

POPULAR ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED - JUNE 30, 2013



HOWARD COUNTY PUBLIC SCHOOL SYSTEM

A Component Unit of Howard County, Maryland

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Popular Annual Financial Report Fiscal Year Ended June 30, 2013

Prepared By:

The Department of Finance
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VISION 2018

Fulfilling the Promise of Preparation

Vision

Every student is **inspired** to learn and **empowered** to excel.

Mission

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

GOAL 1

Students

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

GOAL 2

Staff

Every staff member is engaged, supported, and successful.

GOAL 3

Families and the Community

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

GOAL 4

Organization

Schools are supported by world-class organizational practices.

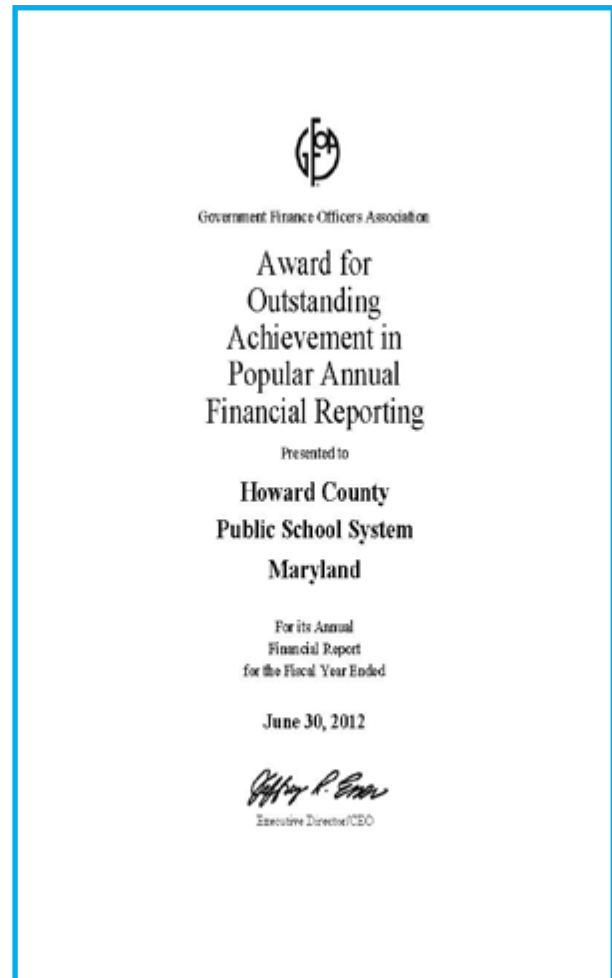
Guiding Principles

We believe in...

- Achieving excellence in all we do
- Developing each student's unique gifts
- Engaging students in relevant, experiential, and personalized learning
- Cultivating creative problem solving, critical thinking, and innovation
- Promoting integrity, civility, and global citizenship
- Enriching learning by honoring our diversity
- Fostering a culture of collaboration, trust, and shared responsibility
- Removing barriers to success

Table of Contents

5	Message from Director of Finance
6	Board of Education
7	Organizational Chart
8	HCPSS Fast Facts
9	HCPSS Academic Achievements
10	Additional Facts
11	Enrollment
12	Food and Nutrition Services
13	Financial Information
14	Governmental Funds
15	Revenues
16	Expenditures
18	School Construction



About Howard County Public School System

Howard County, Maryland is a suburban community of over 285,000 situated midway along the Baltimore-Washington corridor. It is a county of contrast - a blend of old and new, urban and rural, historical and progressive. The county's borders encompass Ellicott City, one of the country's oldest towns, and Columbia, a planned community conceived and designed over 40 years ago by the Rouse Company.

A great community deserves great schools, and the Howard County Public School System is a recognized source of local pride. The school system consistently ranks among Maryland's top school districts based on student performance on the Maryland School Assessments. Howard County students score above the national averages on standardized tests and nearly 90% of graduates continue their education beyond high school.

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

A Message From The Director of Budget and Finance

Citizens, Taxpayers, and Community Members of Howard County,

It is with great pride that we present to the citizens of Howard County, Maryland the Howard County Public School System's Popular Annual Financial Report for the fiscal year ended June 30, 2013. This report provides an overview of the school system's financial operations and highlights key accomplishments of interest to parents, teachers, and community members.

The information in this report is derived from the financial information contained in our Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. The CAFR is a detailed report prepared in accordance with generally accepted accounting principles. Our Comprehensive Annual Financial Report received an "unqualified" audit opinion, the highest audit rating, from our independent auditors, CliftonLarsonAllen LLP. While the Popular Annual Financial Report is also prepared consistent with generally accepted accounting principles, it is unaudited and simplifies reporting by summarizing the school system's financial activities in an easy to understand format. Readers desiring to review more detailed financial information may view the Comprehensive Annual Financial Report on the system's website www.hcpss.org/aboutus/cafr2013.pdf.

