

Board of Supervisors

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Anthony J. Romanello, ICMA-CM
County Administrator

Finance, Audit & Budget Committee Meeting Agenda

August 16, 2016 – 1:00 pm
Conference Room A/B/C - Second Floor

Agenda Item	
1.	Monthly Report Human Resources Manager Shannon Wagner
2.	Monthly Report Chief Financial Officer Maria Perrotte
3.	Shared Financial Services
4.	VPSA fall borrow

FABAGENDA08162016



Memorandum

Human Resources

To: Finance, Audit and Budget Committee

From: Marianne Brennan
Human Resources Analyst

Copy: Shannon Wagner
Human Resources Manager

Subject: 2016 Fair Labor Standards Act Update

Date: August 16, 2016

The Department of Labor has released its final rule on overtime regulations, which will update the salary and compensation levels needed for Executive, Administrative and Professional workers to be exempt from the minimum wage and overtime pay protections of the Fair Labor Standards Act. The new rule takes effect December 1, 2016.

Background

Under the old guidance for whether employees were exempt from overtime protections, there were three tests that employers had to meet for the exemption to apply:

1. The employee must be paid a predetermined and fixed salary that is not subject to reduction because of variations in the quality or quantity of work performed (“salary basis test”);
2. The amount of salary paid must meet a minimum specified amount (“salary level test”)
3. The employee’s job duties must primarily involve executive, administrative, or professional duties as defined by the regulations (“duties test”).

The DOL’s final rule includes three pieces intended to extend overtime protections and make it easier for employers to determine exempt status:

1. Sets the standard salary level at the 40th percentile of earnings of full-time salaried workers in the lowest-wage Census Region, currently the South, which is \$913 per week or \$47,476 annually for a full-year worker;
2. Sets the total annual compensation requirement for highly compensated employees (HCE) subject to a minimal duties test to the annual equivalent of the 90th percentile of full-time salaried workers nationally, which is \$134,004; and
3. Establishes a mechanism for automatically updating the salary and compensation levels every three years to maintain the levels at the above percentiles and to ensure that they continue to provide useful and effective tests for exemption.

Impact to Stafford County

In order to ensure that the County is maintaining compliance with DOL overtime regulations, the Human Resources office is reviewing proposals from outside firms to perform an audit of some of our positions to determine whether they should be classified as exempt or non-exempt. We will also work with them to make sure that we have best practices in place to deal with any situation where the salary ranges for exempt positions, or the salary for an individual exempt employee, fall below the DOL thresholds.



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County Administrator

MEMORANDUM

To: Anthony J. Romanello, ICMA-CM
County Administrator

From: Maria Perrotte
Chief Financial Officer

Subject: Shared Financial Services

Date: August 16, 2016

In previous meetings staff provided information regarding shared financial services.
As a follow up attached is additional information.

Also attached are financial reports from three other localities.

Please let me know if you would like further information.

MP:dmo

Attachments



Accounts Payable/Accounts Receivable

Purpose/Objective: To share operations where possible to improve efficiencies for external and internal customers.

Team Members: County and school employees in accounts payable and receivable, IT department, Treasurer, Purchasing, Utilities.

County Snapshot:

How many employees: **1 full-time employee and 2 other employees within the department provide overlapping backup.** - These areas are highly decentralized, each County department keys their own requisitions, processes receipt on invoices and forwards to Finance for coordination of payment or request of funding for grants.

What we do:

- Prepares COIN certification for reimbursement from Virginia on Constitutional Officers.
- Process and generate checks weekly.
- Coordinate with IT and Treasurer and help departments process receipts and invoices.
- Process P card payments monthly, download file from JP Morgan, ensure all departments have entered and performed approvals and signed authorization list.
- Reviews and distributes appropriate reports.
- Tracks W9 tax forms for new vendors for 1099 reporting.
- Issues 1099's at year end.
- Prepare monthly statements for the Landfill.
- Prepare deposits on customer accounts, sale of property, incoming funds for reimbursement.
- Quarterly review of unclaimed property, appropriately handle in compliance with all laws and regulations, generate payment to Commonwealth of Virginia turning over unclaimed property to the state.
- Quarterly perform reconciliation of revenue with the APA, identify federal awards for yearend and CAFR plus research any items unreconciled.
- Process meals tax on Parks and Recreation concessions.

Policies:

- Grants policy
- Board by-laws regarding checks and expenditures over \$100,000.
- CFO authorizes Treasurer to sign and release bi-weekly payables checks.

Customers:

- External vendors
- Departments
- Taxpayers
- State and Federal government
- Landfill and Utility customers

Peak times:

- Payables: weekly Tuesday to Wednesday and at calendar year end.
- Receivables: 1st part of the month and after each quarter when grant financial reporting is due.

Systems used:

- H.T.E. for payables and to record receivables.
- Landfill system for customer billing.
- Internet explorer for grants billing and reporting.

How many:

- Accounts payable processes over 23,000 checks per year.
- Accounts Receivable bills and collects on over 45 Landfill customers and over 33 grants for 9 departments.
- Utilities manages receivables and collections for water/sewer.

Accounts Payable/Accounts Receivable

Considerations/Issues/Decisions

Who/What is affected:

- Joint policies regarding expenditures and grants.
- Which computer system would be used or would both be used?
- How would P-cards be handled? (Schools and County have individual processes).
- Would payments and grants still use separate federal id #s or would we combine?
- Would a joint or separate 1099 be sent at year end?
- How would unclaimed property be tracked and reported?
- Can County and School deposits be combined or would they stay separate?
- Effect on audit for grants compliance if combined with Schools?
- Would combining this department involve relocating personnel?
- How will County and School budgets be adjusted to reflect services provided?

Opportunities:

- May get bulk - economies of scale if combine P-card purchases and audit.
- Federal awards on grants, audit benefits.
- Free up IT resources.
- Combine the EAL and payment process.

Timeframe considerations:

- Consideration of computer systems prior to consolidation.
- During year end accounts payable process 1099's, would want to align this with Schools if combining under one federal id #.

Financial Reporting

Purpose/Objective: To coordinate and share operations where possible to improve efficiencies for the County and the School.

Team Members: County and School Finance personnel, Public Information Officer, IT, and Treasurer.

County Snapshot:

How many employees: **3 full-time employees with overlapping backup** - County financial reporting is reliant on information from almost every department.

What we do:

- Monthly financial report
- Annual Combined Comprehensive Financial Report (CAFR)
- Auditor of Public Accounts Comparative Cost report
- Audit of Federal Awards and compliance
- Client prepared schedules for auditors.
- Reconcile revenue with State and Federal reports.
- Cash reconciliation, process involves joint effort between County and School Finance plus the Treasurer.
- Fixed asset reporting.
- Track and record debt service and debt issuance.
- Track and record revenue accruals 45 days following end of fiscal year.
- Track and record pension liability through VRS.
- Track and record Other Post Retirement Benefits gain/loss and record long term liability.
- Track and record fuels tax revenue and reimbursement requests with PRTC.
- Governmental Finance Officer Association CAFR award for excellence.

Policies:

- GAAP
- GASB
- County Financial Policy

Customers:

- Federal and State governments
- Board of Supervisors
- Financial Institutions
- Insurers, Bond Rating Agencies
- Taxpayers

Peak times:

- June to end of fiscal year.
- September through December

Systems used:

- H.T.E., Microsoft Office
- Internet Explorer

How many:

- Annual CAFR
- Auditor of Public Accounts reporting
- Compliance reporting on federal awards

Financial Reporting

Considerations/Issues/Decisions

Who is affected:

- State and Federal government
- Board of Supervisors
- Financial Institutions
- Insurers
- Bond Rating Agencies
- Taxpayers

Who/What is affected:

- Which financial system would we use?
- Would staff be combined?
- Would we have separate CAFRs?
- Comparative Report is due to the APA by November 30th, presently this deadline has been extended each year because the School CAFR and information is not available.
- The GFOA award of excellence for financial reporting is due by December 31st each year - by consolidating would the information required be available in time?
- Federal funds received are reconciled quarterly and the awards must be reported in the CAFR and are subject to section A133 single audit compliance - Schools receive more federal funds than the County - would consolidation of the federal awards affect the A133 audit?
- If the Schools have a vendor that is barred from the federal list would that preclude the County from getting awarded Federal funds on a grant?
- The Schools have additional reporting requirements such as the Annual Student Report which is due to Va Department of Education on September 15. Would need to ensure that their reporting needs are met.
- How will County and School Budgets be adjusted to reflect services provided?

Opportunities:

- Economies of scale for Audits.
- Improved adherence to deadlines.
- Produce a Popular Annual Financial Report (PAFR) which is more meaningful and useful to most customers. (Attached as Exhibit).

Timeframe considerations:

- Fiscal year end through end of calendar year is busy season.
- Consider aligning a proposed consolidation at end of fiscal year. This would allow for a clean cutoff for combining.

Payroll

Purpose/Objective: To combine and coordinate operations where possible to improve efficiencies for employees and departments providing better service.

Team Members: County and school employees in Payroll, Human Resources, IT, and Treasurer

County Snapshot:

How many employees: **2 full-time employees with overlapping backup** - Payroll is highly decentralized; each County department keys their own timesheets. County payroll is separated from the Human Resource function that coordinates health insurance and other benefits, employee orientation and changes to employee pay or deductions.

What we do:

- Consolidates data and reconciles before processing payroll biweekly.
- Monthly payments for health insurance are coordinated.
- Process W2's after end of calendar year and transmittal to Federal and State government.
- Balances and reconciles quarterly 941's for tax reporting to IRS and State on withholding tax and social security plus reporting to VEC.
- Coordinates monthly payments for health insurance.
- Track hybrid employee start dates
- Maintains workers comp spreadsheet doe risk management and annual workers comp audit.
- Process payroll changes such as insurance, retirement deductions and tax exemptions.
- Calculate leave payout as needed.
- Process balance and pay garnishments, levies and leave donations.
- Perform fiscal and calendar year end maintenance to align or reset deduction and benefit codes.

Policies:

- CFO authorizes Treasurer to sign and release bi-weekly payroll direct deposits and taxes.
- GAAP
- GASB regarding accrual and benefits.
- County personnel policies

Customers:

- Departments
- Employees
- Federal and State Governments

Peak times:

- Biweekly Monday to Wednesday
- End of every quarter
- Fiscal year end
- Calendar year

Systems used:

- H.T.E. for payroll
- Internet explorer for VRS reporting and reporting and filing of taxes
- Microsoft Office.

How many:

- Processes payroll for over 850 employees twice a month.
- Over 1,200 W2's at year end.

Payroll

Considerations/Issues/Decisions

Who/What is affected:

- Different work hours 40 hours per week for County employees and 37.5 hours per week for School employees.
- Different pay schedule (monthly vs. bi-weekly)
- Holiday, vacation and other leave policies are different - would these be changed if payroll is consolidated?
- Would years of service with schools count towards County years of service for accrual levels and other areas relating to vesting?
- Would we need additional workers comp codes to encompass the Schools classes of labor?
- School employees have benefit 403B retirement savings unavailable to County employees.
- How will County and School budgets be adjusted to reflect services provided?

Opportunities:

- Economies of scale for benefits.
- Possible efficiencies if processes can be combined.

Timeframe considerations:

- At year end payroll must process W2's.
- At fiscal year-end payroll must process and reset codes in preparation for the new fiscal year.
- Would want to align both of these with Schools if combining under one federal id number

Purchasing

Purpose/Objective: To combine operations, where feasible, to improve efficiencies and effectiveness.

Team Members: School and County employees, department director(s), principal(s), Information Technology, Treasurer's Office.

County Snapshot:

How many employees: 2 full-time employees

What we do:

- Prepare, process and evaluate Bids/RFPs for the both the County and Schools
- Attend Pre-bid/proposal conferences
- Oversee bid/proposal openings
- Process Requisitions & Purchase Orders
- Prepare and issue contracts
- Track Bonds and Insurance
- Sell Surplus items
- P-Card Administrator request and issue P-cards
- Work with JP Morgan regarding P-card issues
- Assist P-card holders with purchases
- Respond to FIOA requests
- Prepare and post bid matrixes
- Work with the County Attorney regarding issues with bids/contracts
- Update the County's procurement policy
- Maintain the Purchasing website

Policies:

- VPPA
- Stafford County Procurement Policy

Customers:

- Internal-department personnel
- Public officials, administrators
- External-vendors
- citizens
- Public entities

Peak Times:

- May - September

Systems used:

- HTE
- OnBase
- Naviline
- MS Office

How many:

- Purchase Orders 3000
- Bids/Proposals 65
- Contracts 262

Purchasing

Considerations/Issues/Decisions

Who/What is affected:

- Employees
- External customers
- Who will oversee procurement issues such as Contracts, p-cards, surplus?
- Where will employees work?
- What financial system will be used?
- Should the financial policies be combined?
- How will the different levels of experience and compensation and benefits be addressed?
- The availability of having in house counsel versus outside counsel used by the Schools.
- How will County and School budgets be adjusted to reflect services provided?

