economic Analysis, U.S. Dept. of Commerce.

(c) Howard County Public School System - School enrollment is based on head count taken September 30th of each year. From public information website.

(d) State of Maryland, Dept. of Labor, Licensing and Regulation Unemployment rate is as of June 30th.

* Personal Income and Per Capita Personal Income not available at time of report.



Statistical Section

Howard County Public School System

Table 13

General Fund Cost per Student—Budgetary Basis (non-GAAP)

Year Ended June 30, 2016 and Nine Prior Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Student Enrollment*	48,595	48,888	49,683	49,991	50,497	50,981	51,688	52,412	54,262	54,357
Expenditures**										
Current:										
Administration	\$ 213	\$ 233	\$ 193	\$ 204	\$ 208	\$ 219	\$ 236	\$ 233	\$ 227	\$ 250
Instruction										
Instructional salaries	5,273	5,649	5,603	5,610	5,664	5,805	5,834	5,999	5,812	5,985
Instructional Textbooks/Supplies	258	263	255	348	272	230	262	239	216	171
Other Instructional Costs	55	51	49	48	51	59	60	48	62	52
Student Personnel Services	53	61	48	54	53	55	55	56	59	60
Health Services	104	119	117	118	117	120	128	136	142	145
Student Transportation Services	639	642	658	681	706	718	697	704	692	697
Operation of Plant	798	883	871	763	777	737	761	783	741	717
Maintenance of Plant	407	453	451	410	477	398	355	459	466	431
Fixed Charges	2,107	2,120	2,084	2,240	2,315	2,474	2,807	2,798	2,932	3,133
Mid-level Administration	967	1,096	976	1,000	1,082	1,032	1,036	1,070	1,078	1,097
Community Services	117	124	120	117	119	114	116	113	121	119
Special Education	1,582	1,696	1,622	1,611	1,655	1,702	1,720	1,740	1,722	1,815
Capital Outlay	20	18	16	15	15	16	16	15	15	14
Total Expenditure per Student	<u>\$ 12,593</u>	<u>\$ 13,408</u>	<u>\$ 13,063</u>	<u>\$ 13,219</u>	<u>\$ 13,511</u>	<u>\$ 13,679</u>	<u>\$ 14,083</u>	<u>\$ 14,393</u>	<u>\$ 14,285</u>	<u>\$ 14,686</u>
State Rank ***	5	5	5	5	4	4	3	N/A	N/A	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*. 2015 and 2016 data not available at date of publication.

Statistical Section

Howard County Public School System Food Service Data Year Ended June 30, 2017 and 4 Prior Years

Table 14

	2013	2014	2015	2016	2017
Number of Schools	73	74	76	75	75
Number of days lunch served	177	178	179	179	180
Number of free lunches served to pupils annually	1,049,697	1,072,488	1,175,269	1,291,024	1,330,823
Average number of free lunches served to pupils daily	5,930	6,025	6,566	7,212	7,393
Number of paid lunches served to pupils annually:					
At reduced price	201,983	206,132	216,081	220,562	248,372
At regular price	1,593,948	1,433,397	1,423,424	1,472,914	1,572,810
Average number of paid lunches served to pupils daily:					
At reduced price	1,141	1,158	1,207	1,232	1,380
At regular price	9,005	8,053	7,952	8,229	8,738
Total number of lunches served to pupils annually	2,845,628	2,712,017	2,814,774	2,984,500	3,152,005
Average number of lunches served to pupils daily	16,077	15,236	15,725	16,673	17,511
Charge per lunch to students:					
Elementary	\$ 2.50	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.75
Secondary	\$ 3.00	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25

Source: HCPSS Food and Nutrition Service, email Perresa Brown (accountant) and Brian Ralph (director)

Statistical Section

Howard County Public School System
Transportation Data
Year Ended June 30, 2017 and Nine Prior Years

Table 15

	<u>Estimated number of eligible riders (Daily)</u>	<u>Number of bus routes (Daily)</u>
2017	42,950	453
2016	42,371	453
2015	40,800	448
2014	41,989	448
2013	41,525	438
2012	41,504	436
2011	40,200	434
2010	40,180	432
2009	39,079	429
2008	40,425	425

Source: HCPSS Transportation Office

Howard County Public School System
High School Graduation Data
Year Ended June 30, 2017 and Nine Prior Years

Table 16

	<u>Graduation Rate</u>
2017	N/A**
2016	93.21%*
2015	93.50%*
2014	92.85%*
2013	93.30%*
2012	90.40%*
2011	90.60%*
2010	93.60%
2009	94.90%
2008	94.87%
2007	94.79%

*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.

