

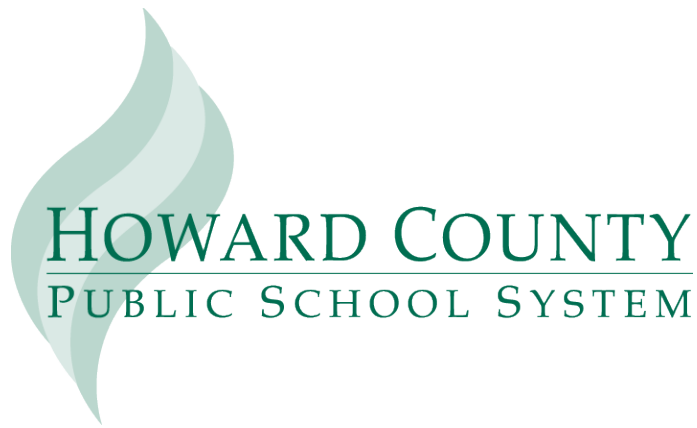
Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2011



HOWARD COUNTY
PUBLIC SCHOOL SYSTEM

A Component Unit of Howard County, Maryland



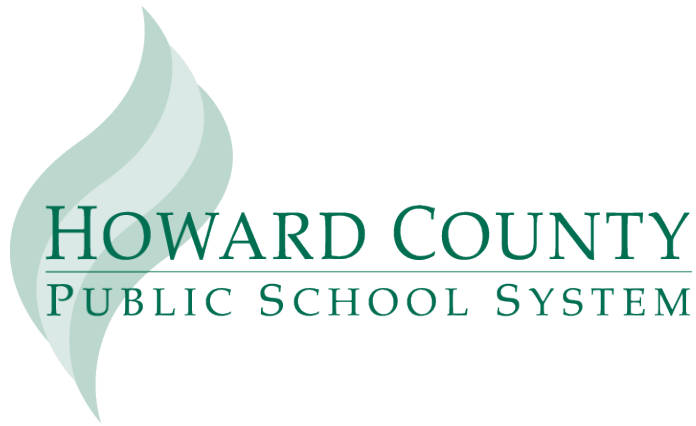
Mission

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

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2011

Prepared By:

The Department of Finance

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Chief Operating Officer

Beverly Davis, CPA
Director of Finance

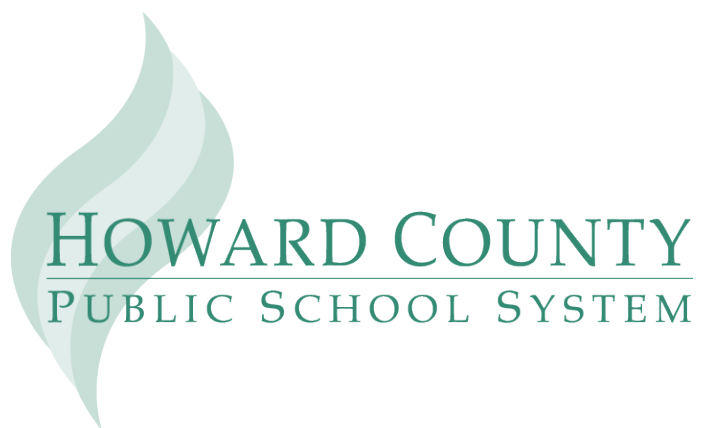
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Introductory Section





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Introductory Section

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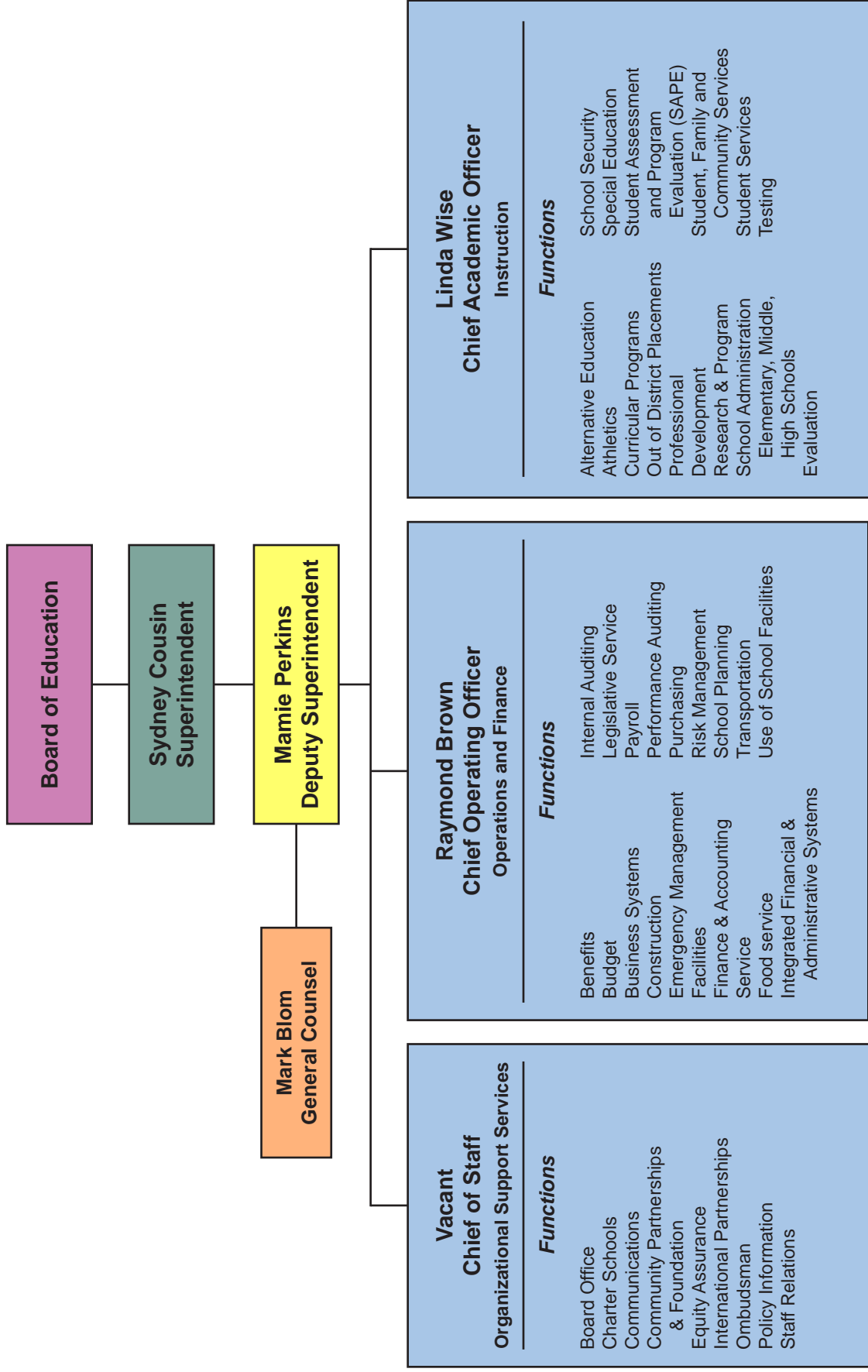
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Howard County Public School System Organizational Chart



Howard County Board of Education

10910 Route 108
Ellicott City, Maryland 21042-6198
Telephone (410) 313-6600
Fax (410) 313-6789
www.hcpss.org

Howard County Public Schools Officials

Superintendent of Schools



Dr. Sydney L. Cousin

Mamie J. Perkins

Deputy Superintendent

Raymond Brown

Chief Operating Officer

Linda Wise

Chief Academic Officer

Independent Auditor

Clifton Gunderson LLP

Timonium Corporate Center
9515 Deereco Road
Suite 500
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Board of Education

Janet Siddiqui, M.D.