Opportunities:

- One combined procurement policy(s), which would minimize confusion.
- Bulk ordering of supplies (office/paper).
- Procure services on a larger scale, waste/cleaning.
- Centralized/Joint bidding and purchasing (would require same financial system).

Timeframe Considerations:

- Consider transition during the fall through winter.
- Currently, the County works with schools regarding solicitations.

Risk Management

Purpose/Objective: To combine operations, where feasible, to improve efficiencies and effectiveness.

Team Members: School and County employees, department director(s), principal(s), fleet, Human Resources.

Count Snapshot:

How many employees: 1 full-time employee

What we do:

- Drug testing for County employees and Fire & Rescue/Sheriff Volunteers.
- Workers' comp injuries and illness for County employees and Fire & Rescue/Sheriff Volunteers.
- Handle all vehicle, property and casualty accidents for the County and Fire & Rescue/Sheriff Volunteer.
- Prepare and maintain budgets for insurance and records management.
- Bid insurance-bids and proposals.
- Maintain records for all County fleet and Fire & Rescue vehicles.
- Prepare and enter information for tags/titles/registration for all County vehicles and Fire & Rescue/Sheriff Volunteer vehicles.
- Manage Records Management to include transporting boxes to the Facility, purging boxes and fulfilling department retrieval requests.
- Pay bills for insurance and records facility.
- Prepare FPOs and Requisitions for insurance and records management.
- Prepare the year-end OSHA report.
- Conduct safety inspections.
- Lead the safety committee.
- Perform new hire and yearly license checks.
- New hire orientation every two weeks and every few months Sheriff/Fire & Rescue new hire orientation.
- Manage Central Store operations.
- Update and develop safety policies and procedures.
- Assist employees with finding doctors for workers' comp claims.
- Assist with matching and disbursing of weekly vendor checks (on an as need bases).
- Work with County Attorney's office on lawsuits/claims.

Policies:

- OSHA
- VOSH
- Workers' Compensation Law
- Stafford County Worker Safety, Compensation, Benefits, Conduct, Leave, Drug-Free Workplace

Customers:

- Internal-department personnel.
- Public Officials, Administrators, Schools, Fleet,
- Vendors, citizens, other Public entities,
- Doctors and office staff,
- Insurance agents, volunteers

Peak Times:

- Dependent-seasonal

Risk Management

Systems used:

- HTE
- Naval-line
- MS Office
- HRIS
- DMV Titling/Registration System

How many claims:

- | | |
|--------------------------------|-----------|
| • Workers' comp | 100 - 130 |
| • Vehicle/prop/casualty | 100 - 115 |
| • Volunteer accident/sickness | 25 - 50 |
| • Volunteer auto/prop/casualty | 25 - 50 |

Considerations/Issues/Decisions:

Who/What is affected:

- Employees
- Volunteers
- External customers
- What insurance company will be use?
- How will workers' comp claims be handled?
- Will we have a deductible for workers' compensation?
- Will be have a deductible for property/causality/auto?
- What panel of physicians would we use?
- How will we handle our fleet?
- Will changes affect the volunteers?
- Do the schools do in-house drug testing?
- What company is used to do the DOT drug testing?
- What financial system will be used?
- Where will employees work?
- Will internal policies be combined?
- How often is the insurance bid?
- How do we handle records management?
- Separate insurance for the Fire & Rescue personnel?
- How will County and School budgets be adjusted to reflect services provided?

Opportunities:

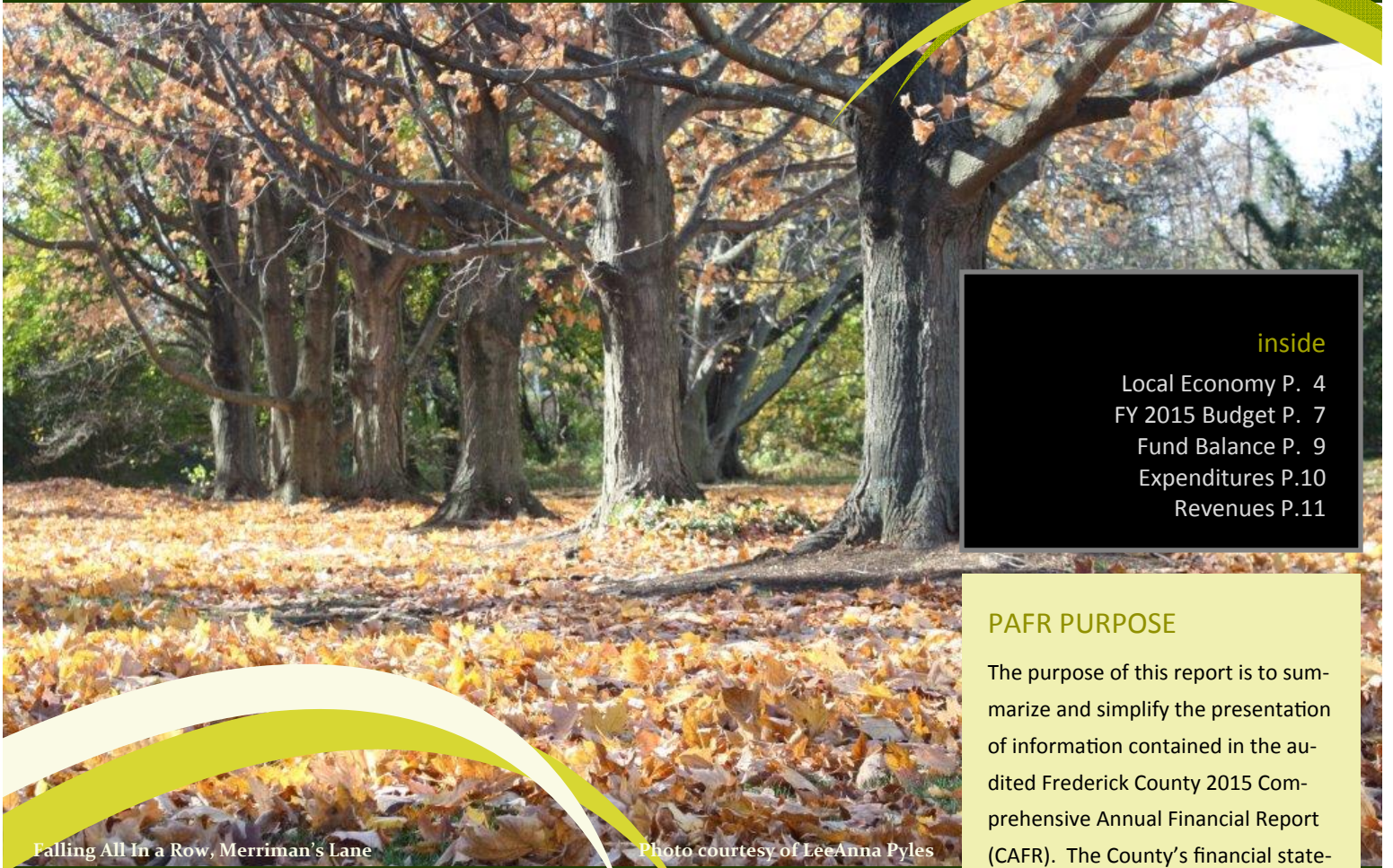
- Having extra employees to address safety issues.
- Additional staff for inspections.
- Additional staff for drug testing, opportunity to bring in house for schools.

Timeframe Considerations:

- Begin transition as soon as decision made
- Bid jointly depending on Schools and County bid schedule

Popular Annual Financial Report

County of Frederick, VA
DECEMBER 2015



Falling All In a Row, Merriman's Lane

Photo courtesy of LeeAnna Pyles

inside

Local Economy P. 4
FY 2015 Budget P. 7
Fund Balance P. 9
Expenditures P.10
Revenues P.11

PAFR PURPOSE

The purpose of this report is to summarize and simplify the presentation of information contained in the audited Frederick County 2015 Comprehensive Annual Financial Report (CAFR). The County's financial statements are prepared using the financial reporting model prescribed by the Governmental Accounting Standards Board (GASB) and are independently audited in accordance with auditing standards generally accepted in the United States of America by the accounting firm of Robinson, Farmer, Cox Associates of Charlottesville, VA. We encourage you to read the CAFR, which is comprised of detailed financial statements, notes, schedules and reports. The CAFR, in its entirety, is available in the Frederick County Finance Department and online at www.fcva.us/CAFR.

To the residents of Frederick County:

We face a steady influx of facts, figures and statistics in today's busy world. Sorting through this information, deciding what is important and then putting that information to good use can be a difficult task. In an effort to provide you with easily accessible, reliable information, we are pleased to present the Frederick County, Virginia's Popular Annual Financial Report (PAFR) for the fiscal year July 1, 2014 through June 30, 2015.

The PAFR is presented in a simple and easy to understand format to better inform the public about the County's financial condition, without excessive detail or the use of technical accounting terms. This report represents the ongoing commitment of County officials to keep Frederick County citizens informed about County finances, and to be accountable for the receipt and expenditure of public funds. It is intended to be a supplement to the CAFR, not a replacement. It does not conform to accounting principles generally accepted in the United States of America (GAAP) and focuses solely on primary governmental activities. Financial information related to the County Schools, Landfill, Adult Detention Center, Regional Airport, Shawneeland and Court Services are not included. Although the PAFR is not audited and excludes many material disclosures, financial statements, schedules and notes to the financial statements, figures are extracted from the County's CAFR.

Your Board of Supervisors



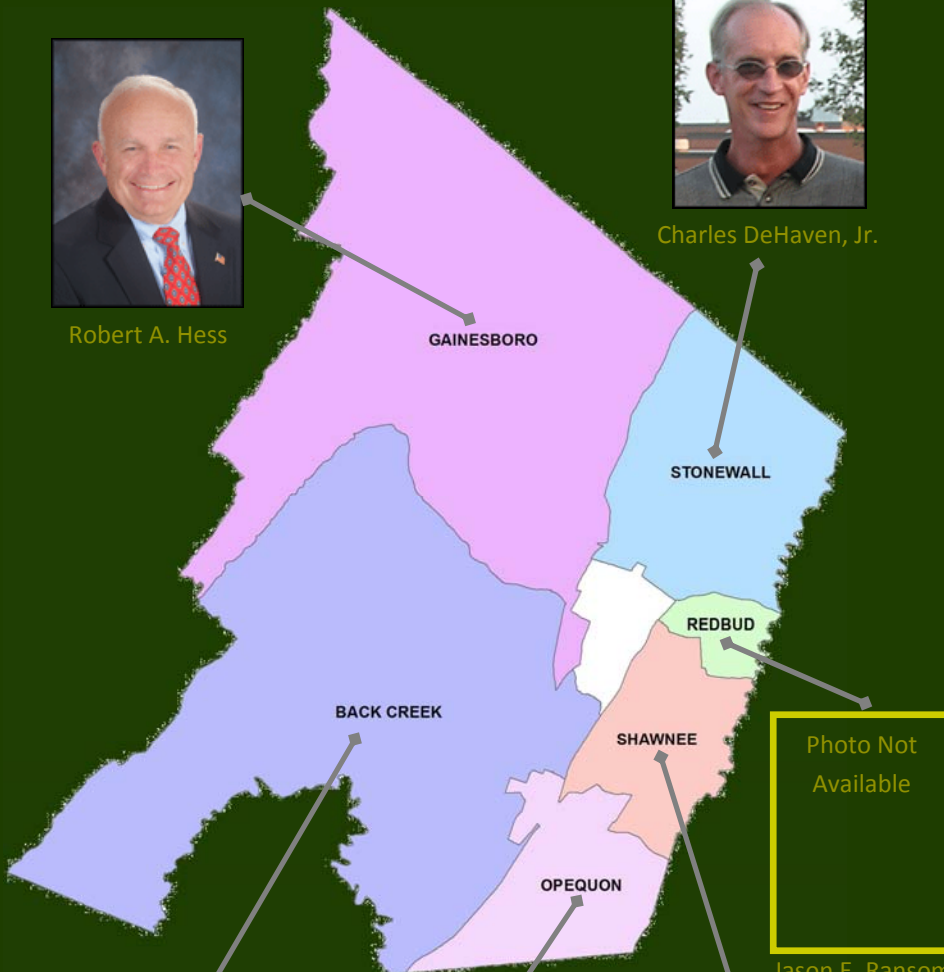
Richard C. Shickle
Chairman-at-Large



Robert A. Hess



Charles DeHaven, Jr.