** FY 2017 data not available at the time of this report.

Source: HCPSS Public Information Office, HCPSS Website, mdreportcard.org

Statistical Section

Howard County Public School System

Table 17

Full-Time Equivalent School System Budgeted Positions by Function Year Ended June 30, 2017 and 9 Prior Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Administration	94.3	97.8	94.1	91.1	92.4	96.4	96.2	98.9	102.5	102.5
Mid level Administration	572.5	587.5	588.5	585.5	586.5	594.0	599.0	602.5	612.0	616.5
Instruction	4,255.2	4,336.7	4,379.1	4,390.4	4,434.1	4,504.3	4,588.6	4,633.1	4,632.5	4,723.5
Special Education	1,448.5	1,494.5	1,505.5	1,501.7	1,496.4	1,499.4	1,506.0	1,499.6	1,499.9	1,514.9
Student Personnel Services	32.0	32.0	32.0	32.0	32.0	31.0	32.0	32.0	32.0	33.0
Health Services	118.0	126.0	127.0	127.0	127.0	127.0	135.0	137.0	137.0	137.0
Student Transportation	12.0	13.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	15.0
Operation of Plant	447.0	449.0	449.0	449.0	450.0	450.5	456.5	456.5	455.5	457.5
Maintenance of plant and equipment	184.0	189.0	187.0	182.0	183.0	183.0	184.0	162.0	161.5	162.5
Community Services	38.9	40.9	40.4	40.4	40.9	42.9	44.9	48.4	53.1	55.1
Capital Outlay	10.0	10.0	10.0	10.0	10.0	10.0	9.0	9.0	9.5	8.5
Total General Fund	7,212.4	7,376.4	7,426.6	7,423.1	7,466.3	7,552.5	7,665.2	7,693.0	7,709.5	7,826.0
Total Grants Fund (estimated)	180.5	180.5	186.0	174.2	165.0	165.0	177.0	171.0	173.5	182.6
Restricted Funds										
Jim Rouse Theatre *	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Food and Nutrition Services	187.5	187.0	187.0	187.0	187.0	187.0	188.0	191.0	191.0	192.0
Printing and Duplicating	10.0	10.0	11.0	11.0	11.0	10.0	10.0	10.0	10.0	10.0
Technology Office	33.0	36.0	35.0	38.0	38.0	37.0	37.0	64.0	64.0	64.0
Workers Comp. Self-Insurance	3.0	3.0	3.0	3.0	3.0	3.0	4.0	3.0	3.0	4.0
Health and Dental Self-Insurance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	5.0	5.0
Total Restricted Funds	236.7	239.2	239.2	242.2	242.2	240.2	242.2	272.2	273.2	275.2
Total All Funds	7,629.6	7,796.1	7,851.8	7,839.5	7,873.5	7,957.7	8,084.4	8,136.2	8,156.2	8,283.8

* .2 FTE reclassified from Instruction to Jim Rouse Theatre.

Statistical Section

Howard County Public School System

Table 18

County, State, and National Assessment Achievement
Year Ended June 30, 2017 and 9 Prior Years

	SAT			High School Assessments % Proficient*					SAT**			High School Assessment**							
	Howard		Maryland	Howard County		Maryland State			Howard		Maryland	Howard County				Maryland State			
	County	State	National	Algebra I PARCC	English 10 PARCC	Algebra I PARCC	English 10 PARCC		County	State	National	Algebra	Biology	English	Government	Algebra	Biology	English	Government
*2017	1161	1046	1060	62.6	65.2	36.5	49.3												
2016	1647	1428	1453	56.7	58.8	35.6	44.4	**2016	1647	1428	1453								
2015	1656	1434	1462	45.9	45.1	31.2	39.7	2015	1656	1434	1462	95.0	95.0	93.2	90.0	87.4	87.6	83.9	75.7
2014	1657	1438	1471	No Data	No Data	No Data	No Data	2014	1657	1438	1471	95.0	95.0	94.2	71.9	88.2	87.6	85.9	80.9
2013	1653	1456	1474	No Data	No Data	No Data	No Data	2013	1653	1456	1474	97.6	96.3	93.4	93.2	88.3	85.8	86.4	84.6
2012	1632	1467	1477	No Data	No Data	No Data	No Data	2012	1632	1467	1477	97.1	96.6	94.3	96.0	89.1	85.9	87.4	88.9
2011	1645	1492	1500	No Data	No Data	No Data	No Data	2011	1645	1492	1500	95.0	95.0	92.9	95.0	87.9	84.6	85.2	89.8
2010	1639	1502	1509	No Data	No Data	No Data	No Data	2010	1639	1502	1509	96.5	94.4	91.6	97.1	87.9	84.5	83.7	91.5
2009	1641	1497	1509	No Data	No Data	No Data	No Data	2009	1641	1497	1509	98.0	94.9	94.3	97.6	88.8	85.5	86.6	93.2
2008	1643	1498	1511	No Data	No Data	No Data	No Data	2008	1643	1498	1511	91.9	90.5	89.3	89.3	81.0	74.9	76.2	83.1