Chairman



Sandra H. French

Vice Chairman



Frank Aquino

Member



Allen Dyer

Member



Ellen Flynn Giles

Member



Brian J. Meshkin

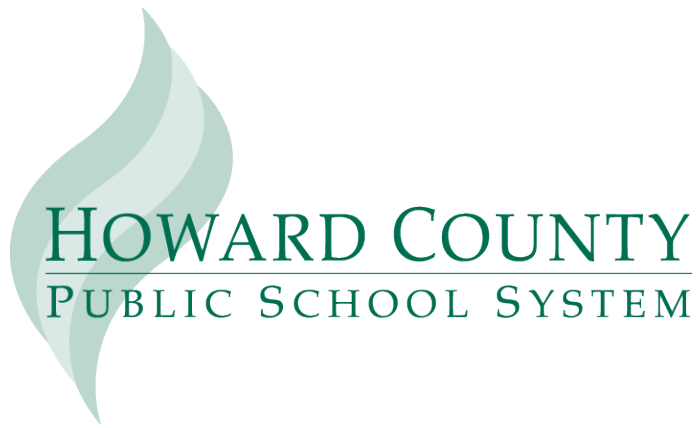
Member



Cynthia L. Vaillancourt

Member





November 30, 2011

Members of the Board of Education:

In compliance with the Public School Laws of the State of Maryland, the Department of Finance (the Department) publishes the Comprehensive Annual Financial Report of the Howard County Public School System (HCPSS). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation rests with the management of HCPSS. We believe the data as presented are accurate in all material aspects and are presented in a manner designed to set forth the financial position and results of operations of HCPSS as measured by the financial activity.

All matters relating to education and operations in HCPSS are governed and controlled by the Board of Education of Howard County (the Board), as provided by the Public School Laws of Maryland. The Board has the responsibility to maintain a reasonable, uniform system of public schools to provide quality education for all young people of Howard County. With the advice of the Superintendent, the Board establishes schools and determines geographical attendance areas for them. Upon recommendation of the Superintendent, the Board approves education policy and prescribes the rules and regulations for the management and conduct of the school system. The activities, funds, and entities related to HCPSS included in this Comprehensive Annual Financial Report are those for which the Board exercises oversight responsibility.

All funds and accounts of HCPSS are included in this Comprehensive Annual Financial Report. For financial reporting purposes the Board has been defined as a component unit of the Howard County Government. Therefore, HCPSS is included in the Comprehensive Annual Financial Report for Howard County, Maryland.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. HCPSS's MD&A can be found at the beginning of the Financial Section.

Entity Services

HCPSS has been rated as one of the highest performing districts in Maryland for the last decade. With a guiding mission of “Ensuring excellence in teaching and learning, so that each student participates responsibly in a diverse and changing world,” HCPSS provides its students and parents with a variety of services. Located in central Maryland, HCPSS serves a diverse population of approximately 50,000 students. HCPSS has realized an increase of over 5,600 students over the last decade. Projections show that student enrollment will continue to increase, although at a decreasing rate. To provide for this growth, HCPSS has completed 35 additions to existing schools and built 12 new schools – 7 elementary schools, 1 middle school, 2 special schools and 2 high schools – since 2001. HCPSS operated 73 schools in the 2010-2011 academic year. A wide range of services are offered to Howard County students and parents through guidance counselors, nurses, psychologists, and pupil personnel workers. Students with special needs are provided with an extensive special education program in preschool, elementary, middle, and high school instructional levels.

This report includes the financial activities of HCPSS as they relate to the services provided for a public school education system of 39 elementary, 1 Pre-K-8, 3 special schools, 18 middle, and 12 high schools.

Economic Condition and Outlook

HCPSS receives approximately 69 percent of its operating budget from Howard County and approximately 30 percent from Maryland State. The economic condition and outlook of the county, therefore, play a substantial role in the economic condition of HCPSS. At the same time, HCPSS remains a cornerstone in the economic growth of the county, as people are drawn to the county because of the quality reputation of the school system. In addition, HCPSS is the largest employer in the county, and therefore an economic force itself.

Although Howard County is rated by the U.S. Census Bureau as the 5th wealthiest county in the nation, based on median income, the effects of a struggling national economy have taken their toll on our state and local economy. Maryland's state unemployment rate did not improve in FY 2011, but continued at an eleven-year high of 7.0 percent as of June 2011. Maryland's information technology, telecommunications, aerospace, and defense contracting industries continue to bolster our state economy.

Though Howard County remains a thriving municipality, its economy has slowed during the past year as well. The unemployment rate in June 2011 was 5.6 percent which was well below the state and national levels, although this was an increase from FY 2010 and higher than experienced locally in previous years. In addition, weak residential construction, a continued decline in housing sales, and weak consumer spending have contributed to the decline.

Looking ahead, the economic outlook for FY 2013 and beyond remains uncertain. Looming state budget deficits require that the School System continue to expand cost saving steps while both prudently and creatively utilizing all available resources effectively and efficiently on programs and services that produce measurable results, improve student performance system wide, and contribute to the success of all students.

School System Budget

The school system's final Approved Operating Budget for FY 2011 appropriations for revenue and expense totaled \$675.3 million and represents a total increase of \$18.7 million or 2.8 percent. By maintaining the budget at levels comparable to the prior year, the County met its statutory obligation for maintenance of effort.

Our strategy in developing the FY 2011 Approved Operating Budget was to ensure that programs and services, which directly impact the classroom and instruction, remain in place. The FY 2011 Approved Operating Budget provided for critical needs, avoided short term increase as well as future costs, and funded small strategic improvements by repurposing funds. The budget also benefited from strategic cost-saving measures implemented over the past several years.

The FY 2011 Approved Operating Budget was closely aligned with the school system's Bridge to Excellence Master Plan. Therefore, the approved budget supported the school system's mission by addressing four priorities:

- (1) Accelerating student achievement in core curricular areas;
- (2) Ensuring that school facilities are safe, orderly and that school environments support teaching and learning;
- (3) Enhancing the quality of delivery of school system services through improvement of management effectiveness, efficiency, and accountability; and
- (4) Promoting recruitment, professional development, and retention of a quality work force.

Long-term Financial Planning

HCPSS's Bridge to Excellence Five-Year Master Plan reflects the district's commitment to educating our entire student population, one child at a time. The plan fulfills our obligation to the Maryland State Department of Education to integrate federal, state, and local funding and initiatives into a comprehensive master plan to improve achievement for all students and ensure that all student groups meet state standards.

Each year HCPSS prepares an annual operating budget that supports the Bridge to Excellence Five-Year Master Plan. School officials and the Board target funding to ensure the goals established in the HCPSS Master Plan are achieved.

Each year, HCPSS prepares a five-year Capital Improvements Program (CIP) and a ten-year Long Range Master Plan. The CIP identifies projected capital needs including new facilities and maintenance projects required to keep HCPSS facilities in good operating condition.

The development of the FY 2012 Approved Operating Budget was influenced by the economic climate more than any other factor. Our strategy in developing the budget was to ensure that all programs and services which directly impact the classroom remain in place. The FY 2012 Approved Operating Budget provides for critical needs and funds small strategic improvements by repurposing. This budget also benefits from strategic cost-saving strategies over the past several years. The FY 2012 Approved Operating Budget provided funding for the following:

- Continuation of the current level of service and quality education
- Additional resources to address enrollment and program growth
- Increased insurance and retirement costs
- Increased transportation costs
- Increased technology costs
- Interscholastic athletic program for students with disabilities
- Planning for a world language program at the elementary school level

Internal Controls

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

Budgetary Controls

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

The budget is subdivided into state-mandated categories of expenditures including Administration, Mid-level Administration, Instructional Salaries, Textbooks and Instructional Supplies, Other Instructional Costs, Special Education, Pupil Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, and Community Services.

