

POPULAR ANNUAL FINANCIAL REPORT

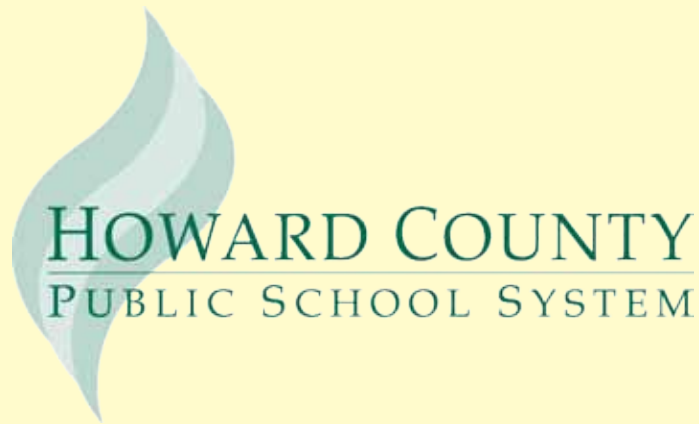
FISCAL YEAR ENDED - JUNE 30, 2010

'10



HOWARD COUNTY
PUBLIC SCHOOL SYSTEM

A Component Unit of Howard County, Maryland



A Component Unit of Howard County, Maryland

Popular Annual Financial Report Fiscal Year Ended June 30, 2010

Prepared By:

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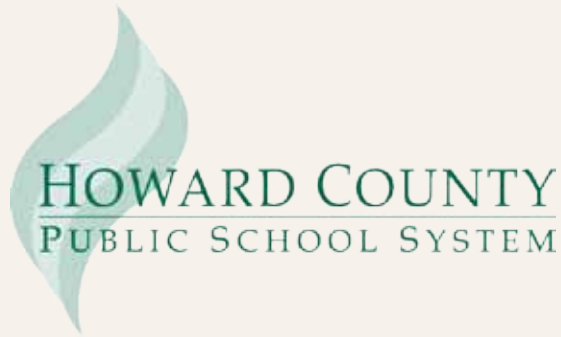
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Contacting Howard County Public Schools (HCPSS)

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 Route 108, 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.



Citizens, Taxpayers, and Community Members of Howard County,

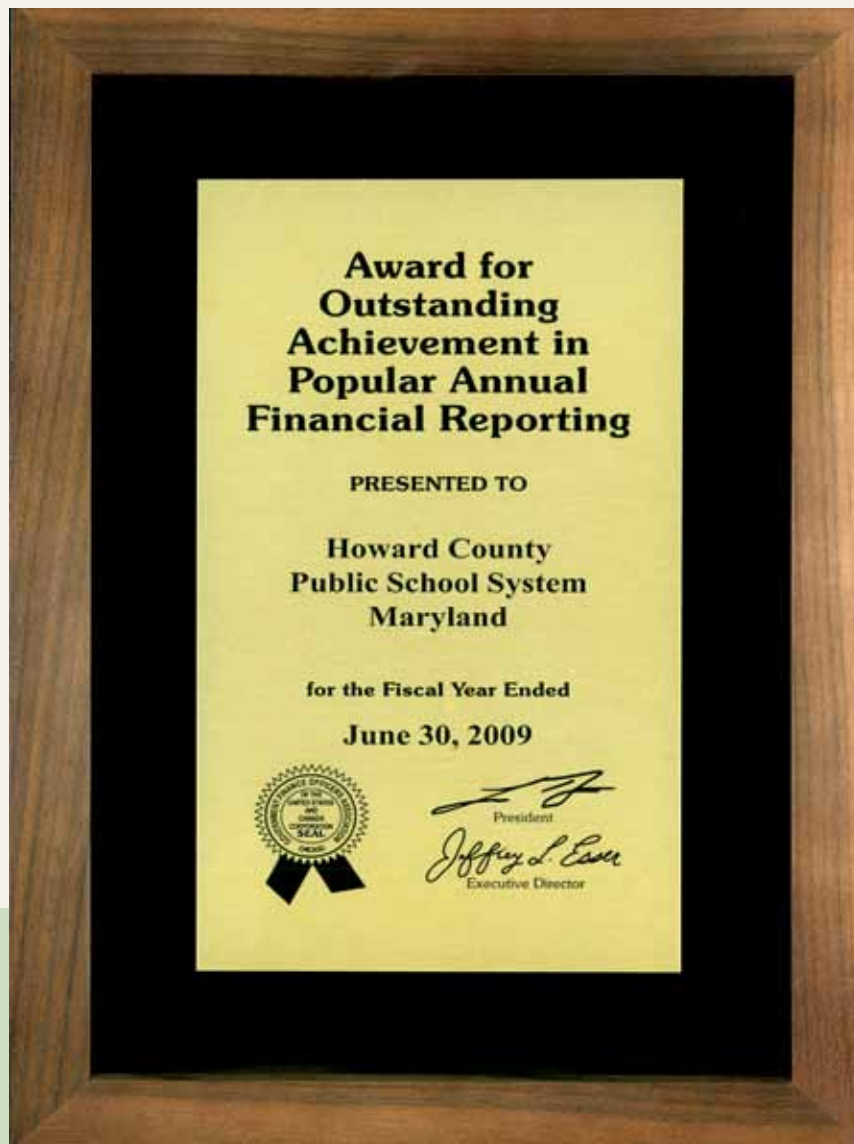
It is with great pride that we present to the citizens of Howard County, Maryland the Howard County Public School System's Popular Annual Financial Report for the fiscal year ended June 30, 2010. This report provides an overview of the school system's financial operations and highlights key accomplishments 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, 2010. 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, Clifton Gunderson 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/cafr2010.pdf.