This report should help community members understand how their tax dollars are being utilized to educate our students. Our Division of Business and Operations strives to manage public funds in the most efficient and effective manner consistent with best financial practices. The Board of Education, teachers, and staff are proud to serve the students of Howard County. Questions and comments are welcomed and may be directed to the Department of Finance at 410-313-1530.

Sincerely,



Beverly J. Davis
Director of Budget and Finance

Principal's 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 Superintendent of Schools



Dr. Renee A. Foose, Ed.D.

Susan Mascaro
Chief of Staff

Camille Jones
Chief Operating Officer

Linda Wise
Deputy Superintendent

Ken Roey
Chief Facilities Officer

E. Grace Chesney
Chief Accountability Officer

Rebecca Amani-Dove
Director of Communications

Independent Auditor

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Board of Education

Frank Aquino
Chairman



Brian J. Meshkin
Vice Chairman



Ann De Lacy
Member



Sandra H. French
Member



Ellen Flynn Giles
Member



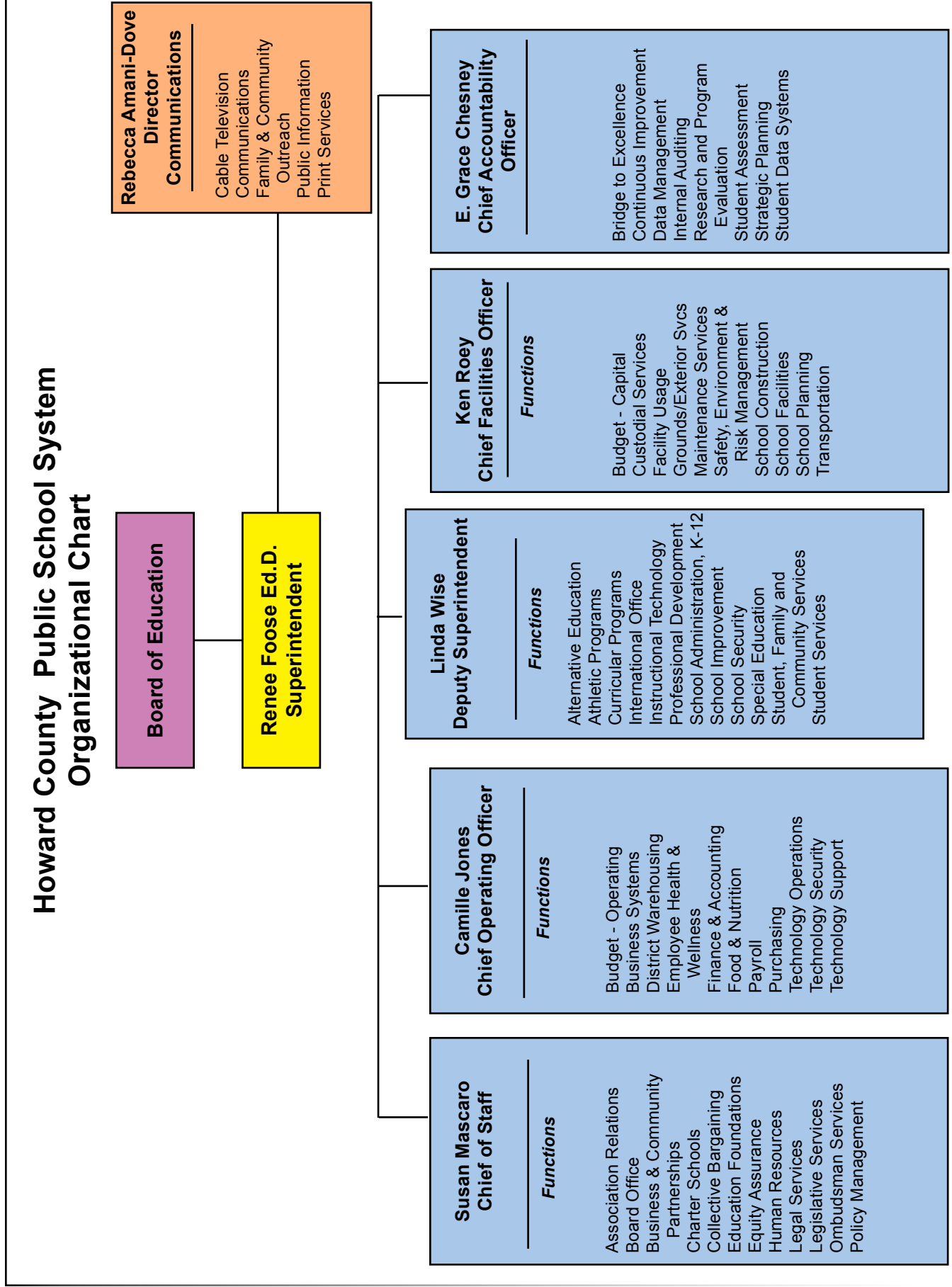
Janet Siddiqui, M.D.
Member



Cynthia L. Vaillancourt
Member



Organizational Chart as of November 30, 2013





Fast Facts

74 schools
 40 elementary schools
 19 middle schools
 12 high schools
 3 special schools