Gary A. Lofton



Robert W. Wells



Gene E. Fisher

Jason E. Ransom



Photo courtesy of Steve Frye

Vision Statement & Core Values

Insuring the quality of life of all Frederick County citizens by preserving the past and planning for the future through sound fiscal management.

A government that is accountable and dedicated to providing responsible stewardship for county funds and to insure the citizens receive the best services possible for the funds expended.

A government concerned with long range planning that protects our rural heritage and directs its future growth through planned infrastructure.

A government concerned with expanding commercial and industrial tax base in order to insure a viable and thriving economy.

A government that looks to the future and implements plans to insure that the quality of life for future generations is preserved.

A government that emphasizes a quality education through a cooperative effort with the school board.

A government that recognizes the importance of maintaining a highly trained public safety program to provide efficient services and protection to county citizens.

A government that promotes the spirit of cooperation with its regional local government partners.

A government unit based on honesty, trust, integrity, and respect that understands the importance of clear communication and a willingness to listen.

At the time of publication, Charles DeHaven, Jr. has been elected as the Chairman-At-Large, Judy McCann Slaughter has been appointed to the Stonewall supervisor seat, and Blane P. Dunn has been elected as the Red Bud supervisor.



Kernstown Battlefield

Frederick County At A Glance

Frederick County, at the tip of the Northern Shenandoah Valley, is 72 miles northwest of Washington, D.C., and in the northernmost corner of the state of Virginia. The County, which covers 424 square miles and borders the West Virginia line, was established in 1738. Its county administrator form of government was established in 1971.

In the southeastern portion of the county, there are two incorporated towns – Stephens City and Middletown. The County’s population has increased from 72,000 ten years ago to an estimated 83,000 today. By 2020, it is projected that the population of Frederick County will be approximately 97,192, by 2030—119,419 and by 2040—145,938.

The area is served by the Winchester Regional Airport, a 450+ acre, all-weather general aviation airport. Located 45 nautical miles from Dulles International Airport, the WRA lies outside of restricted airspace. The facility currently has 75 tie down spaces, six corporate hangars, and 61 t-hangars.

There are over 12,000 acres of land in battlefields that maintain high historic character. Without a concentrated and effective effort, most battlefield sites in Winchester and Frederick County will be lost to development during the next twenty years. Significant efforts are underway on the part of the City of Winchester and Frederick County government, the Kernstown Battlefield Association, the Cedar Creek Battlefield Foundation and

others to protect local battlefield sites and create a battlefield park network. A battlefield park network in Frederick County and Winchester will provide substantial economic and educational benefits.

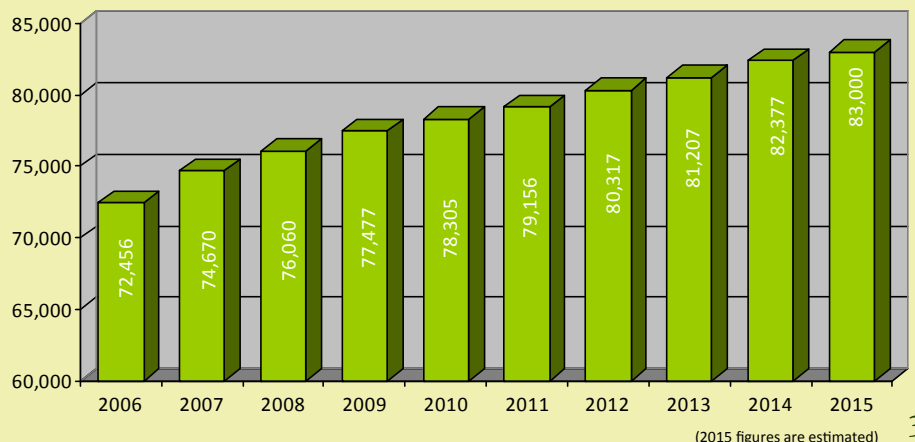
The Frederick County Public School System, the 22nd largest school division in Virginia, is composed of eleven elementary schools serving students in grades kindergarten through fifth grade; four middle schools serving grades six through eight; three high schools serving grades nine through twelve; and one alternative/vocational school. Frederick County participates and is fiscal agent for a regional facility, Northwestern Regional Educational Program that provides services to some of its special education population. Other support facilities include the school administration building, the maintenance and warehousing facility and the transportation facility.

HISTORIC PRESERVATION

The following are some of the sites listed on both the Virginia Landmarks Register and the National Register of Historic Places:

- Belle Grove
- Cedar Creek Battlefield
- Monte Vista
- Springdale House and Mill Complex
- Willow Shade
- Sunrise
- Rose Hill
- Hopewell Friends Meeting House
- County Poor House
- Willa Cather’s Birthplace
- Newtown/Stephensburg District
- St. Thomas Episcopal Church
- Frederick County Courthouse
- Six battlefields of great national importance are located in Frederick County & Winchester:
- First & Second Battles of Winchester
- First & Second Battles of Kernstown
- Stephenson’s Depot
- Third Battle of Winchester
- Cedar Creek
- Rutherford’s Farm

Population



Local Economy

As the nation continues to recover from its most recent recession, recovery in Frederick County is also apparent. Sales tax and construction related permits continues to increase. Other positive indicators include an increase in property tax collections, business licenses, and meals and lodging taxes.

Employment is a broad economic measurement that gives a picture of major developments. Unemployment rates were at historical highs in 2009. Rates for Frederick County have decreased over 40% since the high and appears to be continuing to decline. The

(Continued on page 5)



Photo courtesy of Wendy May, EDA

Principal Employers — Top 10 in Frederick County

1. Frederick County School Board
2. Navy Federal Credit Union
3. U.S. Department of Homeland Defense
4. County of Frederick
5. H.P. Hood, Inc.
6. The Home Depot
7. Lord Fairfax Community College
8. Kraft Foods
9. Trex Company, Inc.
10. Axiom Staffing

2015 TAX RATES Per \$100 of assessed value

Property Type	Tax Rate
Real Estate	\$0.56
Personal Property	\$4.86
Machinery & Tools	\$2.00
Airplanes	\$0.001
Mobile Homes	\$0.56

NOTE: All calendar year 2015 figures are estimates.

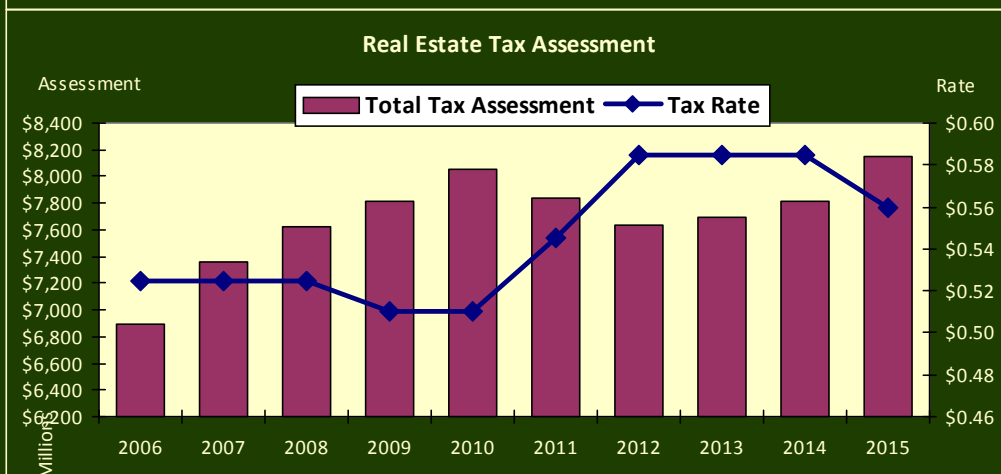
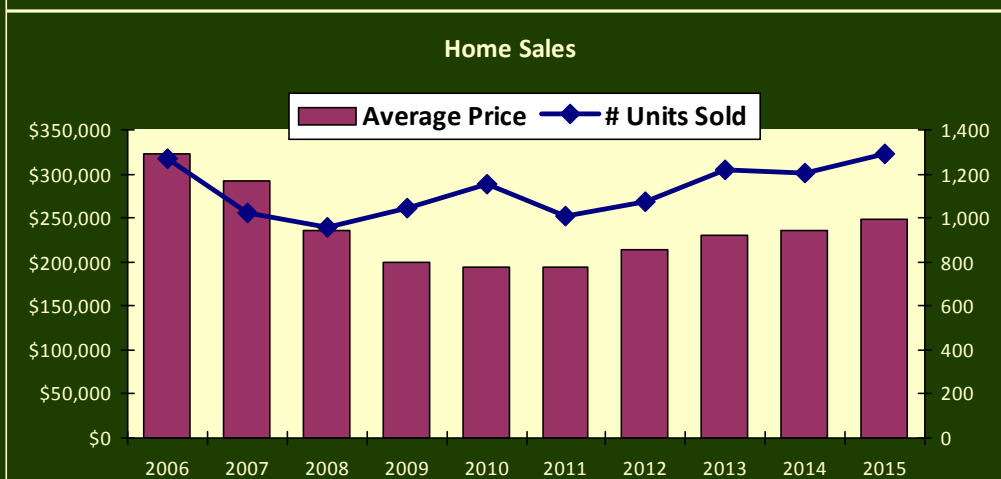
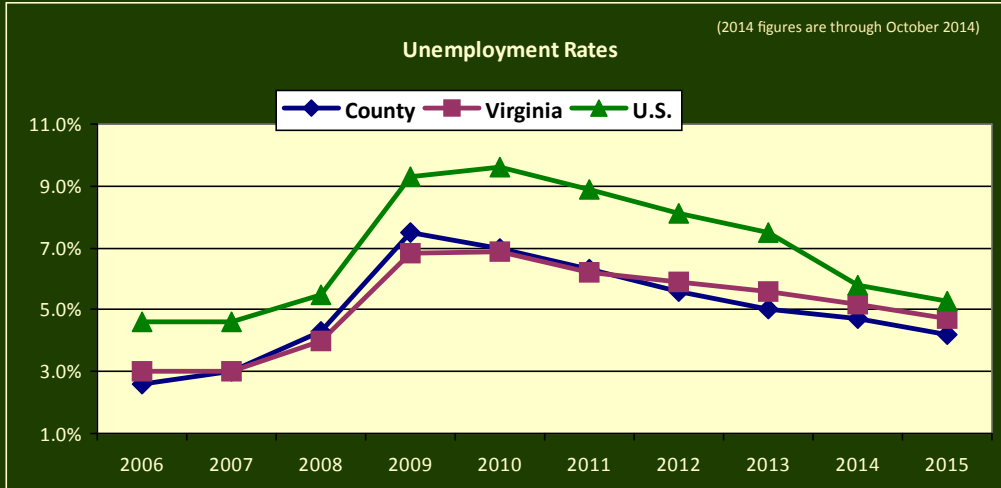




Photo courtesy of Wendy May, EDA

Local Economy

(Continued from page 4)

2014 rate was 4.7% compared to the 2015 (through October) rate of 4.2%.

Frederick County's labor supply is drawn from a 30-mile radius and includes the City of Winchester and the counties of Shenandoah, Page, Clarke and Warren in Virginia, the counties of Berkeley, Hampshire, Hardy, Jefferson and Morgan in West Virginia, and Washington County, Maryland. According to the Virginia Employment Commission, the largest employment sector in 2015 was manufacturing, followed by government, retail trade, manufacturing, education services,

transportation, and warehousing, in that order. The per capita income for Winchester-Frederick County was \$42,701 in 2014, the last year for which the information is available, according to the Bureau of Economic Analysis.

Consistency is one way to summarize economic development performance for Frederick County. Over the past three years, including 2015, Frederick County ranked in the top 10% of all 125 cities/counties in Virginia in economic development announcements in both new jobs and capital investment. The efforts of HP Hood, Carmeuse Lime and Stone, Miller Milling, Kraft Foods, Trex, and

Navy Federal Credit Union to expand their operations, combined with the location of McKesson Corporation, Evolve Stone and TalentWise and Threshold Industries, resulted in a total investment of nearly \$200 million and the creation of nearly 800 new jobs. With top rankings among small metro areas from Forbes and Milken Institute, Frederick County stands a solid chance of continuing its consistent track record of top level economic development.