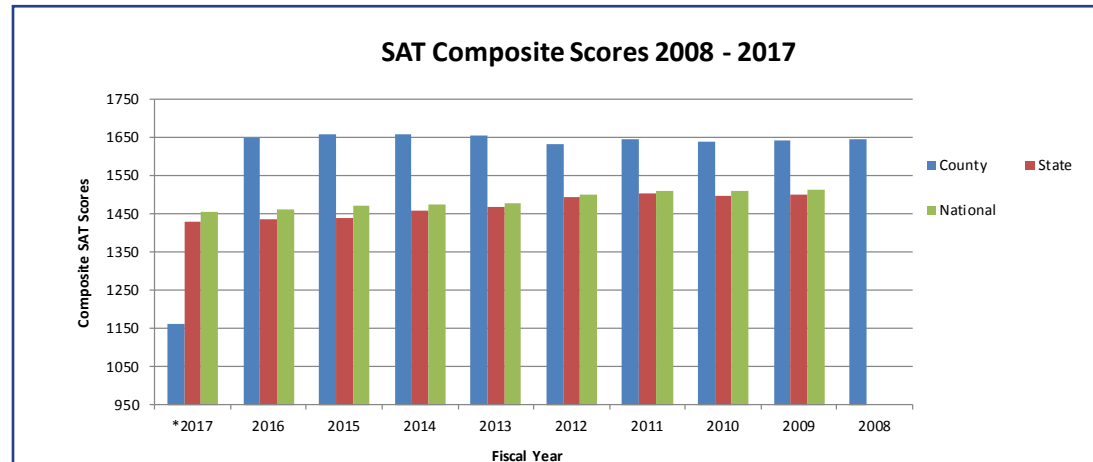
* Due to the transition to the PARCC assessments, data prior to 2015 is not comparable. The data reported is the % of students scoring a performance level of 4 or 5. FY 2016 Assessment Achievement is presented to the right of FY 2017 Assessment Achievement.

** FY 2016 - Students can take the High School Achievement (HSA) in different years during their academic career; therefore, the HSA rates were based on the exiting seniors past HSA rates in previous years. In FY 2015, Maryland implemented the Partnership for Assessment for Readiness for College and Careers (PARCC) in English language arts and mathematics. The new assessment replaced the Maryland State Assessment (MSA) and the HSA but the PARCC was administered on a participation basis only for these past two years. As of FY 2017, the PARCC will have pass/fail rates. It will take 3-4 years for those students who took the PARCC as a participation only assessment to cycle through and until then the rates listed here will be a blend of those students who took the HSA, those students who took the PARCC on a participation only basis and those students who are taking the PARCC on a pass/fail basis.

* 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.

*** Assessment not administered.



Statistical Section

Howard County Public School System Insurance Summary Year Ended June 30, 2017

Table 19

Type of Coverage	Name of Company	Policy Period	Limits
Workers' Compensation	Self-Insured		
Excess Workers Compensation	Safety National	7/1/17 - 6/30/18	\$600,000 retention Specific excess limit \$25 million
Comprehensive General Liability	MABE Group Insurance Pool	7/1/17 - 6/30/18	\$400,000 per occurrence \$ 1 million per occurrence should sovereign immunity be abrogated
Personal Injury Liability	MABE Group Insurance Pool	7/1/17 - 6/30/18	\$400,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	7/1/17 - 6/30/18	\$400,000 combined single limit \$1 million combined single limit for Bus Contractors
Personal and Advertising Injury Protection	MABE Group Insurance Pool	7/1/17 - 6/30/18	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	7/1/17 - 6/30/18	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	7/1/17 - 6/30/18	\$400,000 per loss
Criminal Proceeding and Intentional	MABE Group Insurance Pool	7/1/17 - 6/30/18	\$50,000 per covered person
Boiler and Machinery	MABE Group Insurance Pool	7/1/17 - 6/30/18	\$100,000 per occurrence
Excess Property	PEPIP	7/1/17 - 6/30/18	\$1,000,000,000,000 Total Property
Boiler & Machinery	Chubb	7/1/17 - 6/30/18	\$100,000,000 per occurrence
Crime	Travelers	7/1/17 - 6/30/18	\$2,500,000 per occurrence
	Axis Insurance		\$2,500,000 Excess of Travelers
School Board Legal Liability	MABE Group Insurance Pool	7/1/17 - 6/30/18	\$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