This report should help community members understand how their tax dollars are being utilized to educate our students. Our Division of Business Service 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.

Sydney L. Cousin
Superintendent of Schools

Raymond H. Brown
Chief Financial Officer



Award For Outstanding Achievement In Popular Annual Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Howard County Public School System for its PAFR for the fiscal year ended June 30, 2009. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award-recognizing conformance with the highest standard 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 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. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

Howard County Board of Education
10910 Route 108
Ellicott City, Maryland 21042-6198
Telephone (410) 313-6600
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www.hcpss.org

Board of Education

Howard County Public Schools Officials

Superintendent of Schools



Dr. Sydney L. Cousin

Sandra Erickson
Deputy Superintendent

Mamie J. Perkins
Chief of Staff

Theresa Alban
Chief Operating Officer

Raymond Brown
Chief Financial Officer

Linda Wise
Chief Academic Officer

Ellen Flynn Giles
Chairman



Janet Siddiqui, M.D.
Vice Chairman



Frank Aquino
Member



Larry Cohen
Member



Allen Dyer
Member



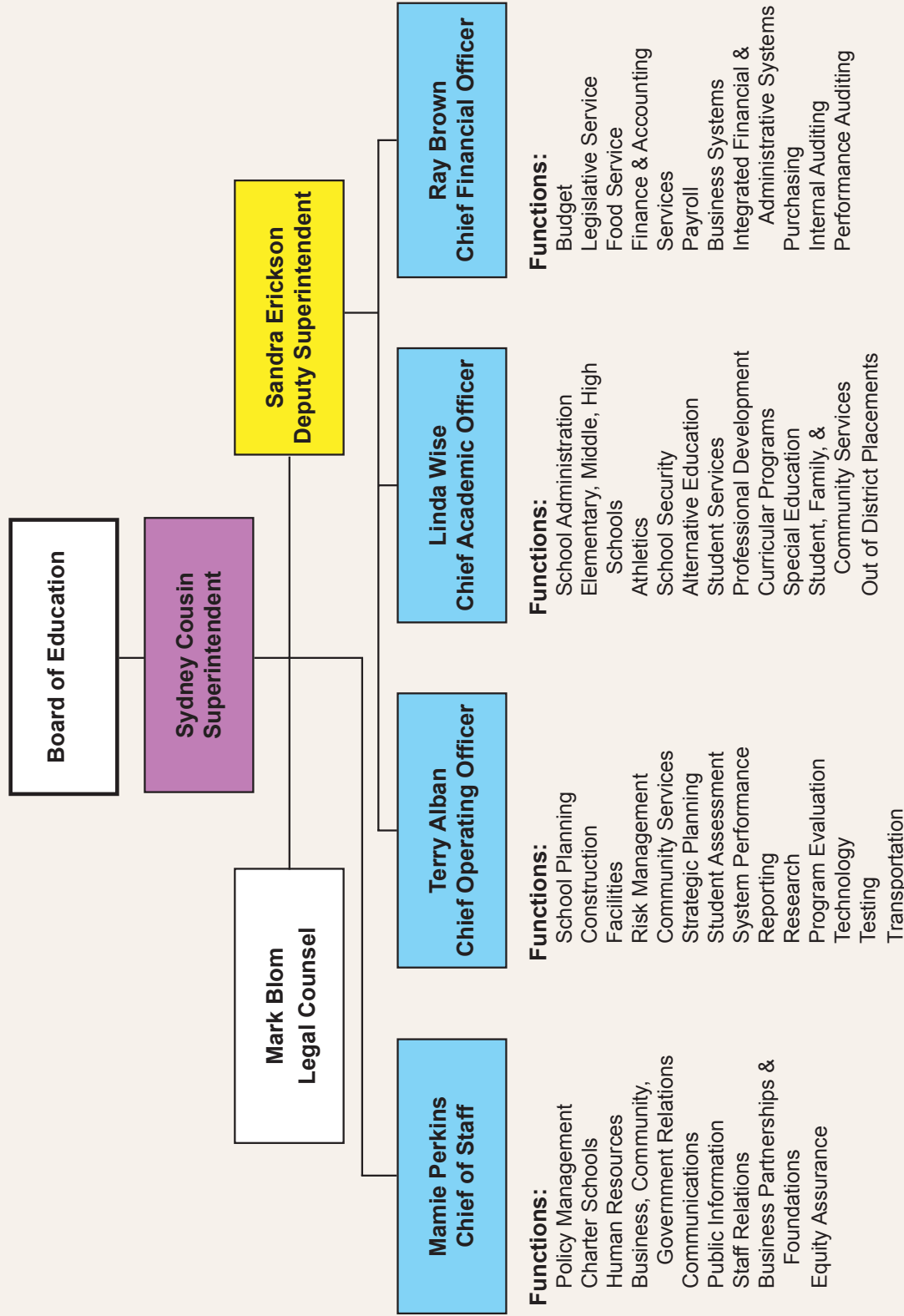
Sandra H. French
Member



Patricia S. Gordon
Member



Howard County Public School System Organizational Chart





About Howard County Public School System

Howard County, Maryland is a suburban community of over 274,000 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 over 90% of graduates continue their education beyond high school.