Budgetary control is maintained at the various expenditure levels by the encumbrance of estimated purchase amounts prior to release of purchase orders to vendors. Purchase orders that result in an over-obligation of available balances are not released until additional appropriations are made available. Open encumbrances are reported as assigned fund balance at June 30, 2011.

Risk Management - Self-Insurance Programs

HCPSS has established limited risk management self-insured programs for worker's compensation and health and dental insurance to record the claims and related expenses for HCPSS's indemnity health programs. In addition, HCPSS is one of 14 members of the Maryland Association of Boards of Education Group Insurance Pool. The pool is a self insurance fund for the member Maryland Boards of Education. Coverage is provided up to specified limits and HCPSS pays an annual premium for the coverage provided by the pool.

Cash Management and Investments

HCPSS is authorized to invest excess funds under specific provisions of the Maryland State Annotated Code. The Board has an investment policy in place that establishes the investment scope and objectives for the investment of school system funds. By establishing an investment policy the Board has recognized the importance of prudent fiscal policies and procedures that protect the Board's investment principal and ensure sufficient liquidity while providing for a return on investment.

In accordance with the investment policy, investment of temporarily idle funds is limited to securities issued or guaranteed by the federal government. Bank balances are covered by collateral held in the pledging bank's trust department. Investments are made principally with the Maryland Local Government Investment Pool (MLGIP), which provides all local government units in the state a safe investment vehicle for the short-term investment of funds. Such investments provided income for all funds of approximately \$122 thousand in FY 2011 which was slightly lower than the investment income earned in FY 2010. The decrease from 2010 to 2011 is due entirely to declining rates of return. The interest recorded and the average rate of return is considered reasonable given current economic and investment market conditions.

Debt Management

The Board has a debt management policy in place that sets forth parameters and processes for issuing debt as well as managing outstanding debt. The scope of the policy is limited to lease obligations of the Board. The policy does not include or envision debt incurred on the Board's behalf by the state of Maryland or the Howard County Government to fund any planned capital improvements of the Board. By establishing a debt policy, the Board has recognized the binding commitment to full and timely repayment of all debt. The policy ensures that the Board maintains a sound debt position and that credit quality is protected.

Independent Audit

The financial statements for FY 2011 have been audited by Clifton Gunderson LLP in accordance with Section 5-109 of the Public School Laws of Maryland. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the OMB Circular A-133 Single Audit Act Amendments of 1996. The auditor's report on the financial statements is included in the Financial Section of this report. We are pleased to report that the auditor's report on the School System's basic financial statements is without qualification, the highest possible outcome of the audit process.

System Achievements

The HCPSS graduating class of 2011 achieved outstanding scores on the Scholastic Achievement Test (SAT), with average scores of 542 on the critical reading, 561 in mathematics, and 542 in writing for a combined score of 1645. Howard County's scores continue to outpace the state and national averages and represent increases from the system's performance in 2010. A total of 3,129 HCPSS students, nearly 80 percent of the Class of 2011, participated in the SAT, which represents the highest number of HCPSS participants ever.

Students at all levels are demonstrating academic achievement. HCPSS students took a record setting 7,895 AP tests in 2011. Of these, 81.5 percent of the school system's seniors scored a 3 or higher on Advanced Placement Exams – compared to 58 percent nationally and 60.2 percent in Maryland. A score of 3 on an AP exam is often used by universities to award credit for a college level course in that subject. To consistently have more than half of all tests receiving this score is an impressive achievement by HCPSS students.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Howard County Public School System for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This was the seventh consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

In addition, the Association of School Business Officials (ASBO) International awarded the Howard County Public School System its Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2010. This award reflects our commitment to the highest standards in school system reporting.

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

A very special thank-you to Susan Daly, Jesse Liu, and Nicole Lewis for their efforts in preparing and publishing this document. We wish to express our appreciation for a job well done. The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff in the Department of Finance.

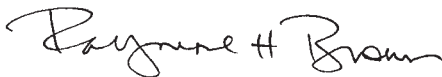
Conclusion

This report has been prepared to provide financial information for FY 2011, which ended June 30, 2011, in a manner consistent with the goals and objectives of the Board of Education of Howard County. Should you have any questions about the financial details, needs or plans for the Howard County Public School System, please do not hesitate to call or write. Contact information is included at the end of the MD&A.

Respectfully submitted,



Beverly Davis, CPA, RSBO
Director of Finance



Raymond H. Brown
Chief Operating Officer



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

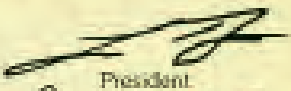
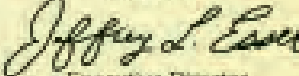
Howard County Public School
System, Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.




President

Executive Director

**This Certificate of Excellence in
Financial Reporting**

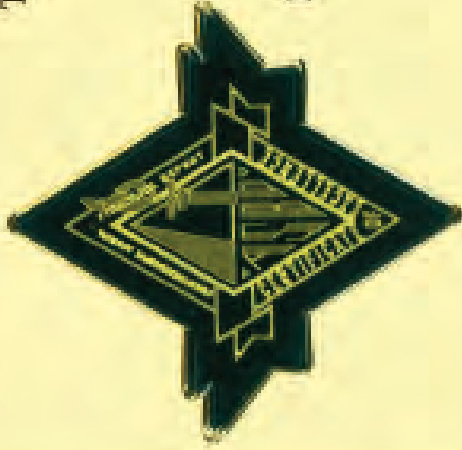
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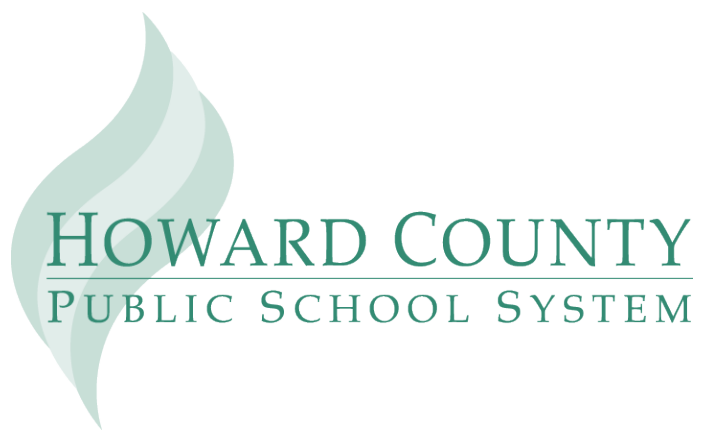
**Howard County
Public School System**

**For its Comprehensive Annual
Financial Report
(CAFR)**

For the Fiscal Year Ended

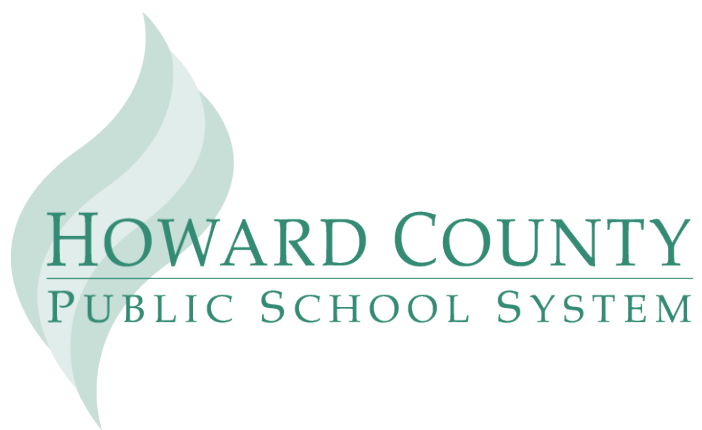
June 30, 2010





Financial Section







Independent Auditor's Report

Members of the Board of
Education of Howard County
Ellicott City, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Howard County Public School System (HCPSS), a component unit of Howard County, Maryland, as of and for the year ended June 30, 2011, which collectively comprise HCPSS's basic financial statements as listed in the table of contents. These financial statements are the responsibility of HCPSS's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of HCPSS as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of HCPSS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