Total Enrollment (K-12)	52,041
Elementary (preK-5)	23,807
Middle (6-8)	11,483
High (9-12)	16,660
Special Schools	91

Ethnicity 2012-2013	
White	45.9%
Asian	17.6%
Hispanic	8.8%
African American	21.2%
Two or more races	6.5%

Students Receiving Special Services 2012-13	
Title I (Elementary only)	18.2%
Ltd. English Proficient	6.8%
Free / Reduced Lunch	20.8%
Special Education	9.8%

Attendance Rate	
Elementary	≥95.0%
Middle	≥95.0%
High	≥95.0%

Graduation Rate*: 90.6%
***4 year adjusted cohort**

Ratio of Computers to Students **1:3**

Classrooms With Internet Access **100%**

HCPSS was named a 2012 "Gold" Healthy Workplace by Healthy Howard, Inc. for its Commit To Be Fit Employee Wellness program.

Our Staff

Howard County employs 4,729 teachers

- 72.5% hold master's degrees or above
- Average years of experience: 13.3
- Total staff: 7,957

HCPSS Academic Achievements

Howard County residents value a high quality education and provide Howard County Public Schools with the financial resources to provide an excellent education to every Howard County student. Our test results are one measure of our success in utilizing these resources effectively.

Maryland School Assessment

The Maryland School Assessment (MSA) is an annual assessment program that tests grades 3 through 8 in reading and mathematics. Two tests are also required at the high school level to measure reading and mathematics. The MSA results are used in the calculation of whether a school met the Adequate Yearly Progress (AYP) target.

MSA Test Scores Placement						
School Year	Math			Reading		
	Advanced	Proficient	Basic	Advanced	Proficient	Basic
2012-13	52.9%	42.2%	5.0%	46.8%	45.0%	8.3%
2011-12	52.5%	39.0%	8.4%	56.5%	36.1%	7.4%
2010-11	48.2%	41.9%	9.9%	56.7%	36.6%	6.7%

SAT Scores and Participation					
School Year	N ¹	Percent Participating	Critical Reading	Mathematics	Writing
2012-13	2999	74.1	545	562	544
2011-12	3160	78.7	537	557	538
2010-11	3129	79.3	542	561	542

¹ Number of tests taken



SAT Score Comparisons	
District	Combined Mean Score
Howard	1651
Montgomery	1647
Carroll	1545
Frederick	1538
Calvert	1522
Harford	1514
National	1498
Anne Arundel	1498
State	1483

FY2012 School System	Cost Per Pupil*
Worcester	\$ 16,044
Baltimore City	\$ 15,138
Montgomery	\$ 15,021
Howard	\$ 14,692
Kent	\$ 14,571
Somerset	\$ 13,904
Allegany	\$ 13,770
Prince George's	\$ 13,276
Garrett	\$ 13,166
Baltimore	\$ 12,939
Calvert	\$ 12,697
Anne Arundel	\$ 12,635
Wicomico	\$ 12,577
Dorchester	\$ 12,523
Harford	\$ 12,504
Carroll	\$ 12,208
Charles	\$ 12,088
Cecil	\$ 11,939
Washington	\$ 11,901
Frederick	\$ 11,888
Queen Anne's	\$ 11,842
Caroline	\$ 11,823
St. Mary's	\$ 11,774
Talbot	\$ 11,716

Gifted and Talented Program	
Grade Level	% Participating
K to Grade 5	45%
Grades 6-8	45%
Grade 9 to 12	43%

Additional Facts

Cost Per Pupil

The cost per pupil reflects the average cost of providing educational and related services to the students in each local school system. Cost per pupil amounts provide an overall view of the cost of instructional programs. It includes both the direct as well as the indirect costs of programs. The cost per pupil is often used for comparison purposes. The table to the left compares the cost per pupil for the local school systems in the State of Maryland. These figures are taken from the Maryland State Department of Education (MSDE) 2011-2012 Selected Financial Data.

The cost per pupil amounts include the following expenditure categories: administration, mid-level administration, instructional salaries and wages, textbooks and other instructional materials, other instructional costs, special education, student personnel services, health services, student transportation, operation of plant, maintenance of plant, fixed charges, and state-paid teachers' retirement. Expenditures for equipment, tuition payments, and interfund transfers are excluded.