In 2010, "excellent schools" was one of the many reasons that Columbia/Ellicott City ranked #2 on *Money* magazine's list of Best Places to Live.

Our Staff

- Howard County employs 4,647 teachers
- 63% hold master's degrees or above
- Average years of experience: 12.9
- Average age is 41
- Total Staff: 7,875

Fast Facts

73 schools

- 39 elementary schools
- 1 pre-K through grade 8 school
- 19 middle schools
- 12 high schools
- 3 special schools

Total Enrollment (K-12):	50,794
Elementary (K-5):	22,563
Middle (6-8):	11,644
High (9-12):	16,493
Special Schools:	94

Student Mobility 2009-2010

- 5.6% Entrants
- 4.7% Withdrawals

Ethnicity 2009-2010

White	49.7%
African American	21.1%
Asian	17.9%
Hispanic	6.2%
Native American	0.4%
Unidentified	4.7%

Students Receiving Special Services 2008-09

Title I (Elementary only)	2.3%
Ltd. English Proficient	3.5%
Free / Reduced Lunch	14.5%
Special Education	8.3%

Attendance Rate

Elementary	96.4%
Middle	96.0%
High	95.2%

Graduation Rate: 93.6%

Dropout Rate: 1.4%

*State Satisfactory standard is 3% or less

Ratio of Computers to Students 1:4

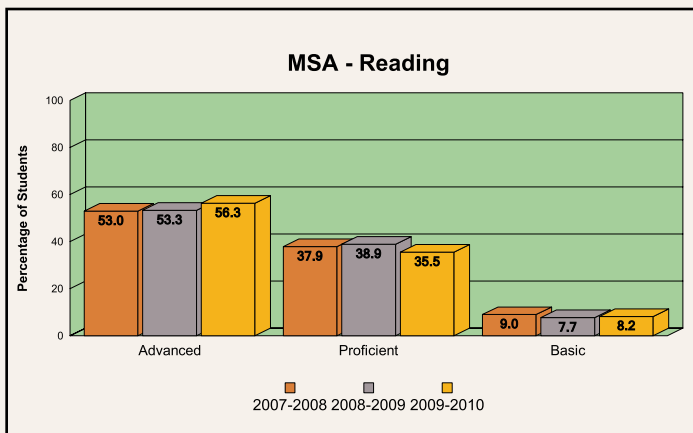
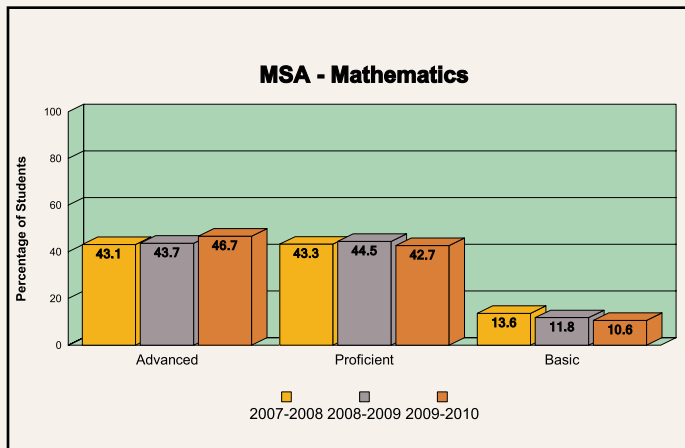
Classrooms With Internet Access 99%

HCPSS 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.



District	Combined Mean Score
Montgomery	1653
Howard	1639
Frederick	1559
Carroll	1552
Harford	1513
National	1509
Anne Arundel	1508
Cecil	1504
State	1502

School Year	N ¹	Percent Participating	Critical Reading	Mathematics	Writing
2007-08	2806	74.7	540	557	544
2008-09	2820	75.3	542	558	541
2009-10	3021	73.3	541	557	541



¹ Number of tests taken

School System	Cost Per Pupil
Montgomery	\$14,543
Worcester	\$14,459
Baltimore City	\$13,988
Somerset	\$13,950
Howard	\$13,174
Prince George's	\$13,024
Kent	\$12,677
Dorchester	\$12,351
Allegany	\$11,964
Wicomico	\$11,754
Garrett	\$11,696
Baltimore County	\$11,619
Anne Arundel	\$11,545
Charles	\$11,369
Calvert	\$11,195
Harford	\$11,141
Carroll	\$11,031
Frederick	\$10,931
Cecil	\$10,914
Washington	\$10,891
Saint Mary's	\$10,829
Caroline	\$10,740
Talbot	\$10,702
Queen Anne's	\$10,634

Gifted and Talented Program	
Grade Level	% Participating
K to Grade 8	43%
Grade 9 to 12	39%

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 most current Maryland State Department of Education (MDSE) 2008-2009 Fact Book.