The cost of living in Frederick County is about 97.4% of the national average. The number of home sales has increased 8.0% when comparing November 2015 to November 2014.

QUALITY OF LIFE

Higher Education

Lord Fairfax Community College offers two-year programs for an associate degree in Art and Sciences and Applied Science, Career Studies and Certificate Programs.

Shenandoah University offers four-year undergraduate and graduate programs. The schools include Harry F. Byrd, Jr. School of Business, Health Professions, Arts and Sciences, Pharmacy and Conservatory.

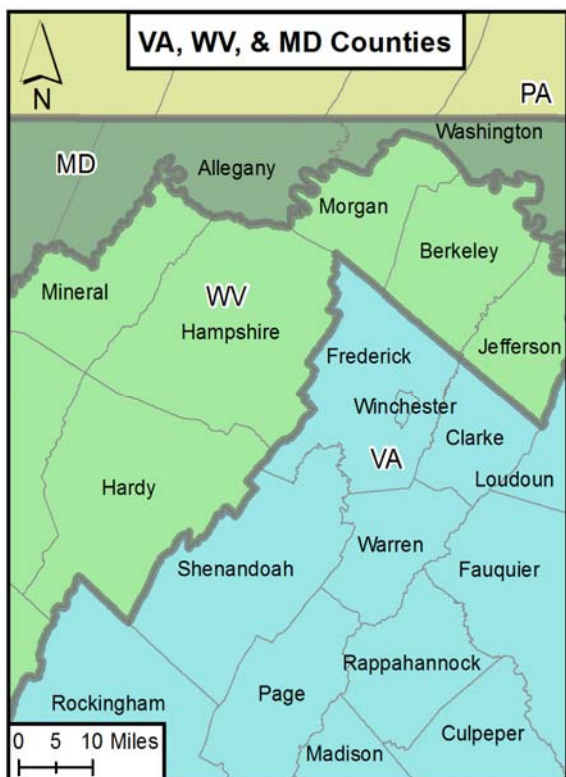
There are 22 colleges and universities within a 125 mile radius of Frederick County.

Medical Care

Winchester Medical Center, a 445-bed, non-profit hospital in Winchester, Virginia, is a regional referral center offering a broad spectrum of services that includes diagnostic, medical, surgical, and rehabilitative care. A level II trauma center, Winchester Medical Center is a resource for 400,000 residents in Virginia as well as neighboring West Virginia and Maryland. WMC is rated among the top five hospitals in Virginia by the U.S. News & World Report.

According to MRIS, the average selling price of a home in Frederick County in November 2015 was \$248,710 up 7.1% from November 2014.

The total 2015 real estate tax assessed value has increased approximately 4% compared to 2014. The 2015 total real estate assessment is the first year that has exceeded the 2010 assessment, which was the top of the real estate boom. The tax rate on real estate was reduced to \$0.56 per \$100 of assessed value for 2015.



Frederick County—By the Numbers

PARKS & RECREATION

400
Acres Maintained
6
Community Centers
2
Swimming Pools
8,577
Youth Sports Participants
58
Special Events Held

COUNTY EMPLOYEES

(full time non-school)

668

BUILDING INSPECTIONS

4,992
Permits Issued
15,630
Inspections Completed

RECYCLED

(household material)

4,774 tons

POPULATION

82,377

FIRE & RESCUE

(through Dec 1st)

9,669
Incident Responses

ANIMAL SHELTER

1,100
Animals Adopted

SHERIFF

(through Dec 1st)

62,136
Calls Answered
17,204
Civil Papers Served
6,614
Warrants Served
3,603
Criminal Arrests
4,411
Citations Issued



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**County of Frederick
Virginia**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Jeffrey R. Egan
Executive Director/CEO

GFOA OUTSTANDING ACHIEVEMENT AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Financial Reporting to the County of Frederick, Virginia for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2014. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The County of Frederick, VA has received a Popular Award for the last 9 consecutive years. We believe our current report continues to conform to the requirements, and we are submitting it to GFOA.



Runners of the Battlefield Half Marathon on Springdale Road in Frederick County

Frederick County's FY 2015 Budget

The budget is one of the most important policy decisions elected officials have to consider each fiscal year. The FY 2015 budget, July 1, 2014 through June 30, 2015, represents the Board's revenue and expenditure policy direction after budget work sessions with the School Board and Finance Committee. During the budget work sessions, many issues were discussed. Salary initiatives, outside agency funding concerns, revenue/fee enhancements, maintaining a level real estate tax rate, and future capital needs are just a few of the areas that needed to be addressed. A budget was produced that recognized limited revenue sources, conservative expenditures and the needs of Frederick County citizens.

The FY 2015 budget process began in November 2013 with departments and outside agencies receiving budget packets for completion and submission to the Finance Department in December 2013. The Finance Committee Chairman presented a budget memo in November 2013 to share his concerns on the upcoming budget. In his memo, the Chairman anticipated property taxes remaining constant, continued fund balance funding of \$4.3 million, and continued percentage split of new tax revenue between the County and the Schools. The Chairman also stressed the importance of an upcoming salary survey to help set goals and identify needs and requested a "right size" study by department.

The total county budget for FY 2015 was \$264 million, an increase of 6.8% from the FY 2014 adopted budget. This includes a General Fund budget in the amount of \$142,387,562 that funds core county services including school operating and school debt. Projected revenue increased \$8.1 million with the schools receiving 57% and the county general fund receiving 43%. In order to support this budget, \$4.3 million was utilized from fund balance. This is the same amount taken from fund balance to balance the budget for the last six fiscal years. This amount is anticipated to be replenished at year end with expenditure savings.



This 350 year old white oak tree stands next to the new Round Hill Fire Station. The tree stands 150 feet high and has a canopy of approximately 140 feet. The decision was made early on in the planning of the fire hall construction to spare this remarkable tree.

Photo courtesy of Gloria Puffinburger

Key Unfunded Requests & Delayed Goals and Initiatives

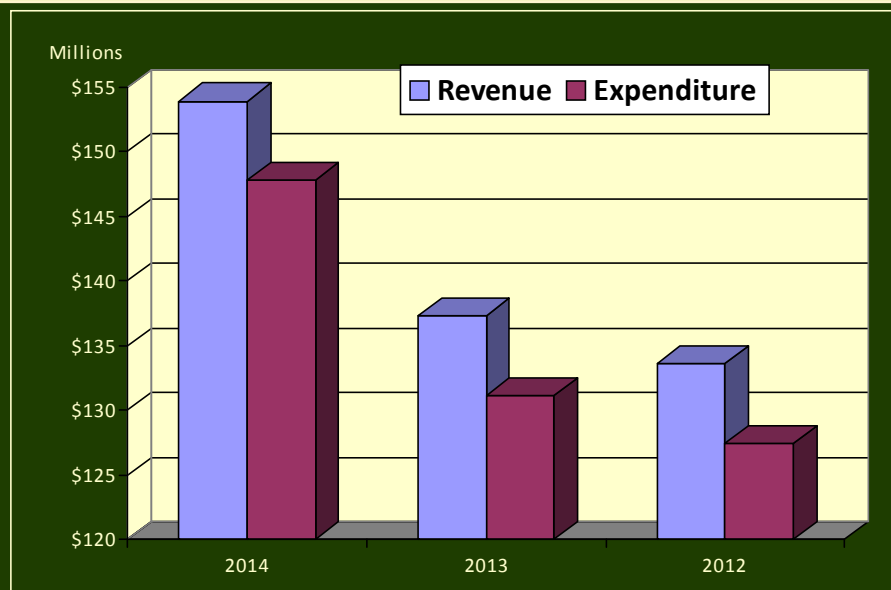
- New position requests for Human Resources, Commissioner of the Revenue, Reassessment Office, and Parks and Recreation.
- Furniture and equipment for various departments with the largest reductions in Public Safety and Parks and Recreation.
- Continued reduced hours of operation at compactor sites throughout the county.
- Reduced quality of athletic fields, swimming pools and pool buildings at Clearbrook and Sherando Parks.
- Reductions in travel to meetings and workshops.
- Delayed funding to maintain/improve K-12 pupil-teacher ratios.
- Delayed funding of an adequate school bus fleet replacement plan.
- Delayed funding to the schools technology replacement plan.
- Delayed funding for school salary increases, staff development, substitute employee wages, and equipment replacements.

General Fund Summary

Revenues & Expenditures

	2015	2014	2013
Revenues:			
Property taxes	\$ 98,079,210	\$ 94,293,575	\$ 91,274,000
Other local taxes	30,869,436	29,900,456	28,449,248
Permits, fees and licenses	1,856,416	1,329,532	1,214,052
Fines and forfeitures	409,180	368,396	387,848
Use of money and property	189,871	155,718	446,272
Charges for services	2,356,455	2,099,936	2,212,738
Miscellaneous	231,310	291,589	640,559
Recovered costs	3,112,342	3,533,122	2,175,749
Net revenue from financing	15,936,657	10,470,718	96,644
Commonwealth of VA	8,256,462	8,971,106	7,600,115
Federal Government	3,071,231	2,541,792	2,766,952
Total Revenues	\$ 164,368,570	\$ 153,955,940	\$ 137,264,177
Expenditures:			
General administration	\$ 8,437,070	\$ 8,539,102	\$ 9,152,531
Judicial administration	2,302,798	2,200,348	2,125,611
Public safety	28,920,342	28,288,145	25,245,584
Public works	3,866,489	4,201,203	3,627,132
Health and welfare	8,286,106	7,508,747	7,427,906
Local community college	56,000	56,493	56,493
Public school system	94,750,928	85,869,208	74,483,200
Parks, recreation and culture	5,425,382	5,000,983	4,888,472
Community development	3,895,338	3,823,496	1,723,782
Debt service	2,749,430	2,367,571	2,350,465
Total Expenditures	\$ 158,689,883	\$ 147,855,296	\$ 131,081,176
Expenditures (greater than) less than revenues received - Net change in fund balance	\$ 5,678,687	\$ 6,100,644	\$ 6,183,001

NOTE: this chart summarizes the data found in the CAFR Exhibit 5 - Statement of Revenues, Expenditures, and Changes in Fund Balances. Other financing sources have been included as revenue from financing or an expenditure in the applicable category. Property taxes includes over \$12 million reimbursed from the Commonwealth for Personal Property Tax Relief.



Revenues & Expenditures

This chart reports only on the general fund and is presented on a non-GAAP basis. More detailed GAAP basis financial statements can be found in the County's CAFR (Exhibit 5)

Revenues represent dollars received and expenditures can be thought of as the costs of providing services to the citizenry. The three year history of revenues and expenditures show that both have increased. Revenues increased by \$27.1 million from 2013 to 2015. The majority of the increased revenue was in the property taxes and the revenue from financing categories. The property tax increase is mainly due to new construction, continued increases in business equipment and new vehicle purchases. The increase in financing revenue is due to borrowing for the schools for additions and replacements. Other local taxes reflects increased collection of business licenses. The permits and fees category has been growing for the past three years due to the increase in the housing industry.

Expenditures have increased \$27.6 million, in total, over the same period. The category with the largest increase was the category of public schools (\$20.3 million). This increase can be partially attributed to the implementation of full day kindergarten, the 1:1 technology initiative for all middle and some elementary students, and salary initiatives.



Peach Blossoms near Reynolds Store
Photo courtesy of Gloria Puffinburger

Fund Balance: What is it and why is it important?

Fund Balance is the excess dollars of what the County owns (assets) over what the County owes (liabilities) in a single fund.

There are several reasons that it is important to maintain a healthy fund balance. It is a critical factor in financial planning and budgeting. It provides funds for unforeseen expenses or emergencies. Fund balance reduces the need for short-term borrowing for operations by assuring sufficient cash flows. REMEMBER — half of the largest revenue source is collected at the end of the budget year. Personal property and real estate taxes are collected on June 5th which is only 25 days before the end of the County's fiscal year. Finally, fund balance demonstrates financial stability, which enhances bond rating, thereby lowering debt issuance costs.

The County's chief operating fund is the General Fund, which is the primary operating fund that accounts for all revenues and expenditures applicable to the general operations of the county. Revenues are derived primarily from property and other taxes.