Class Size Targets

Grade Level	Teacher/Student Ratio
Kindergarten	1:22.0
Grades 1-2	1:19.0
Grade 3-5	1:25.0
Middle	1:20.5
High	1.4:27

ESOL Program

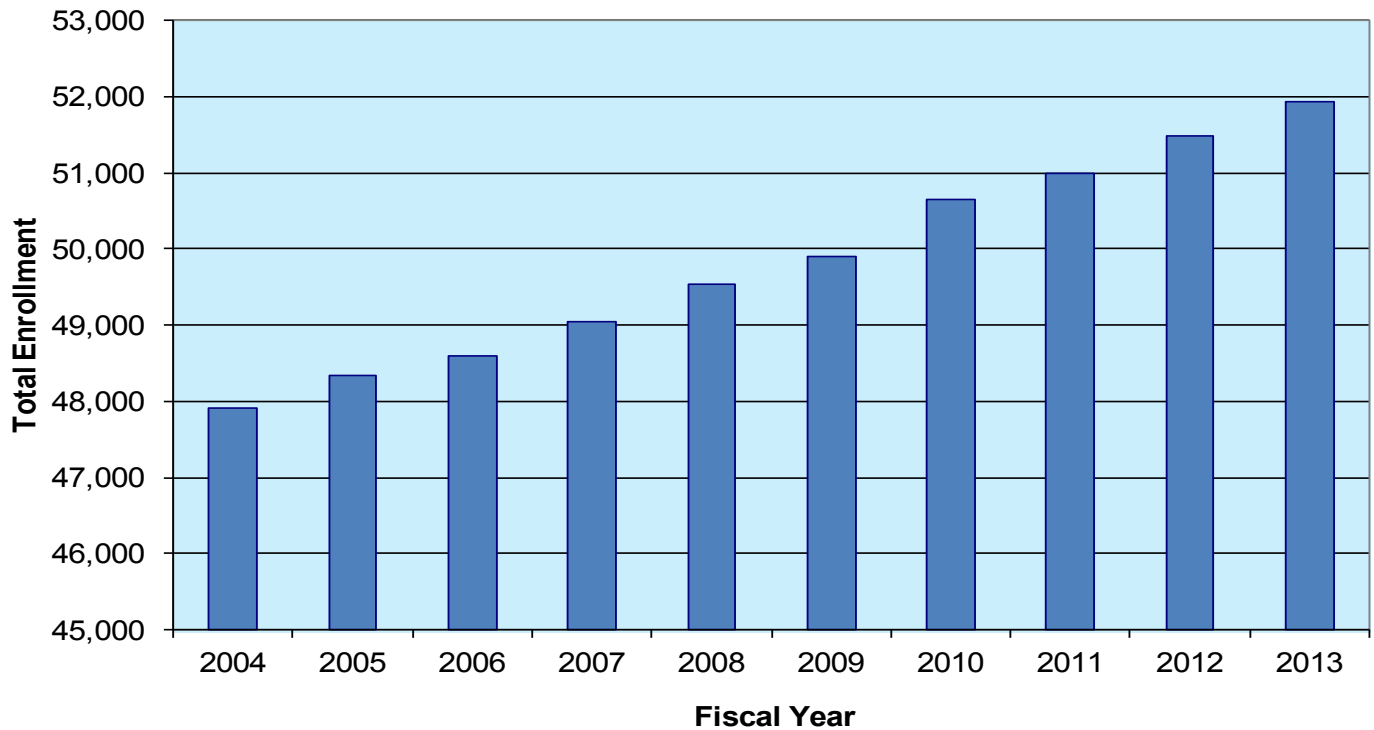
Over 2,250 students participate in our English for Speakers of Other Languages (ESOL) program, representing 58 different languages, (primarily Spanish and Korean) and 75 different countries.

Documented Decisions/Class of 2013

Attend a 4-year college.....	61%
Attend a 2-year college.....	24%
Attend a trade or technical school	2%
Enter employment.....	5%
Enter the military	3%
Other or unreported plans.....	5%

*Maryland State Department of Education (MSDE) has not released FY 2013 Cost Per Pupil information at this time. MSDE excludes Pre-K enrollment from its calculation of cost per pupil.

Enrollment



The enrollment for FY 2013 was 51,924 students in 75 schools and centers. This represents an increase of 446 students over the fiscal year 2012 actual, and 6,859 students in the last decade. The English for Speakers of Other Languages (ESOL) program is one of the fastest growing programs for students with special needs in the school system. Over the past five years, ESOL has increased faster than special education services and significantly faster than the general education membership