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
Grades 1-2	1:19
Grade 3-5	1:25
Middle	1:20.5
High	1:23.5

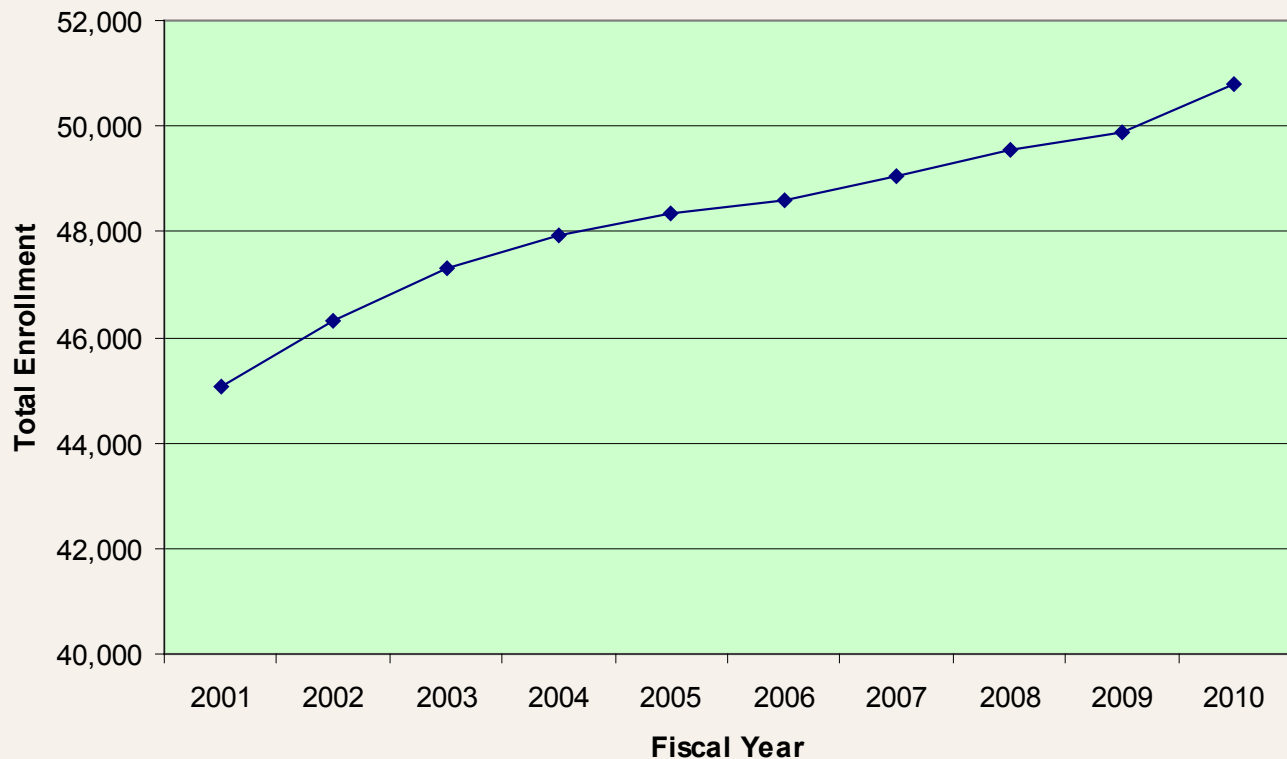
ESOL Program

Over 2,000 students participate in the English for Speakers of Other Languages (ESOL) program, representing 81 different languages (primarily Spanish and Korean) and 77 countries.

Documented Decisions/Class of 2009

Attend a 4-year college.....	63%
Attend a 2-year college.....	26%
Attend a specialized school.....	2%
Enter employment.....	3%
Enter the military.....	2%
Other or unreported plans.....	5%

Enrollment

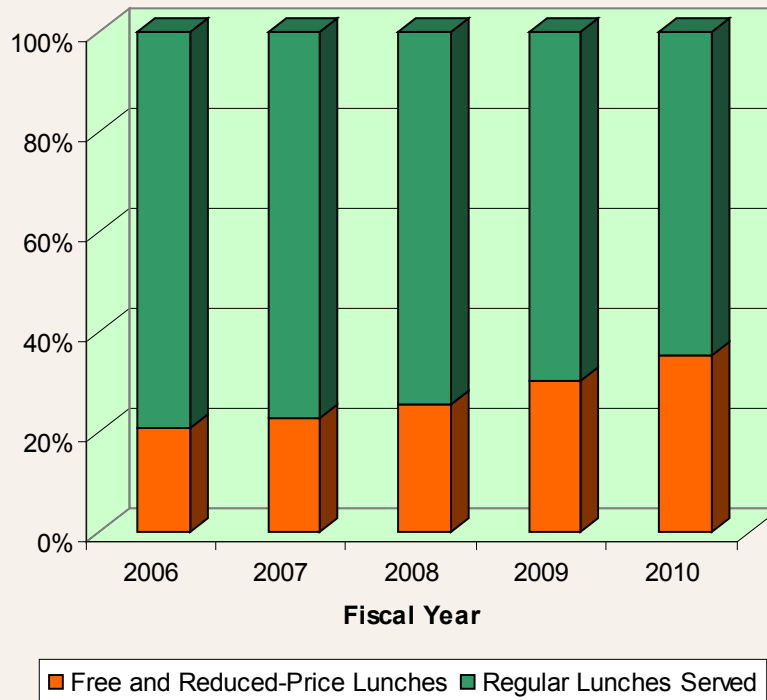


The enrollment for FY 2010 was 50,794 students in 73 schools and centers. This represents an increase of 891 students over the fiscal year 2009 actual, and 5,729 students in the last decade. The English for Speakers of Other Languages (ESOL) program is one of the fastest growing programs for students 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 National School Lunch and Child Nutrition Acts. 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.