Throughout the fiscal year, the unassigned fund balance for the county's general fund is closely monitored to assure that adequate levels are maintained to mitigate risks and provide back up for revenue shortfalls. Unassigned fund balance represents monies available for any purpose, not classified as nonspendable, restricted, committed or assigned. The Government Finance Officers

Association (GFOA) recommends, at a minimum, that general-purpose governments maintain an unrestricted fund balance of no less than two months of regular general fund operating revenues. For the County's General Fund, this calculates to a minimum recommended level of \$23.7 million or 16.6% of the total general fund budget for FY 2015.

At June 30, 2015, the unassigned fund balance was \$48,376,225 (CAFR, Exhibit 3), an increase of \$4.8 million over the prior year (included in the \$5.7 million net change in fund balance on the chart on page 8). This amount was depleted by \$7.3 million on July 1, 2015 to balance the FY 2016 budget, leaving adequate funds of \$41.1 million in unassigned fund balance. At year end those funds have been routinely returned to fund balance. Management and the Board of Supervisors remains committed to retaining a healthy fund balance.

FUND BALANCE TYPES

There are five possible fund balance classifications for the General Fund.

Nonspendable—\$738,854

Amounts that cannot be spent because they are not in spendable form (an example of this would be prepaids) or are required to remain intact legally or contractually.

Restricted—\$5,878,352

Amounts constrained for a specific purpose by external parties (creditors or higher levels of government) constitutional provisions, or enabling legislation.

Committed—\$2,540,730

Amounts constrained to specific purposes by a government, using its highest level of decision-making authority (board action). Such amounts cannot be used for any other purposes unless the government takes the same action to remove or change the constraints placed on the resources.

Assigned—\$4,780

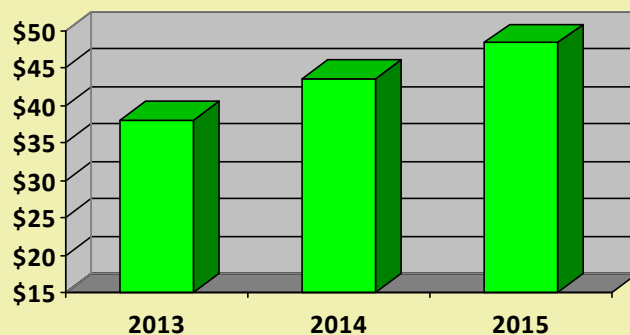
Amounts a government intends to use for a specific purpose.

Unassigned—\$48,376,225

Amounts available for any purpose.

Unassigned Fund Balance—General Fund

Millions



EYE ON IT

The pie chart shows the total General Fund expenditures by category. The General Fund had \$5.6 million in unspent budgeted expenditures at the end of fiscal year 2015. However, approximately \$1.3 million of that amount represented outstanding purchase orders which will automatically carry forward to the next fiscal year and an additional \$0.3 million that will be re-appropriated in the next fiscal year for school capital projects.

The largest budgeted savings occurred in the category of public safety, which is one of the largest spending categories. In public safety, both the Sheriff and Fire & Rescue had savings largely due to unspent salaries and fringes. Savings were also realized in debt service as a result of refinancing and the final payment was made on the County Administration Building.



A Closer Look at Expenditures

The County's contribution to education represents 59.7% of all County expenditures, which were 158,689,883 for FY 2015. Coming in a distant second is the cost of Public Safety at 18.2%. All other single expenditure categories expend less than 10% of total expenditures individually. See the Summary of Revenues & Expenditures on page 8 for exact dollar amounts.

General Government: costs of conducting legislative, financial and election activities of

the County, including departments such as Finance, IT, HR County Attorney and County Administration.

Judicial Administration: costs to support the courts which includes the Clerk of Circuit Court, Commonwealth's Attorney, General District Court and the Detox Center.

Public Safety: costs associated with law enforcement, traffic control, fire & rescue services, E-911 and building inspections.

Public Works: costs of refuse collection and disposal, maintenance of County buildings and the operation of the animal shelter.

Health & Welfare: costs for the local health department, social services and public assistance, as well as property tax relief for the elderly and handicapped.

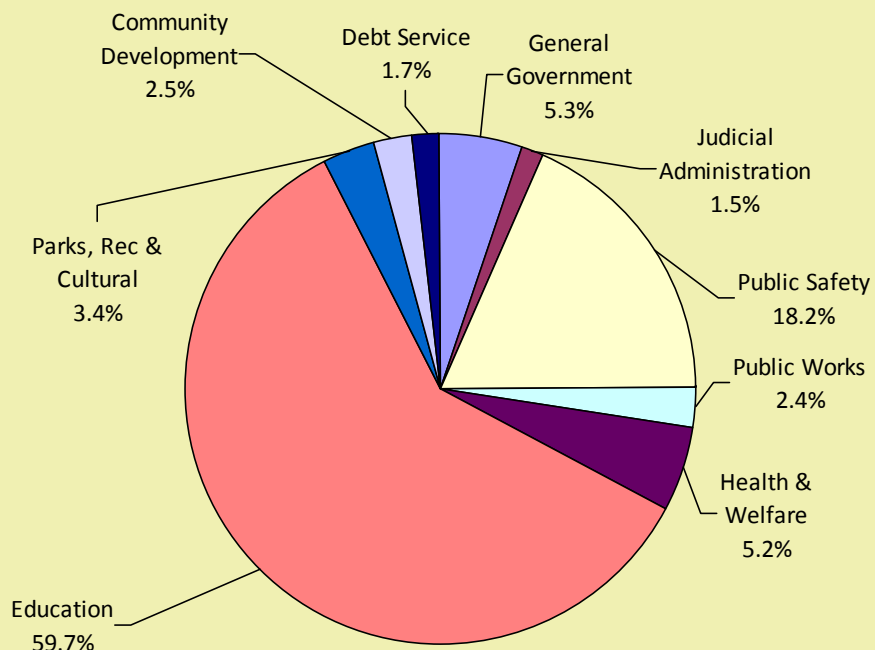
Education: costs represent the County's contribution for the operation of the public school system, including debt.

Parks, Recreation and Cultural: the maintenance and operational costs of County parks, recreational facilities and libraries.

Community Development: costs of planning of economic, social and environmental issues. This category includes Planning & Development, Soil & Water Conservation and the Economic Development Commission.

Debt Service: Principle and interest payments on general long term debt.

Expenditures—General Fund—FY 2015





EYE ON IT

The pie chart shows the total General Fund revenues by category but does not present information on areas like growth and where revenue continues to lag. The county realized a year end revenue surplus attributed to taxes. Property taxes experienced an unbudgeted revenue surplus of over \$4.6 million at the end of FY 2015. Sales tax also returned an unbudgeted revenue surplus of \$0.7 million and business licenses reporting a surplus of over \$0.5 million. Economic recovery is a direct result of market volatile taxes such as sales tax and business licenses. The increase is a gauge of the consistent recovery to our local economy. These indicators are positive and revenue from building related activities showed an unbudgeted surplus for the second year in a row.

A Closer Look at Revenues

As chart below shows, taxes are the largest source of revenue for the County. Total revenues of \$164,368,570 were collected in FY 2015 with taxes accounting for approximately \$129 million (78.5%) of that amount. In comparison, in 2014, total revenues collected were \$153,955,940 and in 2013, \$137,264,177.

Property Taxes: taxes collected for property housed in the County. Included are real property consisting of residential, commercial/industrial and rural real estate, and personal property consisting of personally owned items and business equipment such as automobiles, boats, business furnishings and manufacturing equipment.

Other Local Taxes: include, but not limited to, business licenses, lodging, meals, utility and sales taxes.

Permits, Privilege Fees & Regulatory Licenses: mainly include dog licenses and various building related permits.

Fines and Forfeitures: include monies collected for court fines as a result of violations of county laws and ordinances.

Use of Money and Property: monies earned from the investment of County funds.

Charges for Services: fees collected from the public for services rendered, recreation admission/user fees, court costs, etc.

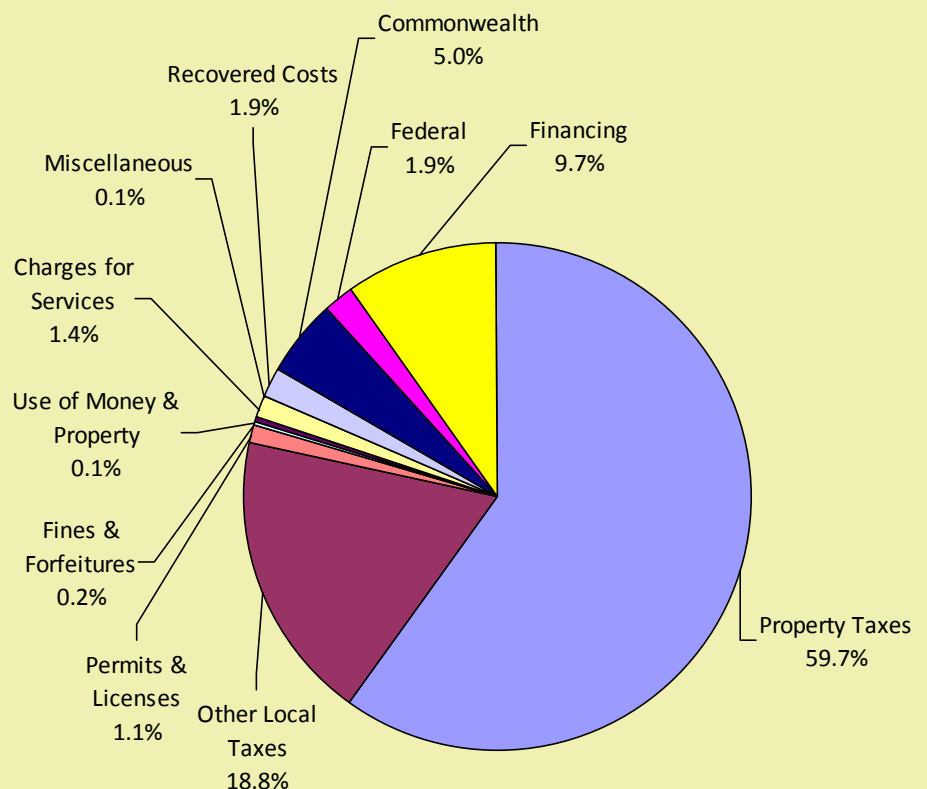
Miscellaneous: monies collected that do not fall under any specific category.

Recovered Costs: monies received as reimbursements for joint jurisdiction programs. Proffers are also included in this category.

Revenue from Financing: typical source would be long term debt issued and capital lease issuances.

Revenue from the Commonwealth/Federal Government: monies received from the State of Virginia and the federal government that is designated for specific purposes.

Revenues— General Fund—FY 2015



NOTE: Property taxes includes over \$12 million reimbursed from the State for Personal Property Tax Relief.



Photo courtesy of Gloria Puffinburger

On the Horizon

The Capital Improvements Plan (CIP)

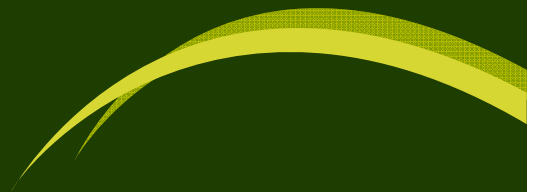
The Capital Improvements Plan (CIP) consists of a schedule for major capital expenditures for the county for the ensuing five years. The plan is intended to assist the Board of Supervisors in preparation of the county budget. The CIP is strictly advisory; it is intended for use as a capital facilities planning document, not for requesting funding allocations. The projects included in the 2015-2016 Capital Improvements Plan have a total project cost to the county of \$1,015,369,550. It is important to note that funding for these projects may come from various sources (or a combination of), such as local, state or federal funding, grants, government loans, proffers, etc. Below is a list of the top priorities, in no particular order. Visit the County website to view the CIP in its entirety: <http://www.fcva.us/home/showdocument?id=5682>.

- SCHOOLS—Elementary School #12 / Armel Elementary Addition and Renovation
Capital Cost: \$32,400,000
- PARKS & RECREATION—Water Slide/Spray Ground Swimming Pools Improvements
Capital Cost: \$1,352,000
- HANDLEY REGIONAL LIBRARY—Gainesboro Library Branch
Capital Cost: \$1,749,034
- TRANSPORTATION—Interstate 81, Exit 310 Improvements
Capital Cost: \$49,121,000
- WINCHESTER REGIONAL AIRPORT—New General Aviation Terminal Construction
Capital Cost: \$2,980,000
- ADMINISTRATION—Clearbrook Convenience Site Relocation
Capital Cost: 377,850
- FIRE & RESCUE—Fire & Rescue Station #22 / Annex Facilities (Route 277)
Capital Cost: \$3,400,000

FIND US. FOLLOW US.
STAY CONNECTED.