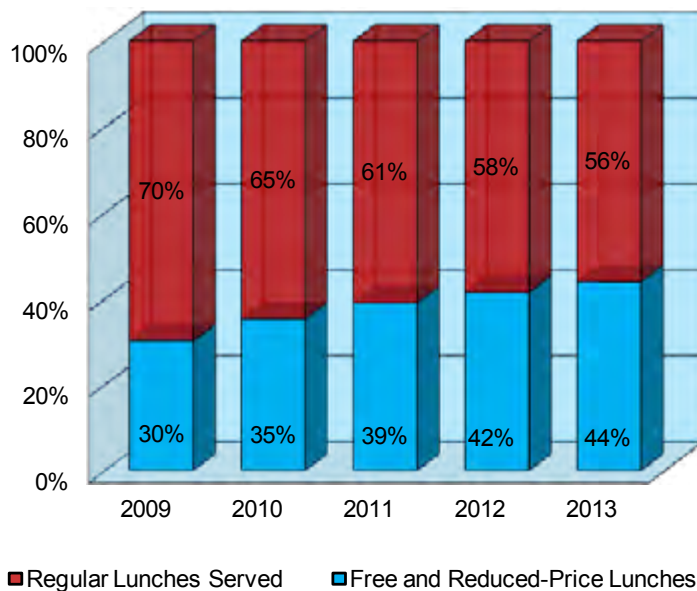


Food and Nutrition Services

The Food and Nutrition Services Program provides appealing, nutritious, high quality, safe food at minimum cost in accordance with federal law, state regulation, and local policy. It is operated under the federally funded Richard B. Russell National School Lunch Act. Special emphasis is placed on creating a positive image of food at school through an established marketing program and involvement of students in food selection, menu planning, and nutrition education. A variety of salads and lunch options are available in all elementary, middle and high schools. The chart below presents the number of lunches served in HCPSS' schools each day by the Food and Nutrition Services Program.



Free Lunches and Reduced-Price Lunches Served



The county is one of the most affluent counties in the nation, yet the population of students eligible for free or reduced-price meals has increased. To qualify for meal benefits, the household income must not exceed \$43,568 for a family of four.

The Howard County Public School Food and Nutrition Service Department has earned four USDA Best Practices Awards.

They provide breakfast and lunch to students each day that school is in session, including early dismissal days, as well as a la carte items consistent with federal and state regulations.

Student Lunches Served Daily Last Five Fiscal Years	2009	2010	2011	2012	2013
Free lunches served	3,870	4,624	5,334	5,830	5,930
Reduced price served	1,240	1,274	1,121	1,205	1,142
Regular price served	11,829	10,799	10,058	9,916	9,005
Total lunches served	16,939	16,697	16,513	16,951	16,077

Financial Information

Financial Information in this report is derived from the Comprehensive Annual Financial Report (CAFR). The CAFR is prepared in conformity with GAAP, as applicable to governmental units and includes detailed information of significant financial and non-financial events. This contains information taken from the CAFR, but presented in a non-GAAP format. It presents summarized assets and liabilities on a government-wide basis and presents an overview of HCPSS' governmental funds, as well as revenues and expenditures highlighting key revenue and expenditure information that occurred during the fiscal year. The CAFR can be obtained from the HCPSS website at www.hcpss.org/aboutus/annualreports.shtml.

Assets Over Liabilities

The Financial Position Statement, known in accounting terms as the balance sheet, reports the assets available to provide services. Liabilities are the amount for which HCPSS is obligated to pay in the future. The amount below reports the difference between the assets of HCPSS and the liabilities which it must pay. This amount provides the "net worth" of HCPSS.

During the fiscal year, the "net worth" of the School System decreased by \$380 thousand. Any change in the School System's fund balance is a result of timing of expenditures. This is true because the School System's revenues and expenditures are fixed depending upon funding adopted by the county and state governments.

Financial Benefits (in thousands of \$)	FY '09	FY '10	FY '11	FY '12	FY '13
Cash and investment	\$ 122,981	\$ 120,862	\$ 152,855	\$ 108,837	\$ 102,901
Receivable	28,677	25,459	20,771	20,305	28,423
Other Assets	1,104	1,483	1,188	1,388	1,271
Total Assets	\$ 152,762	\$ 147,804	\$ 174,814	\$ 130,530	\$ 132,595
Financial Detriments (in thousands of \$)	FY '09	FY '10	FY '11	FY '12	FY '13
Amounts Owed to Employees and Vendors	\$ 91,553	\$ 114,626	\$ 97,437	\$ 92,473	\$ 94,204
Other Liabilities	50,584	20,977	60,848	13,122	13,837
Total Liabilities	\$ 142,137	\$ 135,603	\$ 158,285	\$ 105,595	\$ 108,040
Assets Over Liabilities	\$ 10,625	\$ 12,201	\$ 16,529	\$ 24,935	\$ 24,555

Assets

Cash is the amount of physical cash held by the HCPSS in checking accounts and on hand for purposes of paying expenses.

Investments are made up of the funds not needed to pay current month expenses. The Finance Department invests these funds to maximize investment earnings.

Receivables represent the amounts that are owed to HCPSS at June 30, 2013.

Liabilities

Amounts Owed To Employees And Vendors are those items which HCPSS owes to individuals and companies who supply services or goods, and the expected payment is to be made within twelve months.

Other Liabilities include amounts due to other governments and deferred revenues. Deferred revenues are items that cannot be recognized as revenues of the period in which they are received, as the monies will not be available until a subsequent period.