The county is one of the most affluent counties in the nation, yet the population of students eligible for free or reduced-price lunch has remained relatively stable. To qualify for free lunch, the income must not exceed \$28,665 for a family of four, and the maximum family income for reduced-price lunch is \$40,793.

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	2006	2007	2008	2009	2010
Free lunches served	3,040	3,175	3,473	3,870	4,624
Reduced lunches served	1,000	1,147	1,174	1,240	1,274
Regular lunches served	15,225	14,580	13,540	11,829	10,799
Total lunches served	19,265	18,902	18,187	16,939	16,697

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.

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 earning.

Receivables represent the amounts that are owed to HCPSS at June 30, 2010.

Financial Benefits (in thousands of \$)	FY '10	FY '09	FY '08
Cash and investment	\$ 120,862	\$ 122,981	\$ 90,348
Receivable	\$ 25,459	\$ 28,677	\$ 37,690
Other Assets	\$ 1,483	\$ 1,104	\$ 2,921
Total Assets	\$ 147,804	\$ 152,762	\$ 130,959
Financial Detriments (in thousands of \$)	FY '10	FY '09	FY '08
Amounts Owed to Employees and Vendors	\$ 114,626	\$ 91,553	\$ 70,440
Other Liabilities	\$ 20,977	\$ 50,584	\$ 44,164
Total Liabilities	\$ 135,603	\$ 142,137	\$ 114,604
Assets Over Liabilities	\$ 12,201	\$ 10,625	\$ 16,355

Liabilities

Amounts Owed To Employees And Vendors are those items which HCPSS owes to individuals and companies who supply a service or good, 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 \$)	2010 Actual	2009 Actual	2008 Actual
Revenues and Resources			
Local	\$ 502,374	\$ 491,086	\$ 495,391
State	262,276	258,699	233,546
Federal	30,818	21,043	21,678
Earnings on investments	125	1,005	1,917
Charges for services	13,640	14,239	13,413
Proceeds From Capital Leases	-	10,724	6,027
Miscellaneous revenues	1,596	2,184	612
Total revenues	\$ 810,829	\$ 798,980	\$ 772,584
Expenditures and Services			
Administration	\$ 10,634	\$ 11,539	\$ 10,443
Mid level administration	54,226	55,908	48,737
Instruction	297,340	296,528	277,498
Special education	96,986	95,766	88,837
Pupil personnel services	2,462	3,133	2,669
Health services	5,794	5,791	5,095
Pupil transportation	32,742	31,412	31,538
Operation of plant	43,411	43,245	38,504
Maintenance of plant	22,030	21,452	19,556
Fixed charges	165,229	151,095	153,117
Community services	5,901	6,211	6,010
Food service	11,689	11,725	11,399
Capital outlay	60,809	70,905	81,546
Total expenditures	809,253	\$ 804,710	\$ 774,949
Revenues and Resources Over Expenditures and Services	\$ 1,576	\$ (5,730)	\$ (2,365)

Revenues

As Reported in the Fund Financial Statements

How is Howard County Public School System Funded

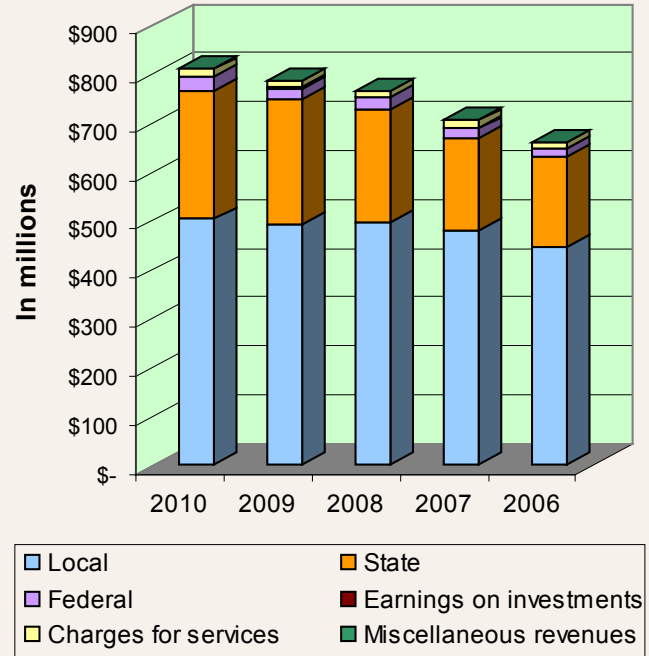
The School System is a component unit of Howard County, Maryland, and is fiscally dependent on the Howard County Government and the State of Maryland to appropriate funding for the School System.