Government-to-citizen communication is evolving rapidly with web technologies and Frederick County is embracing these new ways to reach those we serve.

<http://www.fcva.us/about-us/social-media>



COUNTY OF FREDERICK, VA
Finance Department

107 North Kent Street, 3rd Floor
Winchester, VA 22601

540.665.5610 ph
540.667.0370 fax

www.fcva.us

Popular Annual Financial Report

Fiscal Year Ended June 30, 2014



A Component Unit of Howard County, Maryland



Howard
County



**Public
School
System**

A Component Unit of Howard County, Maryland

***Popular Annual Financial Report Fiscal Year
Ended June 30, 2014***

Prepared By:

The Department of Finance
*10910 Clarksville Pike
Ellicott City, Maryland 21042-6198
(410) 313-1530*

Renee A. Foose, Ed. D.
Superintendent

Beverly J. Davis, CPA
Executive Director of Budget and Finance

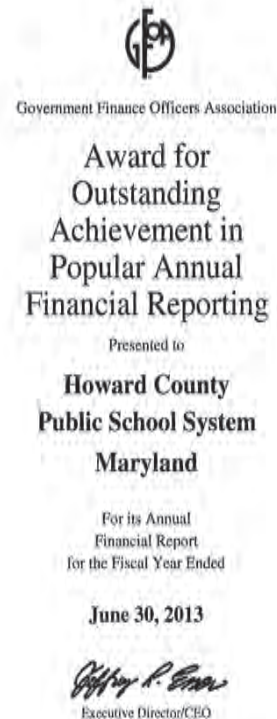
Iris Ritter, CPA
Accounting Manager

Nicole H. Lewis
Finance Manager

Accountants
Craig Blackwell
Susan Daly, CPA
Talor Gerety
Janet Heiser
Jane Metzler
Parveen Nayab
Gina Petrick

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In reference to last year's report, the Howard County Public School System was recognized for Outstanding Achievement in Popular Annual Financial Reporting by the Government Finance Officers Association.

About Howard County Public School System

Howard County, Maryland is a suburban community of over 300,000 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 more than 90% of graduates continue their education beyond high school. HCPSS is guided by *Vision 2018: Fulfilling the Promise of Preparation*, which was launched in July, 2013. *Vision 2018* provides goals and guiding principles for achieving an environment in which, "Every student is inspired to learn and empowered to excel." For more information about *Vision 2018* and progress toward its goals, refer to the HCPSS website, <http://www.hcpss.org/vision/>.



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

A Message from the Executive 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, 2014. 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, 2014. 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 <http://www.hcps.org/about-us/annual-reports/>.

This report should help community members understand how their tax dollars are being utilized to educate our students. Our Department of Budget and Finance 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,

A handwritten signature in black ink that reads "Beverly J. Davis".

Beverly J. Davis, CPA
Executive Director of Budget and Finance

Principal Officials as of November 20, 2014

Howard County Board of Education

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

Board of Education

Ellen Flynn Giles

Chairman



Howard County Public Schools Officials Superintendent of Schools



Dr. Renee A. Foose Ed.D

Susan C. Mascaro

Chief of Staff

Camille B. Jones

Chief Operating Officer

Linda T. Wise

Deputy Superintendent of
Curriculum, Instruction, and
Administration

E. Grace Chesney

Chief Accountability Officer

Ann De Lacy

Vice Chairman



Frank Aquino, Esq.

Member



Sandra French

Member



Janet Siddiqui, M.D.

Member



Cynthia L. Vaillancourt

Member



Independent Auditor

CliftonLarsonAllen

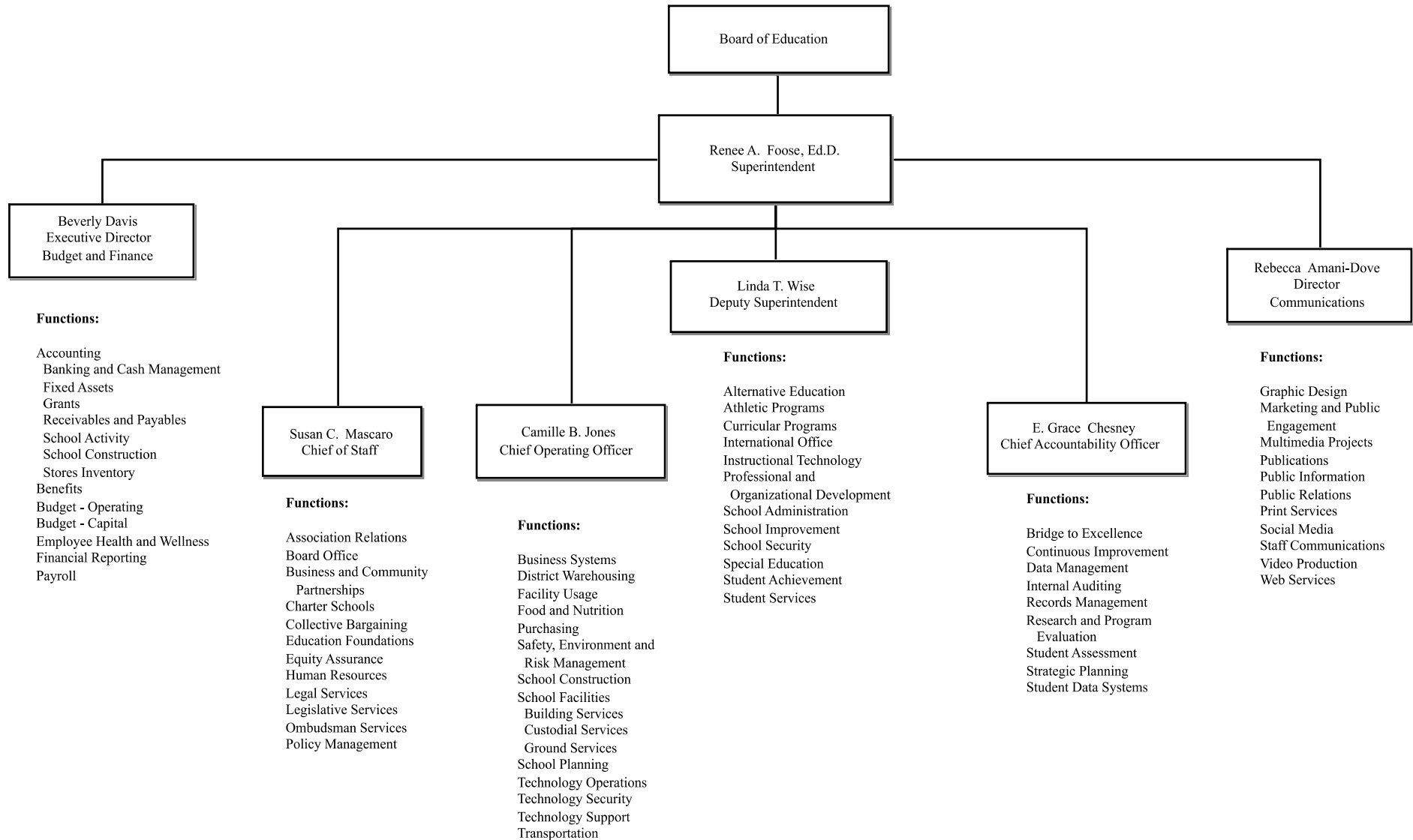
Timonium Corporate Center
9515 Deereco Road, Suite 500
Timonium, Maryland 21093
Telephone (410) 453-0900

Lawrence E. Walker

Member



Organizational Chart as of November 30, 2014



HCPSS Fast Facts

FY 2014 Fast Facts

75 schools

41 elementary schools
19 middle schools
12 high schools
3 special schools

Total Enrollment (K-12)*	51,681
Prekindergarten	1,118
Elementary (K-5)	23,327
Middle (6-8)	11,890
High (9-12)	16,378
Special Schools	93

*Official count does not include Pre-K.

Race/Ethnicity

American Indian/Alaskan	0.2%
Asian	18.4%
Black/African American	21.6%
Hawaiian/Pacific Islander	0.1%
Hispanic/Latino	9.1%
Two or more races	6.3%
White	44.4%

Students Receiving Special Services

Ltd. English Proficient	≤5.0%
Free/Reduced-Price Lunch	20.3%
Special Education	8.8%

Attendance Rate

Elementary	96.4%
Middle	96.3%
High	95.8%

2013 Graduation Rate*: 93.3%

***4 year adjusted cohort**

Ratio of Computers to Students 1:2.5

Classrooms With Internet Access 100%

ESOL Program

Approximately 2,200 students participated in our English for Speakers of Other Languages (ESOL) program in FY 2014, representing 61 different languages, (primarily Spanish and Korean) and 72 different countries.



Our Staff

HCPSS employs 4,353.7 FTE teachers

- 69.5% hold master's degrees or above
- 13 years experience on average

HCPSS employs a total FTE staff of 8,084.4

Over 80% of staff participates in the award-winning HCPSS Health and Wellness Program, *Commit to Be Fit*.

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. More information on the MSA and other assessments can be found at the HCPSS website <http://www.hcpss.org/academics/testing/>.

MSA Test Scores Placement						
School Year	Math			Reading		
	Advanced	Proficient	Basic	Advanced	Proficient	Basic
2013-14	36.8%	44.4%	19.6%	52.6%	37.9%	9.5%
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%

Partnership for Assessment of Readiness for College and Careers

In 2014, not all students participated in the MSA due to the field testing of the PARCC assessments. PARCC consists of a consortium of 12 states and the District of Columbia who are developing new assessments for K-12. The results for these assessments are not published due to the field testing status in 2014. However, the tests will be ready for states to administer in the FY 2015 school year. More information about PARCC can be found at <http://www.mdreportcard.org/>.

SAT Scores and Participation					
School Year	N ¹	Percent Participating	Critical Reading	Mathematics	Writing
2013-14	3226	83.4	549	565	544
2012-13	3292	80.3	545	563	545
2011-12	3113	80.7	537	557	538

¹ Number of graduates who took the SAT.

HCPSS was named to the College Board's AP Honor Roll for achievements in Advanced Placement course work and testing in 2013 and 2014.

SAT

The SAT is taken by graduating seniors, and is widely recognized as a measure of their college-readiness. HCPSS students continue to excel on this assessment. "Competitive SAT scores signify that students have the aptitude to excel in a college environment," Superintendent Renee A. Foose stated in a recent report. "We want to prepare every student to thrive after high school graduation, with access to the college or career path of their choice. These results indicate that many are well on their way."

FY 2014 SAT Score Comparisons	
District	Combined Mean Score
Howard	1657
Montgomery	1646
Carroll	1562
Frederick	1555
Harford	1516
Calvert	1509
Anne Arundel	1489
National	1471
State	1438

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 right 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 (MDSE) FY 2013 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.

Gifted and Talented Education Program

The Gifted and Talented Education Program promotes student engagement through enrichment, rigorous coursework, and opportunities to solve real-world problems and to conduct original research. Average participation across Grades K-12 is approximately 46% of students.