Governmental Funds

HCPSS uses fund accounting to ensure and demonstrate compliance with government accounting and legal requirements. HCPSS' governmental fund financial statements provide a detailed short-term view that determines how much funding is available in the near future to finance HCPSS' programs.

HCPSS' governmental funds consist of the following activities and programs:

- **Operating** - provides for the day-to-day operations and maintenance of the schools and is funded primarily by the County and State funds.
- **Food and Nutrition Services** - include the procurement, preparation, and serving of student breakfasts, snacks, and lunches. The primary revenue sources are receipts derived from food sales and funding from the Federal government.

- **Grants and Self-Supporting Programs** - consist of Federal, State, non-profit, and private industry grant funds that support instructional programs. In addition, it also includes the summer school program.
- **Capital Projects** - activities involving the acquisition, construction or renovation of school sites, buildings, and other major capital improvements. The primary revenue source is funding from the County's issuance of general obligation bonds.

Revenues and Resources Over Expenditures and Services

The Financial Activity Statement, known in accounting terms as the Income Statement, provides a summary of the resources (revenues) and services (expenditures) of the District.

(In thousands of \$)	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual
Revenues and Resources					
Local	\$ 491,086	\$ 502,374	\$ 531,120	\$ 530,955	\$ 553,213
State	258,699	262,276	263,990	267,750	298,841
Federal	21,043	30,818	39,987	23,860	23,580
Earnings on investments	1,005	125	122	64	57
Charges for services	14,239	13,640	13,756	28,280	12,109
Proceeds From Capital Leases	10,724	-	-	-	-
Miscellaneous revenues	2,184	1,596	1,449	1,039	1,471
Total revenues	\$ 798,980	\$ 810,829	\$ 850,424	\$ 851,949	\$ 889,271
Expenditures and Services					
Administration	\$ 11,539	\$ 10,634	\$ 10,663	\$ 10,676	\$ 11,511
Mid level administration	55,908	54,226	56,675	54,922	59,180
Instruction	296,528	297,340	302,090	306,791	316,258
Special education	95,766	96,986	98,017	96,411	99,859
Pupil personnel services	3,133	2,462	2,751	2,738	2,860
Health services	5,791	5,794	5,895	5,957	6,114
Pupil transportation	31,412	32,742	34,052	35,573	36,325
Operation of plant	43,245	43,411	37,721	37,850	39,439
Maintenance of plant	21,452	22,030	22,235	21,643	23,574
Fixed charges	151,095	165,229	193,731	181,842	178,693
Community services	6,211	5,901	6,064	6,055	6,190
Food service	11,725	11,689	12,167	12,009	12,202
Capital outlay	70,905	60,809	64,035	71,076	97,446
Total expenditures	\$ 804,710	\$ 809,253	\$ 846,096	\$ 843,543	\$ 889,651

Revenues

As Reported in the Fund Financial Statements

How is Howard County Public School System Funded?

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.

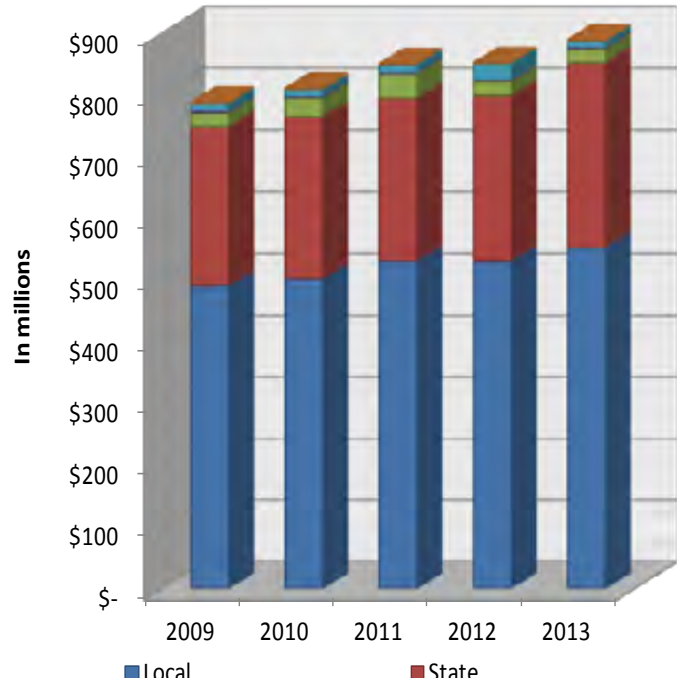
Essentially all of the School System's funding for governmental activities is derived from these sources. The School System has no authority to levy taxes or issue bonded debt. Accordingly, the financial condition of the School System is directly related to the financial condition of the funding authorities - the county and state.

Total revenues for the fiscal year ended June 30, 2013 totaled \$889.0 million. The School System receives approximately 62% of its funding from the county, and 33% from the State. Additionally, the School System receives federal entitlement grants and competitive grants from the state and federal governments.