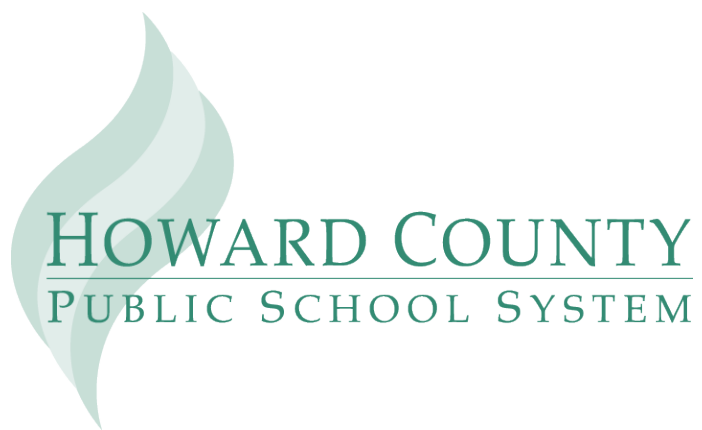
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HCPSS's basic financial statements. The introductory section, detailed budgetary comparison schedules and combining fund financial statements presented as other supplementary information and the statistical tables are not a required part of the basic financial statements. The other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole. The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Henderson LLP

Baltimore, Maryland
September 30, 2011

Management's Discussion and Analysis





Management's Discussion and Analysis



Introduction

As Management of the Howard County Public School System (HCPSS, School System, Board), we have prepared the following discussion and analysis to inform readers of HCPSS annual financial report about the financial information that the enclosed statements present for the year ended June 30, 2011, with selected comparative data for the year ended June 30, 2010.

We encourage readers to consider the discussion and analysis along with the other information in this report, including the summary of significant accounting policies and notes to the basic financial statements. In this section we have provided an overview of the basic financial statements, selected condensed data and highlights, and analysis of HCPSS financial position and changes in financial position.

Financial Highlights for FY 2011

Government-wide financial statements

The School System's **financial status** as of June 30, 2011 and as reflected in total net assets, increased by \$38.3 million to \$932.8 million from \$894.5 million, presenting a stronger financial condition at fiscal year end. The increase in total net assets reflects increases in capital assets of \$19.2 million as well as increases in current and other assets of \$27.9 million, offset by an increase in liabilities of \$8.8 million. The investment made in capital assets was used for new school construction, renovations and additions, as well as technology improvements.

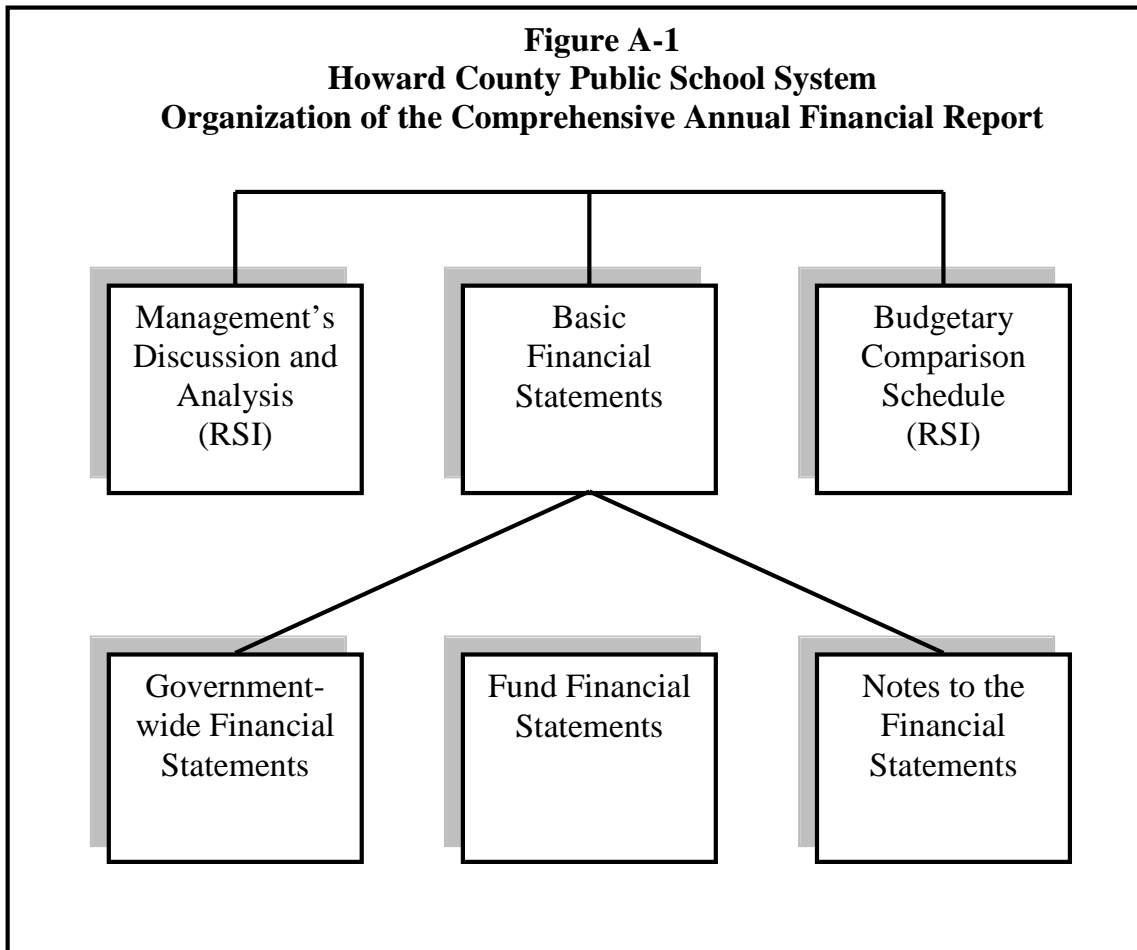
General revenues accounted for \$635.6 million, including \$464.7 million in local appropriations and \$169.2 million in aid from the state of Maryland. Program revenues, in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$233.7 million. The total revenue from all sources was \$869.3 million.

The School System had \$831.0 million in expenses related to programs, an increase of \$36.6 million from the prior year. The increase in expenses resulted from increases in salaries, in the number of teachers and other staff, and in other expenses.

The Board's business type activities net assets are miniscule in relation to the Board's overall net assets. During the 2011 fiscal year, business type activities net assets decreased by 3 percent due to a loss for the year of approximately \$16,000.

Governmental funds financial statements

The overall fund balance of the General Fund, the primary operating fund, increased by \$3.9 million to \$16.7 million from \$12.8 million. The General Fund balance is comprised of \$1.4 million in nonspendable fund balance related to prepaid items and inventories, \$7.9 million assigned for encumbrances and fund balance and \$7.4 million in unassigned fund balance.