FY 2013* School System	Cost Per Pupil
Worcester	\$ 16,277
Baltimore City	\$ 14,973
Montgomery	\$ 14,642
Howard	\$ 14,571
Garrett	\$ 14,166
Kent	\$ 14,055
Somerset	\$ 14,022
Allegany	\$ 13,572
Prince George's	\$ 13,267
Calvert	\$ 13,018
Dorchester	\$ 12,757
Baltimore	\$ 12,752
Harford	\$ 12,520
Anne Arundel	\$ 12,519
Charles	\$ 12,481
Carroll	\$ 12,402
Wicomico	\$ 12,241
Washington	\$ 12,191
Frederick	\$ 12,176
Cecil	\$ 11,924
Caroline	\$ 11,867
St. Mary's	\$ 11,844
Talbot	\$ 11,284
Queen Anne's	\$ 11,246



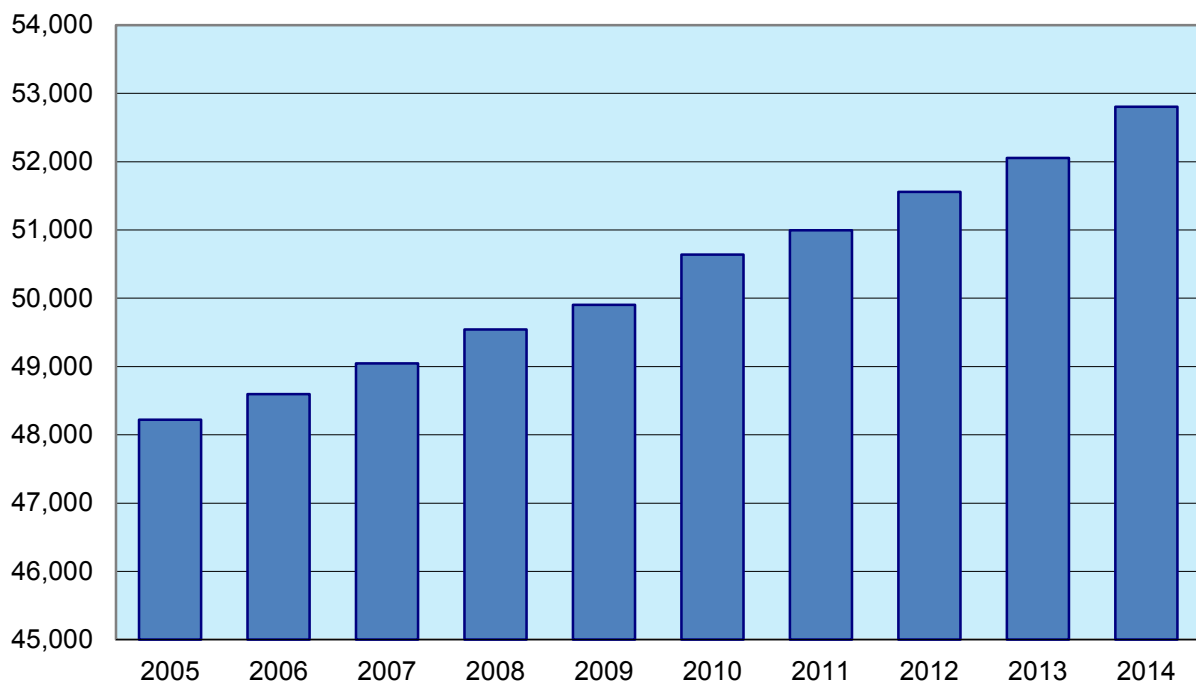
Class of 2014: Plans After Graduation

Attend a 4-year college	62.6%
Attend a 2-year college	24.4%
Attend a trade or technical school	1.8%
Enter full-time employment	7.3%
Enter the military	3.4%
Other	0.4%

*Maryland State Department of Education (MSDE) has not released FY 2014 Cost Per Pupil information at this time. MSDE excludes Pre-K enrollment from its calculation of cost per pupil.

Enrollment

Official Prekindergarten to Grade 12 Enrollment



The enrollment including Prekindergarten head count for FY 2014 was 52,806 students in 75 schools and centers. This represents an increase of 753 students over the FY 2013 actual, and an increase of 4,473 students in the last decade.

Class Size Targets

The Howard County Public School System is committed to ensuring that each classroom has a class size that supports the academic performance of students. Staffing parameters have been established by the Board of Education regarding the assignment of staff to ensure that expectations pertaining to class size are met.

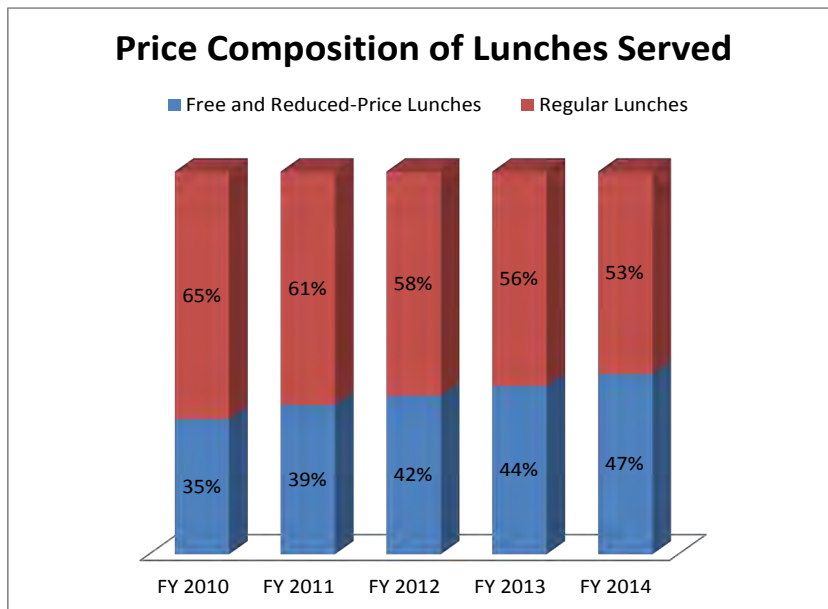
Grade Level	Teacher/Student Ratio
Kindergarten	1:22.0
Grades 1-2	1:19.0
Grade 3-5	1:25.0
Middle	1:20.5
High	1.4:27



Food and Nutrition Service

The Food and Nutrition Service 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, fruit, and lunch options are available in all elementary, middle, and high schools.

The chart below presents the percentage of lunches served in HCPSS schools that are free and reduced-price, as reported by the Food and Nutrition Service Program. The percentage of free and reduced-price lunches has increased steadily in the last five years. 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 annual household income must not exceed \$44,123 for a family of four.



What's For Lunch?



The HCPSS school lunch program is federally funded. Federal guidelines also specify the amounts of calories, proteins, grains, fruits, vegetables and milk.

HCPSS has 200 food service employees, and serves 3,000,000 lunches over the ten-month school year.

Students are offered multiple entrée choices each day. Many entrées, such as turkey, lasagna, taco fillings, stir fry and macaroni and cheese, are cooked from scratch.

The county uses whole-grain bread and other items to meet daily fiber intake goals for the students. Even breads that may appear to be white are whole grain or white wheat.

When a student chooses "pizza and fries," the pizza crust is whole grain and the "fries" are oven-baked potatoes. Shown above are sweet potato "fries," which are more nutritious than those from normal potatoes.

Multiple colors of vegetables are stressed at the elementary school level.

Middle and high school students have access to unlimited salad bars, with bean choices, that come with every entrée.

\$350,000.00 is spent each school year on produce for salad bars and for fresh fruit.

Where possible, HCPSS strives to purchase local foods including fresh fruit, vegetables, milk and poultry.

Fresh fruit and canned fruit are offered to every student, every day.

Fat free milk (flavored and unflavored) is offered, along with 1% white milk.

Menus, nutritional information, allergy information and articles by food experts are available at the school lunch page at www.hcpss.org/foodservice.

Food and Nutrition Service provides 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, and the system's wellness policy.

Student Lunches Served Daily	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Free lunches served	4,624	5,334	5,830	5,930	6,025
Reduced-price served	1,274	1,121	1,205	1,141	1,158
Regular price served	10,799	10,058	9,916	9,005	8,053
Total lunches served	16,697	16,513	16,951	16,077	15,236

The Howard County Public School System's Food and Nutrition Service Department has earned four USDA Best Practices

The table above represents the average number of lunches served daily. While the number of regular lunches has dropped, the number of free and reduced-price lunches has increased, which results in a larger percentage of free and reduced-price lunches served. The average number of lunches served has varied over the last five years, but FY 2014 saw the lowest average by a wide margin. When compared to FY 2013, the daily total average dropped by 841, or 5.2%. This is contrary to expectations when compared with the enrollment increase seen in FY 2014.

Financial Information

Financial Information in this report is derived from the Comprehensive Annual Financial Report (CAFR). The CAFR is prepared in conformity with generally accepted accounting principles (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 <http://www.hcpss.org/about-us/annual-reports/>.

Assets Over Liabilities

The Balance Sheet reports the assets owned by the school system and liabilities owed by the school system in the future. The tables below summarize the total assets and liabilities at the end of the fiscal year, or at June 30, 2014. The difference between the total assets and total liabilities represents the governmental fund balance, or the net worth of HCPSS. In FY 2014, the fund balance decreased by approximately \$7.0 million, due in large part to the use of fund balance as a revenue source, in accordance with Board Policy 4070. This policy allows the use of unassigned fund balance to meet unexpected expenditures and revenue shortfalls.

The timing of expenditures also plays a role in the decrease of fund balance because most of the HCPSS governmental funds' revenues and expenses are fixed depending upon funding adopted by the county and state governments. The exceptions to this are the Special Revenue funds, the Food Service Fund and the Glenelg Wastewater Treatment Plant Fund, because these funds receive revenue from charges for services. More information about these funds can be found on page 14 of this report.

Financial Benefits (in thousands of \$)	FY10	FY11	FY12	FY13	FY14
Cash and investments	\$ 120,862	\$ 152,855	\$ 108,837	\$ 102,900	\$ 102,251
Receivables	25,459	20,771	20,305	28,423	25,814
Other Assets	1,483	1,188	1,388	1,271	977
Total Assets	\$ 147,804	\$ 174,814	\$ 130,530	\$ 132,594	\$ 129,042

Financial Detriments (in thousands of \$)	FY10	FY11	FY12	FY13	FY14
Amounts Owed to Employees and Vendors	\$ 114,626	\$ 97,437	\$ 92,473	\$ 94,204	\$ 98,073
Other Liabilities	20,977	60,848	13,122	13,837	13,445
Total Liabilities	\$ 135,603	\$ 158,285	\$ 105,595	\$ 108,040	\$ 111,518
Assets Over Liabilities	\$ 12,201	\$ 16,529	\$ 24,935	\$ 24,554	\$ 17,524

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, 2014.

Liabilities

Amounts Owed To Employees And Vendors are those items which the 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

The HCPSS uses fund accounting to ensure and demonstrate compliance with government accounting and legal requirements. The 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 county and state funds.
- **Food and Nutrition Service** – include the procurement, preparation, and serving of student breakfasts, lunches, and snacks. 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.
- **Glenelg Wastewater Treatment Plant** – provides for the operation of a sewage disposal facility which serves Glenelg High School and thirty local homeowners. The homeowners and the Board are responsible for the costs of providing sewage services.
- **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 \$)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues and Resources					
Local	\$ 502,374	\$ 531,120	\$ 530,955	\$ 553,213	\$ 567,271
State	262,276	263,990	267,750	298,841	303,224
Federal	30,818	39,987	23,860	23,580	23,982
Earnings on investments	125	122	64	56	26
Charges for services	13,640	13,756	28,281	12,109	11,091
Miscellaneous revenues	1,596	1,449	1,039	1,471	1,797
Total Revenues	\$ 810,829	\$ 850,424	\$ 851,949	\$ 889,270	\$ 907,391
Expenditures and Services					
Administration	\$ 10,634	\$ 10,663	\$ 10,676	\$ 11,511	\$ 12,456
Mid-level Administration	54,226	56,675	54,922	59,180	56,562
Instruction	297,340	302,090	306,791	316,258	323,027
Special education	96,986	98,017	96,411	99,859	102,045
Student Personnel Services	2,462	2,751	2,738	2,860	2,886
Student Health Services	5,794	5,895	5,957	6,114	6,609
Pupil Transportation	32,742	34,052	35,573	36,325	36,456
Operation of Plant	43,411	37,721	37,850	39,439	38,947
Maintenance of Plant	22,030	22,235	21,643	23,574	19,652
Fixed Charges	165,229	193,731	181,842	178,693	210,654
Community Services	5,901	6,064	6,055	6,190	6,035
Food Service	11,689	12,167	12,009	12,202	12,923
Capital Outlay	60,809	64,035	71,076	97,446	86,168
Total Expenditures	\$ 809,253	\$ 846,096	\$ 843,543	\$ 889,651	\$ 914,420

Revenues

As Reported in the Fund Financial Statements

How is the Howard County Public School System Funded?

The school system is a component unit of Howard County, Maryland, and is fiscally dependent upon the Howard County Government and the state of Maryland to appropriate funding for the school system.