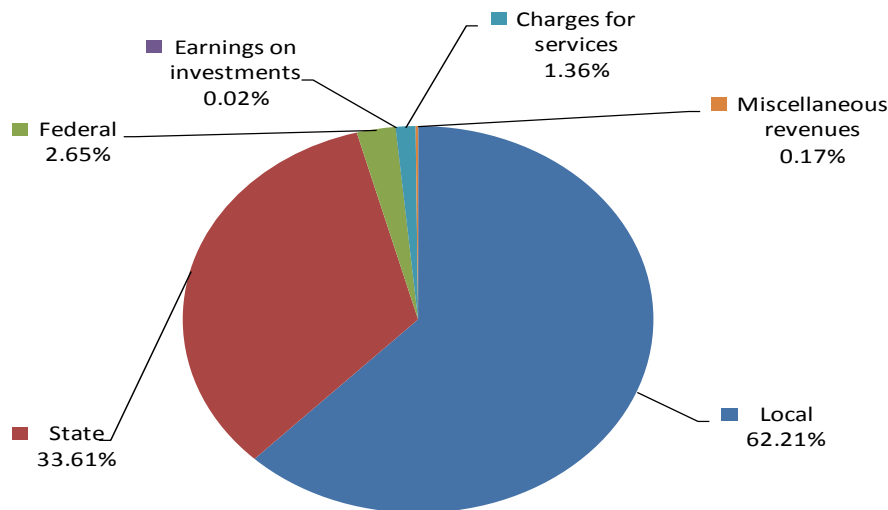
HCPSS generates revenues from activities and services provided by HCPSS. The largest of these revenues is charges for services. Charges for services include fees charged for food sales, primarily student breakfasts, lunches, and snacks; facility use fees, summer school tuition and other miscellaneous fees.

Revenues increased 4.3% in FY13. County revenue increased by 4.2% or \$22.3 million over the previous year. The operating revenues from the County increased by 3.2% or \$15 million, and the County revenues for the Capital Projects fund increased by 11.8% or \$7.1 million.

Revenues By Sources



2013 Revenue - Governmental Funds



Expenditures

As Reported in the Fund Financial Statements

How is Howard County Public School System Allocating its Funds?

These graphs display FY 2013 expenditures across specific program areas. Detailed Fund Financial Statements are available in HCPSS' Comprehensive Annual Financial Report (CAFR).

Administration - includes the Board of Education, Superintendent's Office, and central support services to operate the School System. Services provided by this category include: financial assessment, legal, planning, personnel, payroll, and other support services.

Instruction - includes wages for most classroom personnel and the materials and other direct costs required to support instructional programs. Instruction consists of three related subcategories: Instructional Salaries, Supplies, and Other Instructional Costs.

Special Education - provides services for students - from birth through age 21 - who have disabilities. Special Education serves students with intellectual or physical limitations, emotional problems, learning disabilities, language delays, autism, traumatic brain injuries, and developmental delays.

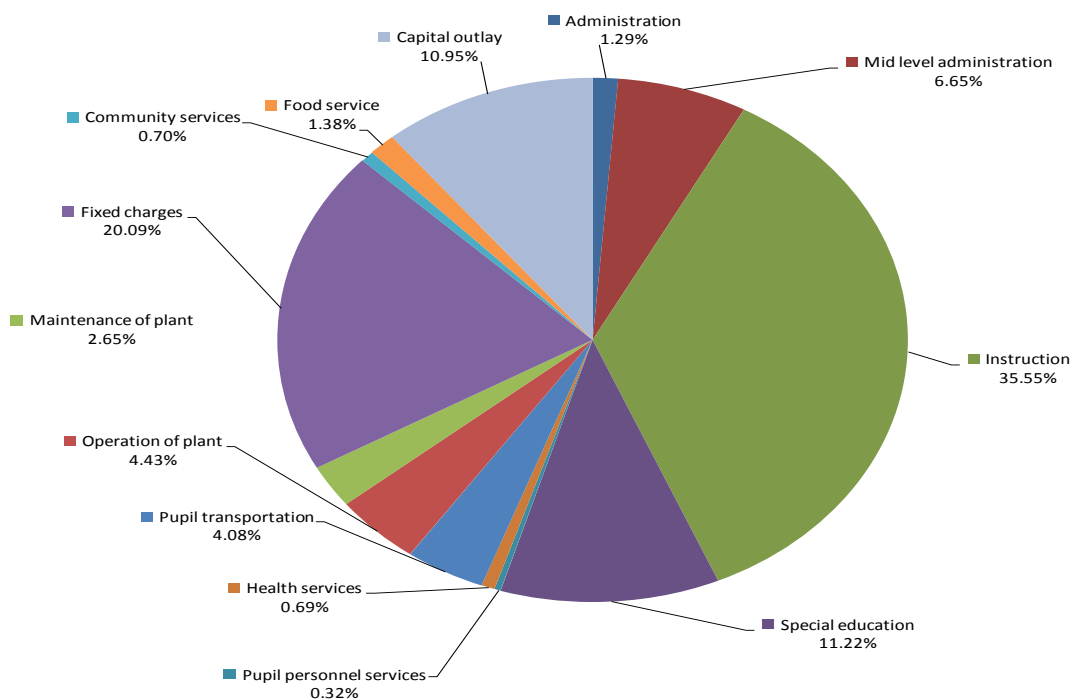
Mid-Level Administration - contains instructional support services. The category includes central office instructional personnel, professional development, school-based office staff, school administration, media processing, cable TV/ video production, and temporary employee services.