Overview of the Basic Financial Statements

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

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

Figure A-2 - Major Features of the Government-wide and Fund Financial Statements

	Government-wide Financial Statements	Fund Financial Statement		
		Government Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School System (except fiduciary funds).	The activities of the School System that are not proprietary or fiduciary.	Activities of the School System that operate similar to a commercial enterprise.	Instances in which the School System administers resources on behalf of someone else, such as school activity funds.
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses, and Changes in Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Assets and Liabilities
Basis of accounting and measurement focus	Full accrual basis of accounting and economic resources measurement focus.	Modified accrual basis of accounting and current financial resources measurement focus.	Full accrual basis accounting and economic resources measurement focus.	Full accrual basis of accounting.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be depleted and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, both short-term and long-term; the School System's fiduciary fund does not contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods and services have been received and the related liabilities are due and payable.	All revenue and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless of when cash is received or paid. Agency funds only report assets and liabilities and do not have a measurement focus.

Government-wide Financial Statements

The **Government-wide Financial Statements** are designed to provide readers with a broad overview of HCPSS finances, in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the School System's financial position, which assists in assessing the School System's economic condition at year end. They are prepared using the economic resources focus and full accrual basis of accounting. These are methods similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if the cash has not been received. The Government-wide Financial Statements include two statements:

The **Statement of Net Assets** presents all of the School System's assets and liabilities, with the difference between the two reported as the "net assets." The statement combines and consolidates all of the School System's current financial resources (short-term spendable resources) with capital assets (net of accumulated depreciation) and liabilities, distinguishing between governmental and business-type activities. The end result is restricted and unrestricted net assets. Over time the financial position of the School System is improving or deteriorating.

The **Statement of Activities** presents information showing how the School System's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows until future fiscal periods (such as earned, but unused, vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the School System. The majority of the School System's revenue is general revenue, grants and contributions from other governments.

Both of the above statements include separate sections to distinguish between those that are supported primarily by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant part of their costs through fees and charges (business-type activities).

In the **Government-wide Financial Statements**, the activities are divided into two categories, governmental activities and business-type activities:

- The governmental activities include HCPSS basic services which are administration, instruction, pupil and health services, pupil transportation, operation and maintenance of plant, capital outlay, special education, community services, food services, waste water treatment plant services, and mid-level administration. County appropriations, state and federal aid finance most of these activities.
- Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. HCPSS reports the activities of the James Rouse Theatre as a business-type activity.

The government-wide financial statements can be found on [pages 25 - 26](#) of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. HCPSS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about HCPSS funds, focusing on the most significant or "major" funds - not the HCPSS as a whole. HCPSS fund financial statements provide detailed information about its most significant funds.

All of the funds of the HCPSS can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating HCPSS near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. These reconciliations are presented on [pages 30 and 32](#) of this report, respectively.

The governmental fund financial statements can be found on [pages 29 and 31](#) of this report.

Proprietary Funds

Proprietary funds are activities a school system operates similar to those of a business, in that it attempts to cover its costs through charges to users. Proprietary funds include an enterprise fund and internal service funds. HCPSS has one (1) enterprise fund and four (4) internal service funds. The enterprise fund captures the activity of the James Rouse Theatre. The internal service funds are: Printing & Duplicating, Information Management and Computer Services, Health and Dental Self-Insurance Fund, and Workers Compensation Self-Insurance.

The proprietary fund financial statements can be found on [pages 33 - 35](#) of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside HCPSS. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the HCPSS's own programs. The accrual basis of accounting is used for fiduciary funds.

The School System's only fiduciary fund is the School Activities Fund. The school activities funds are primarily raised by students, for their benefit, and are held in an agency capacity by the School System.

The fiduciary fund financial statement can be found on [page 36](#) of this report.



Summary of Significant Accounting Policies And the Notes to Basic Financial Statements

The Summary of Significant Accounting Policies and Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund

financial statements. The summary and notes can be found on [pages 39 - 57](#) of this report.

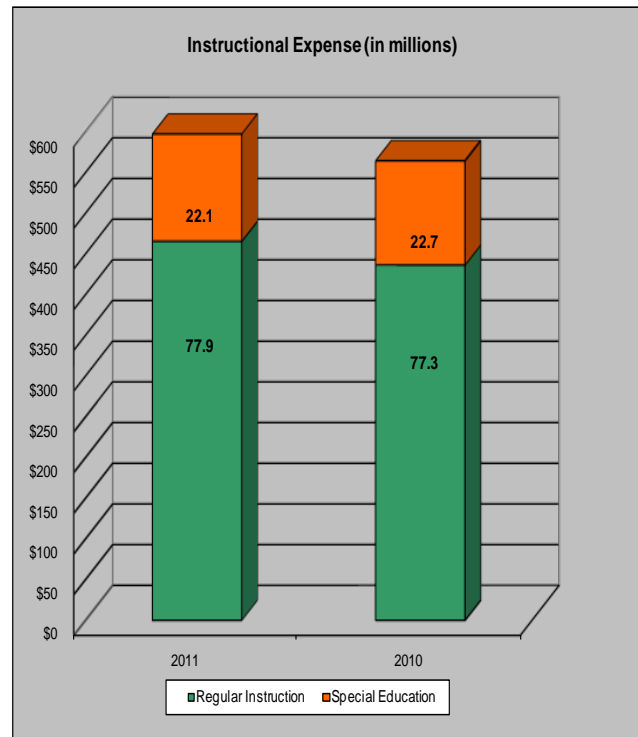
Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the HCPSS's budget process. The HCPSS adopts an annual expenditure budget for all governmental funds. The System's General Fund has a legally adopted budget. Management also prepares budgets for the other governmental funds for internal monitoring

purposes only. The budget to actual comparison for the General Fund is presented as required supplementary information for the School System's basic financial statements. The required supplementary information can be found on [pages 61 and 62](#) of this report.

Financial Highlights and Analysis

The School System is a component unit of Howard County, Maryland, and is fiscally dependent on the Howard County Government and the state of Maryland to appropriate funding for the School System. The School System receives 54.6 percent of its governmental activities funding from the County, and 19.5 percent from the state. Additionally, the School System receives federal entitlement grants and competitive grants from the state and federal government. Essentially all of the School System's funding for governmental activities is derived from these sources. The School System has no authority to levy taxes or issue bonded debt. Accordingly, the financial condition of the School System is directly related to the financial condition of the funding authorities - the county and state. Any appropriated funds that are unspent at the end of a fiscal year must be re-appropriated by the county government in a subsequent fiscal year before they can be spent.



Government-wide Financial Analysis

Net Assets

As noted earlier, net assets over time may serve as a useful indicator of a government's financial position. In the case of the School System, assets exceeded liabilities by \$932.8 million at the close of the most recent fiscal year.

The most significant portion of the School System's net assets (96.4%) reflects its investment in capital assets (land, buildings, vehicles, and equipment), net of related debt. The School System uses these assets to provide an education to the students of Howard County. Consequently, these assets are not liquid, nor available for future spending or liquidation of any liabilities. Any school buildings that are no longer used by the School System are returned to the county government, since the county is the primary funding source for school buildings. Because the School System has no authority to issue bonded debt, the only debt outstanding related to capital assets are capital leases for energy performance, the purchase of equipment and technology equipment.

The county and/or state government may issue debt to finance school construction; however, it is not debt of the School System, and is not reported in these financial statements. Consequently, school buildings and construction in progress related to school buildings appear in the School System's Statement of Net Assets, while any related outstanding debt issued by the county or state government does not.

The HCPSS financial position is the net result of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

To assess the overall financial position of the HCPSS, additional non-financial factors, such as changes in the Howard County property tax base and the condition of school buildings and other facilities, should be considered.

Table 1 provides a summary of HCPSS net assets as of June 30, 2011 and 2010.