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.

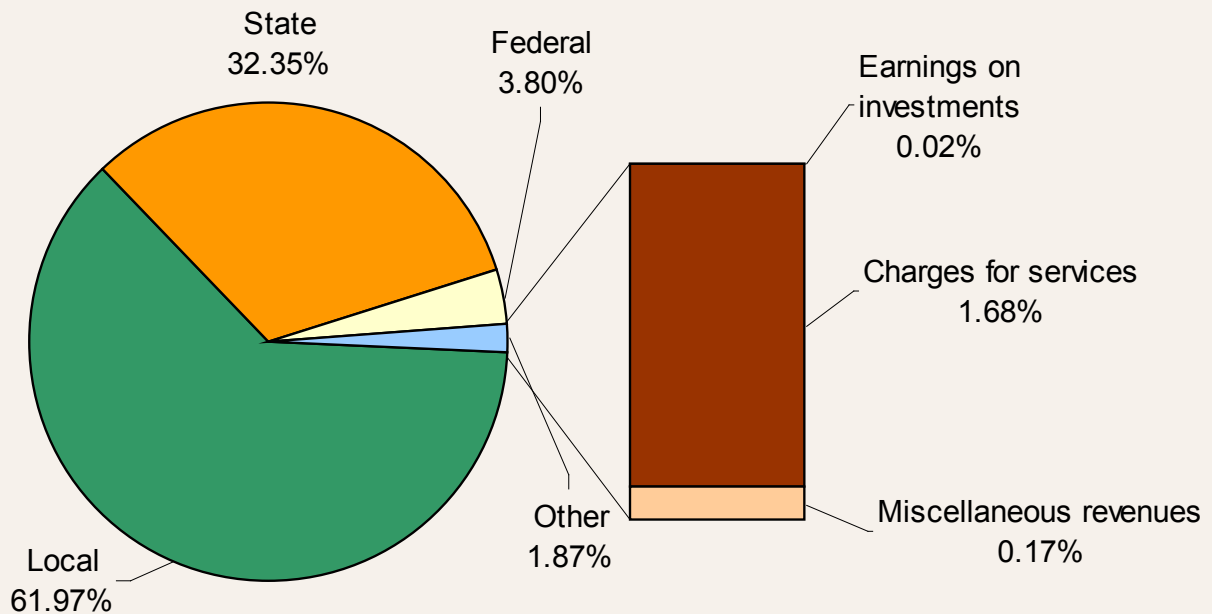
Total revenues for the fiscal year ended June 30, 2010 totaled \$811.0 million. The School System receives 61.97% of its funding from the county, and 32.35% from the State. Additionally, the School System receives federal entitlement grants and competitive grants from the state and federal governments.

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 By Sources



2010 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 2010 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.

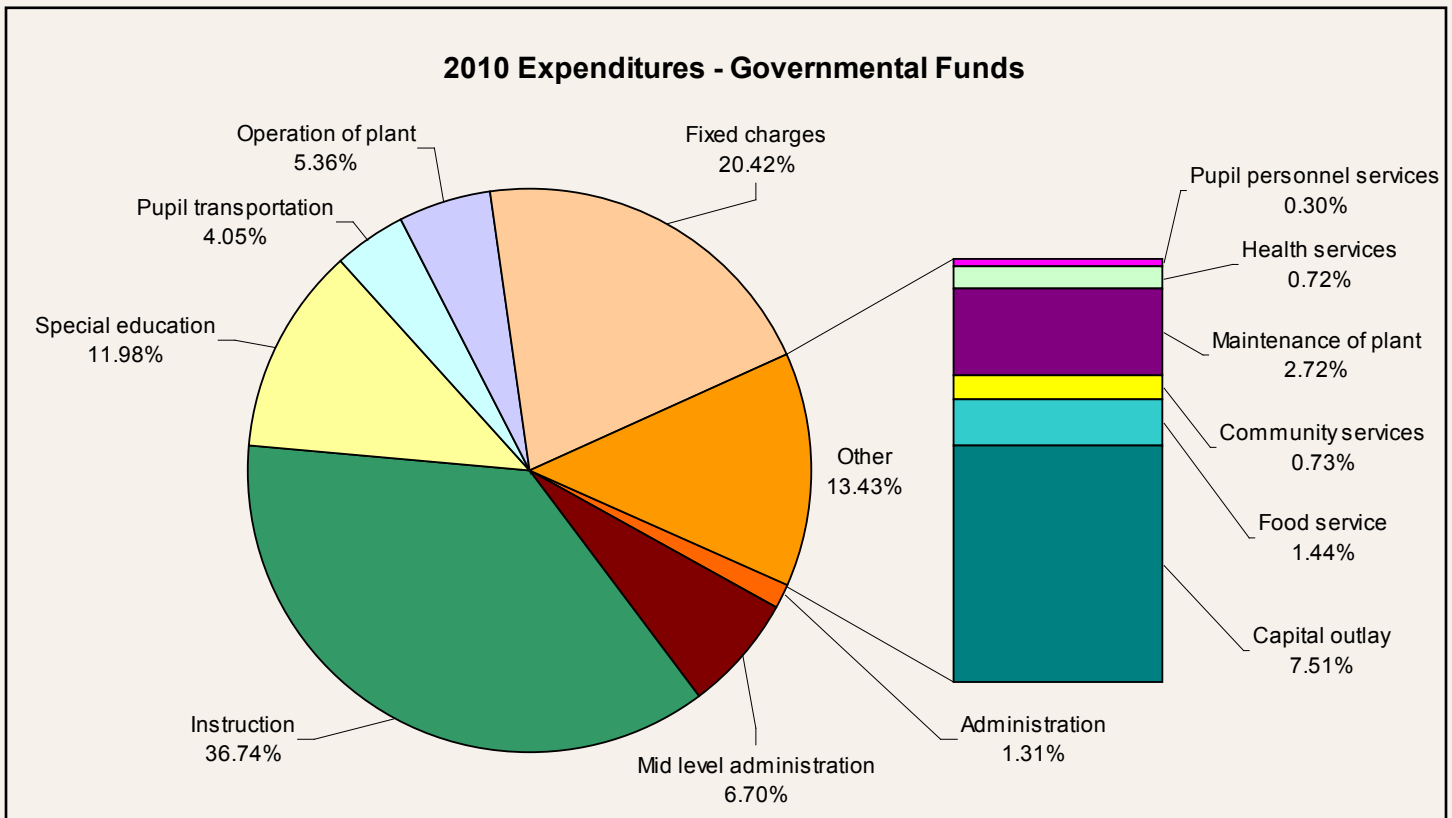
Special Education - provides services for students - from birth through age 21 - who have disabilities. Special Education serves students with intellectual or physical limitations, emotional problems, learning disabilities, language delays, autism, traumatic brain injuries, and developmental delays.