Pupil Personnel Services - includes programs to improve student attendance and to solve pupil problem involving the home, school, and community. Pupil Personnel tracks attendance, identifies problems and works to provide solutions.

Health Services - includes programs to prevent health problems in county schools. Health Services staffs school health rooms, maintains student health records, identifies health problems, enforces immunization laws, and provides other services.

Transportation - provides contracted bus transportation for eligible students. The Transportation Office plans schedules, monitors contractors, and operates safety programs. This category includes regular bus transportation, special education transportation, instructional field trips, and athletic transportation.

2013 Expenditures - Governmental Funds



Expenditures

As Reported in the Fund Financial Statements

Operation of Plant - provides custodial, utilities, trash collection and other costs to operate school facilities. Operation of Plant includes the school system's warehouse, courier mail services, and risk management functions.

Maintenance of Plant - includes programs to maintain and report school facilities. This category provides building maintenance, computer/electronics repairs, and environmental maintenance (water systems, indoor air quality, etc.) Grounds keeping services are included here and in the Community Services category.

Fixed Charges - includes funds for employee benefits and provides insurance coverage for the school system. This category contains social security, retirement, and the General Fund's share of employee insurance costs.

Community Services - allows community groups to use school buildings and grounds. User fees offset some of these costs. Community Services provides custodial and maintenance services for community school user, nonpublic transportation, teen parenting transportation, and other services.

Capital Outlay - includes the operating budget costs associated with planning, constructing, and renovating school facilities, as well as the costs of school construction, renovation, and site acquisition.

Food Service - includes all costs of providing schools breakfast and lunches.

Expenditures by Category



Total Expenditures increased 5.5% from FY2012 to FY2013 due primarily to an increase in salaries.

School Construction



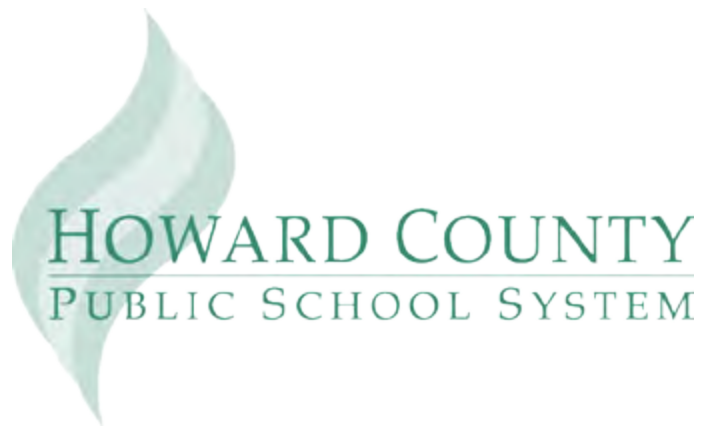
The Howard County Public School System prepares an annual Capital Budget, a five-year Capital Improvement Program (CIP), a ten-year Long-Range Master Plan, and a six-year Systemic Renovation Plan designed to address projected student capacity needs by providing capital projects where and when they are needed as well as programmatic renovation in facilities with greatest need.

During FY 2013, capital assets increased by a net of \$63.4 million from the prior year. These funds were used for the following planned projects.

- Expended \$5.7 million for additional technology in our classrooms.
- Completed construction for the additions/renovations of Thunder Hill Elementary.
- Completed construction for the Triadelphia Waste Water Treatment Plant and the Folly Quarter Waste Water Treatment Plant.
- Continued the additions/renovations of Bollman Bridge Elementary
- Continued the construction of a new elementary school, Duckett's Lane Elementary which opened in August of 2013.
- Started construction for addition/renovations to Running Brook Elementary.
- Started planning for renovations/additions to Longfellow Elementary, Deep Run Elementary and Laurel Woods Elementary.
- Other major projects include technology projects and roofing projects.

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

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



Contacting Howard County Public Schools (HCPSS)

Questions concerning any of the information provided in this report or requests for a copy of the Comprehensive Annual Financial Report (CAFR) should be addressed to the Department of Finance, 10910 Clarksville Pike, Ellicott City, Maryland 21042-6198 or by calling 410-313-1530.

This report and the CAFR can also be found on the HCPSS website at www.hcpss.org/aboutus/annualreports.shtml.