Table 1 - Net Assets						
June 30, 2011 and 2010 (In Thousands)						
	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets						
Current and other assets	\$ 165,687	\$ 137,849	\$ 151	\$ 137	\$ 165,838	\$ 137,986
Capital assets (net)	<u>905,949</u>	<u>886,747</u>	<u>27</u>	<u>47</u>	<u>905,976</u>	<u>886,794</u>
Total assets	<u>\$1,071,636</u>	<u>\$1,024,596</u>	<u>\$ 178</u>	<u>\$ 184</u>	<u>\$1,071,814</u>	<u>\$1,024,780</u>
Liabilities						
Long-term liabilities	\$ 14,024	\$ 13,653	\$ -	\$ -	\$ 14,024	\$ 13,653
Other liabilities	<u>125,015</u>	<u>116,602</u>	<u>-</u>	<u>-</u>	<u>125,015</u>	<u>116,602</u>
Total liabilities	<u>\$ 139,039</u>	<u>\$ 130,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,039</u>	<u>\$ 130,255</u>
Net Assets						
Invested in capital assets, net of related debt	\$ 898,922	\$ 875,068	\$ 27	\$ 47	\$ 898,949	\$ 875,115
Restricted for construction	-	2	-	-	-	2
Restricted for treatment plant	1,236	1,181	-	-	1,236	1,181
Restricted for food services	146	3,036	-	-	146	3,036
Unrestricted	<u>32,293</u>	<u>15,054</u>	<u>151</u>	<u>137</u>	<u>32,444</u>	<u>15,191</u>
Total net assets	<u>\$ 932,597</u>	<u>\$ 894,341</u>	<u>\$ 178</u>	<u>\$ 184</u>	<u>\$ 932,775</u>	<u>\$ 894,525</u>

Change in Net Assets

The School System's net assets increased \$38.3 million. This is primarily because the School System receives intergovernmental capital grants and contributions (revenue) for school construction projects, yet has no corresponding liabilities. Additionally, most of the capital grants and contributions are capitalized. Accordingly, there is little current expense (i.e., depreciation) associated with this revenue. Also, since the School System is fiscally dependent on the county, state, and federal governments, expenses closely match revenues, with the exception of timing differences in relation to when an expense is recognized.

The funding government(s) appropriate funds to the School System, which it spends to accomplish its goal of providing education to the children of Howard County. Any unspent funds are re-appropriated in subsequent fiscal years from fund balance by the County.

Management's Discussion and Analysis

Net Assets

Table 2 shows the changes in net assets for the years ended June 30, 2011 and 2010. Key elements of this increase are as follows:

	Governmental Activities		Business-Type Activities		Total Activities	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 15,516	\$ 11,556	\$ 144	\$ 128	\$ 15,660	\$ 11,684
Operating grants and contributions	154,174	129,393	-	-	154,174	129,393
Capital gains and contributions	63,876	58,845	-	-	63,876	58,845
General revenues:						
County appropriations	464,709	457,560	-	-	464,709	457,560
Federal aid	174	100	-	-	174	100
Interest and investment earnings	122	124	-	-	122	124
State aid	169,182	164,563	-	-	169,182	164,563
Miscellaneous	1,382	1,401	-	-	1,382	1,401
Total revenues	<u>\$ 869,135</u>	<u>\$ 823,542</u>	<u>\$ 144</u>	<u>\$ 128</u>	<u>\$ 869,279</u>	<u>\$ 823,670</u>
Expenses						
Instruction:						
Regular instruction	\$ 465,690	\$ 436,546	\$ -	\$ -	\$ 465,690	\$ 436,546
Special instruction	131,738	128,051	-	-	131,738	128,051
Support services:						
Administration	13,328	13,845	-	-	13,328	13,845
Mid-level administration	80,222	74,277	-	-	80,222	74,277
Pupil personnel services	3,844	3,524	-	-	3,844	3,524
Health services	8,325	8,057	-	-	8,325	8,057
Pupil transportation	34,655	33,254	-	-	34,655	33,254
Operation of plant	45,383	50,475	-	-	45,383	50,475
Maintenance of plant	27,905	27,087	-	-	27,905	27,087
Community services	7,298	7,091	-	-	7,298	7,091
Food services	12,167	11,689	-	-	12,167	11,689
Interest on long-term debt	325	433	-	-	325	433
Enterprise funds	-	-	150	132	150	132
Total Expenses	<u>\$ 830,880</u>	<u>\$ 794,329</u>	<u>\$ 150</u>	<u>\$ 132</u>	<u>\$ 831,030</u>	<u>\$ 794,461</u>
Increase (decrease) in net assets	<u>\$ 38,255</u>	<u>\$ 29,213</u>	<u>\$ (6)</u>	<u>\$ (4)</u>	<u>\$ 38,249</u>	<u>\$ 29,209</u>

Government-wide Revenues and Expenses

Charts 1 and 2 display government-wide revenues and expenses, respectively, for the current year. Revenues for HCPSS combined activities (which include program revenues and general revenues) increased to \$869.2 million. County appropriations and state formula aid accounted for most of HCPSS revenue. Funds from these two sources contributed approximately 73 cents of every dollar needed. The remaining 27 cents came from federal aid for specific programs, fees charged for services and other miscellaneous revenues. Total revenues surpassed expenses, increasing net assets by \$38.3 million over last year. The revenue increase of 5.5 percent was primarily attributable to increased operating grants and contributions.

Expenses in these areas comprised approximately 77.5 percent of all School System expenditures. The business and administration activities, food services, and community services accounted for 11.3 percent, 1.5 percent and 0.9 percent of total costs, respectively. Maintenance and operation expenses represented approximately 8.8 percent. Generally, increases in expenses closely paralleled inflation and growth in the demand for services. Educational programs like the class size reduction and bilingual education continue to receive the funding priority because these programs are integral to promoting student achievement.

The total cost of all programs and services rose to \$831.0 million. Most of HCPSS expenses are related to instruction (including special education), instructional support and pupil transportation.