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.



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.

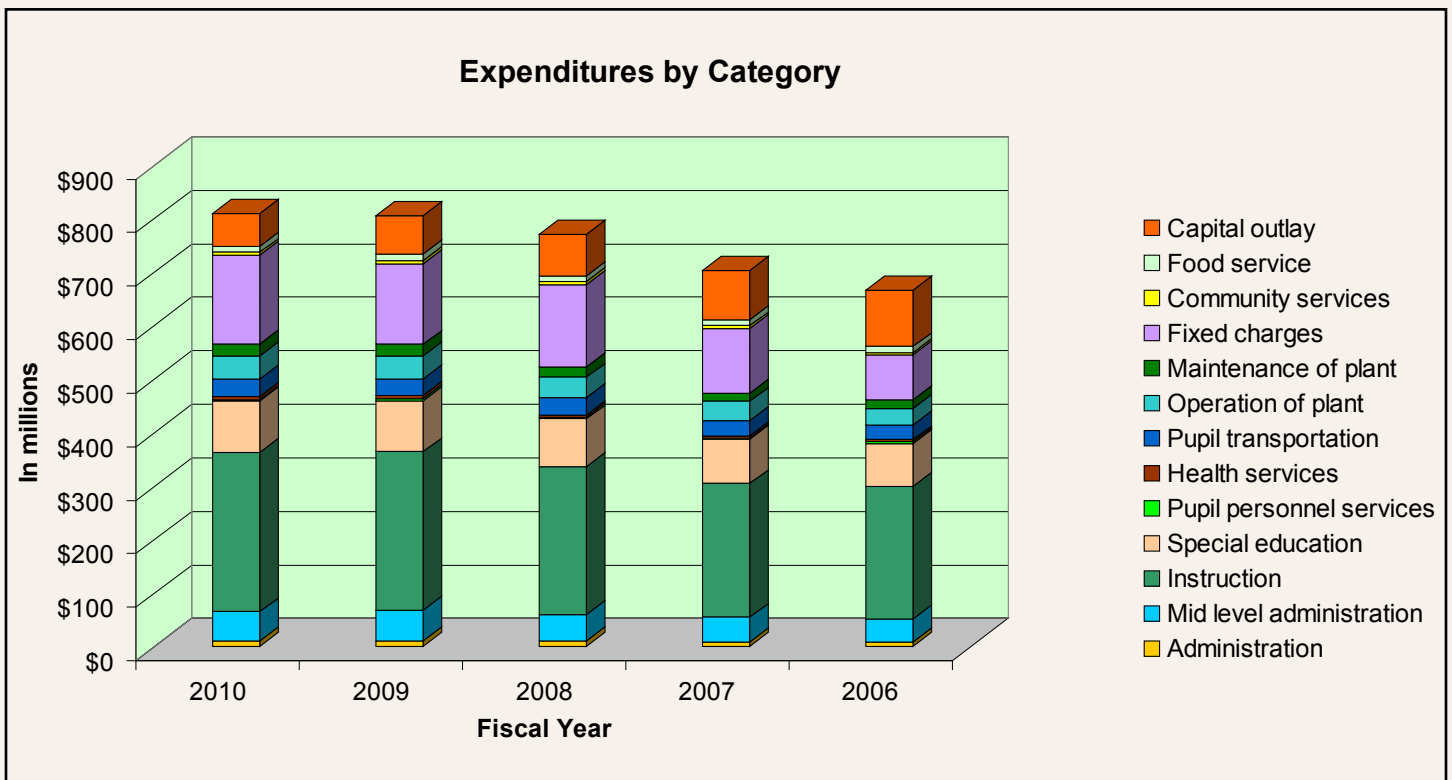
Maintenance of Plant - includes programs to maintain and report school facilities. This category provides building maintenance, computer/electronics repairs, and environmental maintenance (water systems indoor air quality, etc.) Grounds keeping services are included here and in the Community Services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



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 2010, HCPSS expended \$58.7 million on capital projects. These funds were used for the following planned projects.