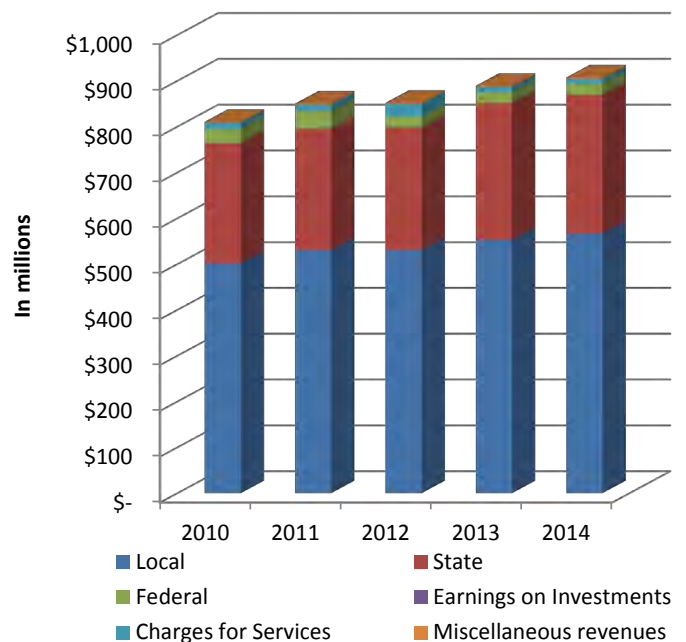
Essentially all of the school system's funding for governmental activities is derived from these sources. The school system has no authority to levy taxes or issue bonded debt. Accordingly, the financial condition of the school system is directly related to the financial condition of the funding authorities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

Total revenues for the fiscal year ended June 30, 2014 totaled \$907.4 million. The school system receives approximately 63% 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.

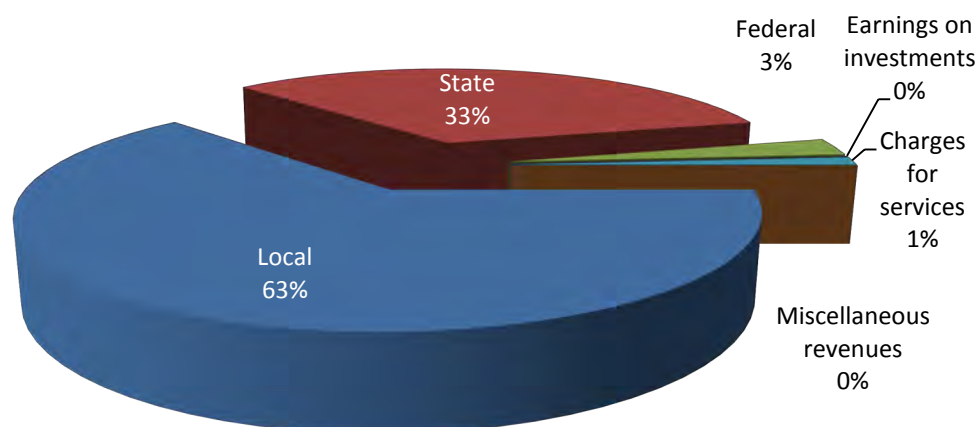
The HCPSS generates revenues from activities and services provided by the HCPSS. The largest of these revenues is charges for services. Charges for services include fees charged for food sales, primarily student breakfasts, lunches, and snacks; facility use fees; summer school tuition; and other miscellaneous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

Revenues increased 2.0% in FY 2014. County revenue increased by 2.5% or \$14.1 million over the previous year. The operating revenues from the county increased by 4.2% or \$20.3 million, and the county revenues for the Capital Projects Fund decreased by 9.1% or \$6.1 million.

Revenues By Sources



2014 Revenues - Governmental Funds



Expenditures

As Reported in the Fund Financial Statements

How is the Howard County Public School System Allocating its Funds?

These graphs display FY 2014 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 and Wages, Instructional Textbooks/Supplies, and Other Instructional Costs.

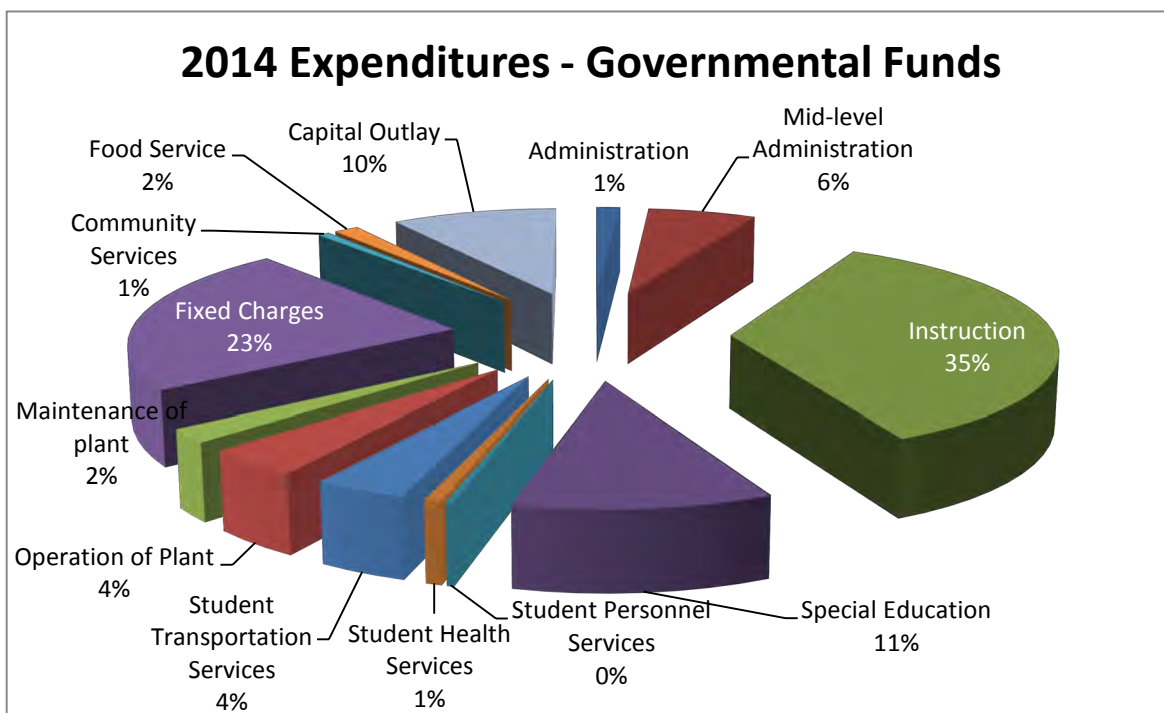
Special Education – provides services for students — from birth through age 21 — who have disabilities. Special Education serves students with intellectual or physical limitations, emotional problems, learning disabilities, language delays, autism, traumatic brain injuries, and developmental delays.

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.

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

Student 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.

Student Transportation Services – 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,



Expenditures (continued)

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.

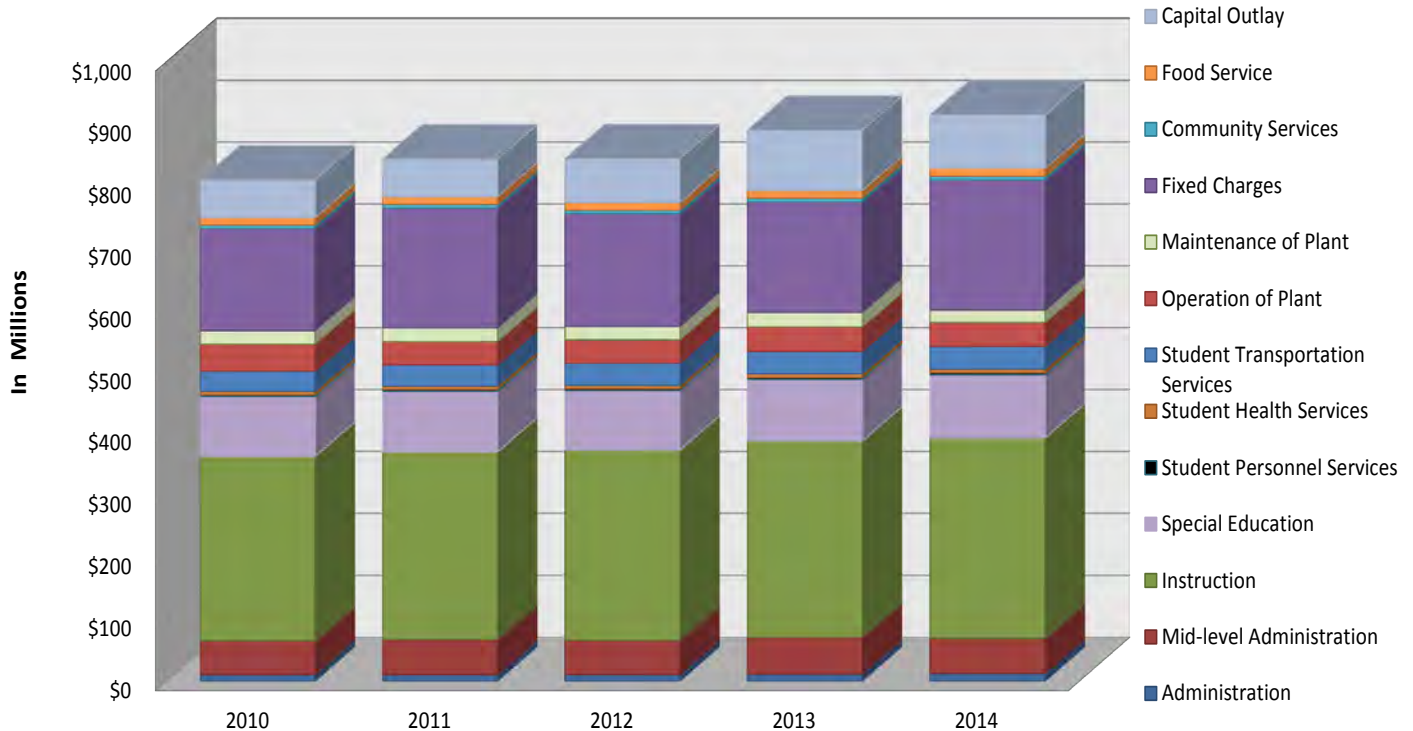
Fixed Charges – includes funds for employee benefits and provides insurance coverage for the school system. This category contains social security, retirement, and the General Fund’s share of employee insurance costs.

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, lunches, and snacks.

Expenditures by Category



Total expenditures increased 2.8% or \$24.8 million from FY 2013 to FY 2014, primarily due to an increase in salaries based on negotiations, an increase in Health and Dental Fund contributions, and an increase in the Board's required contribution to the teachers' pension system.

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 2014, capital assets increased by a net of \$51.1 million from the prior year. These funds were used for the following planned projects.

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

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

The HCPSS proposed capital spending totaling \$657.9 million over the FY 2016–2020 period which has been submitted to the Howard County Council for its approval. This will fully fund all of the capital projects requested by the 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.



Questions concerning any of the information provided in this report can be addressed by phone at 410-313-1530. Written inquiries and requests for copies of the Comprehensive Annual Financial Report (CAFR) should be addressed to:

Department of Finance
10910 Clarksville Pike
Ellicott City, Maryland 21042-6198

Both the Popular Annual Financial Report (PAFR) and the CAFR can be found on the HCPSS website at <http://www.hcpss.org/about-us/annual-reports/>.

**Board of Supervisors**

Robert "Bob" Thomas, Jr., Chairman
Laura A. Sellers, Vice Chairman
Meg Bohmke
Jack R. Cavalier
Wendy E. Maurer
Paul V. Milde, III
Gary F. Snellings

Anthony J. Romanello, ICMA-CM
County Administrator

To: Anthony J. Romanello
County Administrator

From: Nancy Collins
Budget Division Director

Date: August 16, 2016

Re: FY2017 VPSA Bonds

The adopted CIP includes VPSA bond funding for FY2017 as follows:

Moncure Elementary rebuild	\$ 9,431,000
Mountain View HS renovation	7,316,000
Infrastructure	<u>3,550,000</u>
Total	\$20,297,000

The CIP shows total cost of \$31.4M for the Moncure project, with \$27.7M to be funded by bonds over four years. As you are aware, the Schools have increased cost estimates for the project to \$35.3M. Part of the School Board's revised funding strategy includes borrowing more for the Moncure project while deferring two infrastructure projects until later years.

The latest information from the Schools shows FY2017 VPSA bond funding as follows:

Moncure Elementary rebuild	\$10,280,000
Mountain View HS renovation	7,315,000
Infrastructure	<u>2,700,000</u>
Total	\$20,295,000

The Board approved the issuance of VPSA bonds for the project in April, but will need to ratify the fall 2017 bond documents before the debt is issued. We expect a formal request for the School Board later this month. To meet VPSA timelines, it is expected to be brought for Board consideration in September.