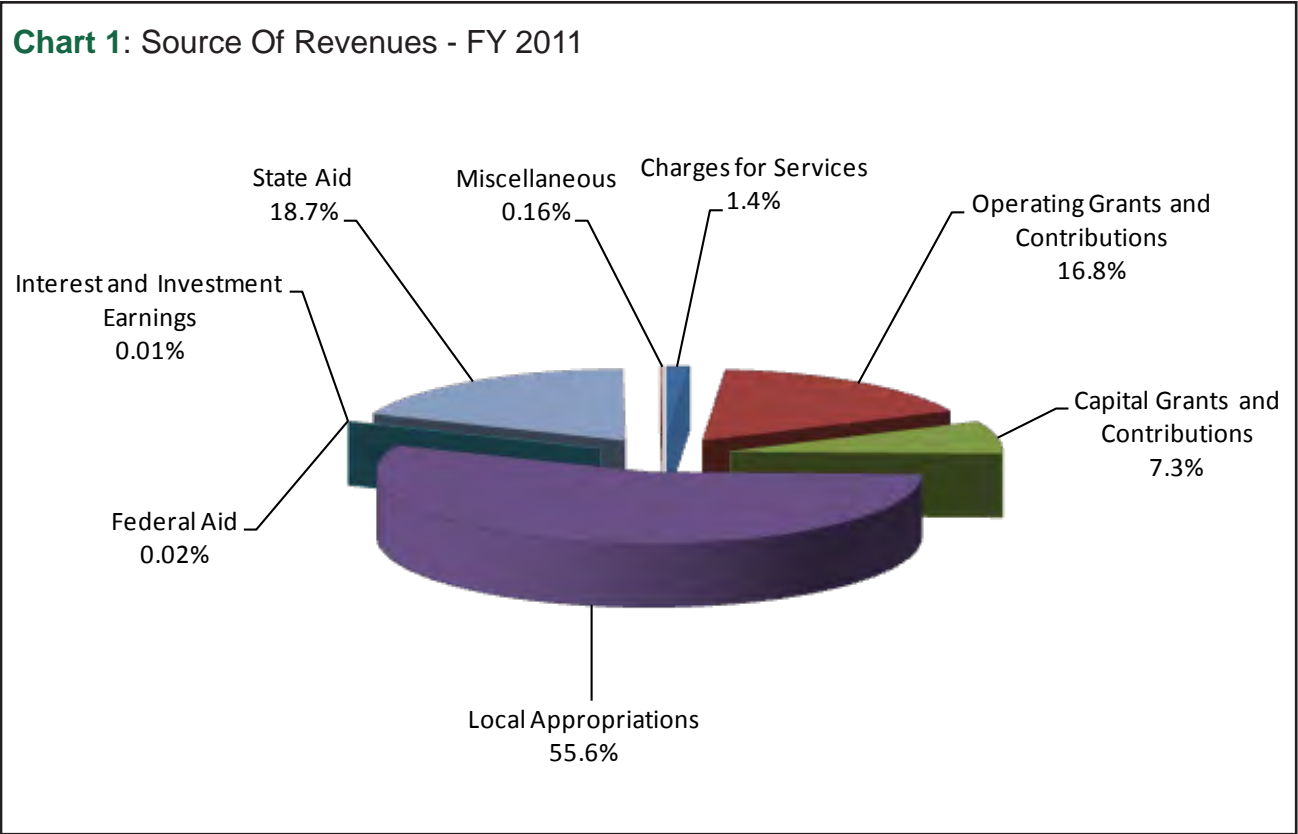
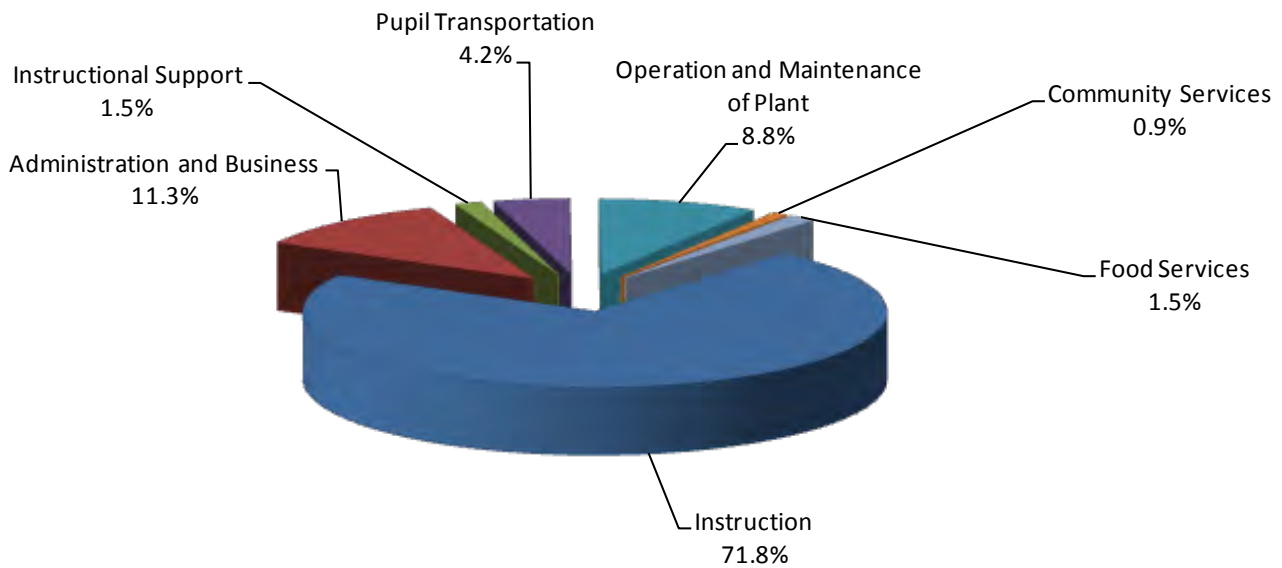


Chart 2: Expenses By Category - FY 2011



Expenditures Per Pupil		
	2011	2010
Total Number of Pupils Enrolled	49,991	49,635
EXPENDITURES		
Current:		
Administration	\$ 213	\$ 253
Instruction		
Instructional salaries	5,647	6,507
Textbooks and classroom supplies	318	264
Other instructional costs	79	72
Pupil personnel services	55	62
Health services	118	145
Pupil transportation	681	390
Operation of plant	998	965
Maintenance of plant	445	508
Fixed charges	3,712	2,192
Mid-level administration	1,134	1,162
Community services	124	129
Special education	1,961	1,840
Capital outlay	18	16
Total expenditures Per Pupil	\$ 15,503	\$ 14,505

Governmental Activities

Table 3 (on page 17) presents the cost of the ten categories of the HCPSS: instruction – regular and special education, administration, mid-level administration, pupil and health services, pupil transportation, operation of plant, maintenance of plant, community services, and special education services, but not food services. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided by specific programs).

Business-Type Activities

The HCPSS has one business-type activity: The James Rouse Theatre. Operating revenues for the business-type activity totaled \$144 thousand for 2011. Operating expenses totaled \$150 thousand for a net operating loss of \$6 thousand. Business-type activity net assets (\$178 thousand at fiscal year end) decreased \$6 thousand during the year. This is primarily a result of the additional contracted services utilized in FY 2011. Details of the business-type activity can be found on [pages 33 - 35](#) of this report.

Table 3 - Cost of Governmental Activities

Year Ended June 30, 2011

(In Thousands)

	<u>Total Cost of Services</u>	<u>Less Program Revenues</u>	<u>Net Cost of Services</u>
Instruction			
Regular Education	\$ 465,690	\$ 127,390	\$ 338,300
Special Education	131,738	43,411	88,327
Support services			
Administration	13,328	1,440	11,888
Mid-level administration	80,222	23,486	56,736
Pupil personnel services	3,844	570	3,274
Health services	8,325	1,021	7,304
Pupil transportation	34,655	14,123	20,532
Operation of plant	45,383	7,187	38,196
Maintenance of plant	27,905	2,091	25,814
Community services	7,298	895	6,403
Interest on long-term debt	325	-	325
Total Expenses	<u>\$ 818,713</u>	<u>\$ 221,614</u>	<u>\$ 597,099</u>

Financial Analysis of the Government's Funds

The focus of the School System's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School System's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School System governmental funds reported combined ending fund balances of \$16.5 million, an increase of \$4.3 million. This includes nonspendable fund balance which is comprised of \$1.2 million in inventories and \$323 thousand in prepaid expenses. Funds restricted for the Glenelg Waste Water Treatment Plant totals \$1.2 million. Assigned fund balance includes \$2.7 million for food services, \$6.2 million for encumbrances, \$1.7 for fund balance stabilization, and the unassigned reserve is \$3.2 million.

It is important to note that the School System is fiscally dependent on grants and contributions from the county, state, and federal governments for its operating resources, as the School System has no authority to levy taxes or issue bonded debt.

During the fiscal year, the fund balance of the School System's general fund increased by \$3.9 million. Any change in the School System's fund balance is a result of timing of expenditures. This is true because the School System's revenues and expenditures are fixed depending upon funding adopted by the county and state governments.

The fund balance of the Food Service Fund, a special revenue fund, decreased during the current fiscal year by \$209 thousand. This was due to decreased sales and rising food costs.