- Expended \$5.8 million for additional technology in our classrooms.
- Completed Phase VI, the final phase, of Full Day Kindergarten.
- Completed construction for the additions/renovations of Glenelg High, Centennial Lane Elementary and Elkridge Elementary.
- Completed Phases I, II, and III for a The LEED Silver building at Northfield Elementary.
- Continued construction for the additions/renovations of Mt. Hebron High and Elkridge Elementary.
- Started the Design Phase for Atholton High, Phelps Luck Elementary, Thunder Hill Elementary, Stevens Forest Elementary, Triadelphia Elementary/Folly Quarter Middle and Bollman Bridge Elementary.
- Started the Design Phase for dance studios at Centennial High and Hammond High.

HCPSS FY 2011 capital budget proposes spending \$34.6 million for systemic renovations, \$6.3 million for the Atholton High School renovations, \$4.8 million for the Bellows Spring Elementary addition and 3.1 million for Triadelphia Ridge Elementary/Folly Quarter Middle. Other major projects include technology projects and roofing projects.

HCPSS proposed capital spending totaling \$398.3 million over the FY 2012-2016 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.

Glossary

Governmental accounting uses unique financial terms. Some of the terms used in this PAFR are described below:

Capital Improvement Program (CIP) - used as a basis for determining the timing and size of proposed bond referenda to be placed before the voters of the County.

Capital Outlay - a functional expenditure, which includes purchases of assets that cost more than \$5,000 that result in the acquisition of or addition to HCPSS' capital assets (e.g., equipment, library collections, building).

Comprehensive Annual Financial Report (CAFR) - a thorough, detailed presentation of HCPSS' financial position and activities for the fiscal year. The CAFR is divided into three sections, namely: 1) Introductory Section, 2) Financial Section, and 3) Statistical Section. The Financial Section of the CAFR consists of the independent auditor's report; management's discussion and analysis; basic financial statements; required supplementary information; and other supplementary information.

English for Speakers of Other Languages (ESOL) - a program that helps limited English proficient students learn literacy and content concepts in order to function successfully in the general education program.

Free and Reduced-Price Meals - a program required for participation in the federally funded school lunch program under the National School Lunch and Child Nutrition Acts. This program provides free or reduced-price meals to children determined to be eligible under the program, and supports the belief of the School Board that every school-age child should have an adequate lunch.

Generally Accepted Accounting Principles (GAAP) - the standard framework of guidelines for financial accounting mainly used in the United States of America. It includes the standards, conventions, and rules accountants follow in recording and summarizing transactions and in the preparation of financial statements.

Gifted and Talented Program - provides opportunities for all students to develop academic strengths through more rigorous and challenging instruction. Learning experiences are differentiated in order to strengthen critical and creative thinking, problem-solving, and decision-making skills.

Governmental Funds - records accounting transactions for activities which must be separately reported based on legal or regulatory requirement. The primary funding source for these activities is government entities (i.e., the County, State and Federal government).

Government Finance Officers Association (GFOA) - the purpose of the association is to enhance and promote the professional management of government for the public benefit by identifying and developing financial policies and practices, and promoting them through education, training, and leadership.

Popular Annual Financial Report (PAFR) - this report provides an overview of the school system's financial operation, and highlights key accomplishments of interest to parents and community members.

SAT - a widely used college admission test. The SAT measures verbal and mathematical reasoning abilities that students develop over time, both in and out of school, which are related to successful performance in college.

Mission

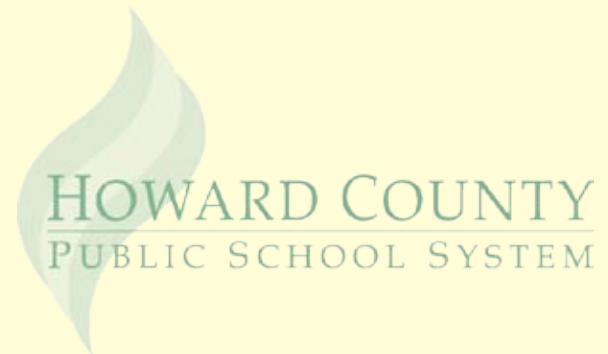
The mission of the Howard County Public School System is to ensure excellence in teaching and learning so that each student will participate responsibly in a diverse and changing world.



Goals

Goal 1 - Each child regardless of race, ethnicity, gender, disability or socio-economic status, will meet the rigorous performance standards that have been established. All diploma-bound students will perform on or above grade level in all measured content areas.

Goal 2 - Each school will provide a safe and nurturing school environment that values our diversity and commonality.



A Component Unit of Howard County, Maryland



HOWARD COUNTY
PUBLIC SCHOOL SYSTEM

**10910 Route 108
Ellicott City, Maryland 21042**

410-313-6600