The Glenelg Waste Water Treatment Plant, a special revenue fund, was introduced in FY 2009. Revenues for this fund are created through the assessment of fees to the School System and the homeowners in Musgrove Farm. The fund finished with a fund balance of \$1.2 million due primarily to capital contributions of \$52 thousand.

Revenues for HCPSS's governmental funds increased 4.9 percent while total expenses increased 4.6 percent. County revenue increased by 5.7 percent or \$28.7 million over the previous year. While the general fund revenues from the county increased by 2.4 percent or \$10.4 million, the county revenues for the Capital Projects fund increased by 46.0 percent or \$18.0 million. The Capital Projects Fund recognizes county revenues when project expenditures are incurred. Significant renovations were completed at Mt. Hebron High, Northfield Elementary, and Bellow Spring and the Technology Project incurred additional expenditures in renovating music labs. State funding also increased by 0.7 percent or \$1.7 million over the previous year.

General Fund Budgetary Highlights

The General (Current Expense) Fund operates under a legally adopted annual budget. The budget is subdivided into State mandated categories of expenditures including administration, mid-level administration, instructional salaries, textbooks and instructional supplies, other instructional costs, special education, pupil services and health services, pupil transportation, operation of plant, maintenance of plant, fixed charges and community services. The legal level of budgetary control is at the category level. HCPSS may approve amendments to the budget recommended by management by transferring funds within categories, but transfers between categories must be requested and approved by the County Council.

The General (Current Expense) Fund budget is prepared using the encumbrance method of accounting. Under this method, commitments such as purchase orders and contracts are recorded as budgetary expenditures in addition to those made or accrued. When the actual expenditures take

place, the accounts are adjusted for the difference between the actual expenditure and the commitment previously recorded. At the end of the fiscal year, open encumbrances are reported as commitments or assignments of fund balances since they do not constitute expenditures or liabilities. All unexpended and unencumbered appropriations terminate at the end of the fiscal year and are no longer available for use in subsequent periods.

During FY 2011, General Fund Budgeted Revenues exceeded actual revenues by \$5.2 million due to \$6.8 million of state revenue budgeted for the General Fund but accounted for in the Restricted Fund in accordance with state requirements. Management cost cutting and efficiency efforts led to \$8.5 million in unspent budgeted appropriations with significant cost cutting and savings in almost all categories. The net positive budget variance of \$3.3 million in the General Fund will be available for the county to appropriate in future budgets.

Capital Assets

Table 4 - Capital Assets - Governmental Activities

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Land and improvements	\$ 12,079,152	\$ 12,079,152
Construction in progress	144,874,972	115,578,967
Buildings and improvements	1,052,475,886	1,038,408,976
Furniture and equipment	24,597,337	24,337,334
(Less accumulated depreciation)	<u>(328,078,392)</u>	<u>(303,657,911)</u>
Total Capital Assets	<u>\$ 905,948,955</u>	<u>\$ 886,746,518</u>

Capital Assets (continued)

The HCPSS had \$906.0 million invested in land, construction in progress, buildings and improvements, and furniture and equipment at June 30, 2011.

Table 4 (on page 18) shows governmental activities capital asset balances, net of accumulated depreciation, at June 30, 2011, and 2010. During FY 2011, capital assets increased by a net of \$19.2 million from the prior year. Depreciation expense on these assets was approximately \$25.1 million in FY 2011. More detailed information about capital assets can be found on [pages 50 and 51](#) of this report.

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

- Expended \$10.5 million for additional technology in our classrooms.
- Completed the School System's first green renovation project at Northfield Elementary.
- Completed additions/renovations of Bellows Spring Elementary.
- Started the additions/renovations of Thunder Hill Elementary.
- Started the additions/renovations of Bollman Bridge Elementary.

- Continued construction for the additions/renovations of Mt. Hebron High and Hammond Elementary and Hammond Middle.
- Started construction for dance studios at Centennial High and Hammond High and parking lot expansions at Centennial High.
- Continued planning for addition/renovations of Atholton High, Phelps Luck Elementary, Triadelphia Ridge Elementary, Folly Quarter Waste Water Treatment Plant and a new Elementary school (currently known as Northeastern Elementary).
- Other major projects include technology projects and roofing projects.

The HCPSS FY 2012 Capital Budget proposes spending \$25.9 million for systemic renovations, \$15.2 million for the Atholton High renovation and \$11.1 million for the new Northeastern Elementary school.

The HCPSS proposed capital spending totaling \$514.1 million over the FY 2013-2017 period which has been submitted to the Howard County Council for its approval. This will fully fund all of the capital projects requested by HCPSS. Cost estimates will need to be monitored closely to ensure the request is sufficient with regards to changes in the economy and materials pricing.

Long-Term Obligations

School systems in Maryland have no authority to incur bonded debt. The only long-term obligations of HCPSS consist of capital lease obligations and compensated absences resulting from annual leave earned but not taken by employees. The capital lease obligations were incurred in previous years for financing financial and computer system upgrades.

Annual leave is earned on a monthly basis. At the end of the fiscal year, annual leave that has not been used can be carried over into the following year. At the end of any fiscal year, an employee may not carry over more than two times what the individual has earned in that year. Accrued leave in excess of the carryover maximum will be lost. Compensated absences totaled

approximately \$7.0 million at June 30, 2011. Total long-term obligations totaled approximately \$14.0 million at June 30, 2011, for a decrease of approximately \$5.0 million over the balance of \$19.1 million at June 30, 2010.

Additional information on the School System's long-term obligation can be found on [page 53](#) of this report.

Factors Influencing Future Budgets

- The state continues to analyze options to shift pension costs to the local governmental units. Should this happen it would have a significant impact on future budgets.
- The student enrollments are projected to continue to increase, though at a more gradual pace, between FY 2012 and FY 2013 budgets.
- Future capital budgets include funding for renovations and additions to existing schools, including major systemic renovations to many of the older school facilities.
- As with many local governments, Howard County's revenues are dependent to a significant degree on real property taxes and income taxes. Future revenue growth from county sources, beyond state aid related "maintenance of effort" requirements, is expected to decline due to the depressed real estate market and pronounced increase in mortgage delinquencies and foreclosures.
- Most School System employee groups are covered by multi-year labor contracts, which are due for negotiation during FY 2012 for future years.
- Improvements are required in computer systems and networks throughout the school system.
- Reductions in FY 2012 state revenues to education are very likely to occur as part of a series of measures the state is expected to implement to address revenue shortfalls. The impact for the Howard County Public Schools System could significantly affect the programs and services available.
- The continuing trend of escalating health care benefit costs that have been experienced market-wide may require larger increases in shared contributions paid by the School System and employees.

Economic Factors

The Fiscal Year 2011 was a year of economic distress at the national and the regional levels as the housing crisis expanded into the mortgage market. The country experienced tightening capital markets, real inflation, a weakening dollar and gas prices at record high levels. The economic slowdown extended into Howard County as well, as troubles in the housing sector spread to other sectors of the local economy. The volatility of the American economy and the growing concern over the national debt have created uncertainty for future budgets.

At the time these financial statements were prepared and audited, the HCPSS was aware of other factors that could significantly affect its financial condition in the future:

- The local economy in Howard County has remained stable despite the struggling economy. Howard County has the lowest unemployment rate in the state.
- Revenues for the County are expected to dip in FY 2011 and 2012 due to decreases in the growth of personal income and reductions in transfer tax revenues.

- Rising energy-related costs will have an operational impact as will rising health and welfare costs.
- The county provides approximately 70 percent of HCPSS's operating budget funding needs.
- The county government's funding to the Howard County, Maryland Post-Retirement Medical Plan on behalf of the HCPSS could reduce direct county funding to the School System.

These factors were considered in preparing the HCPSS budget for the FY 2012.

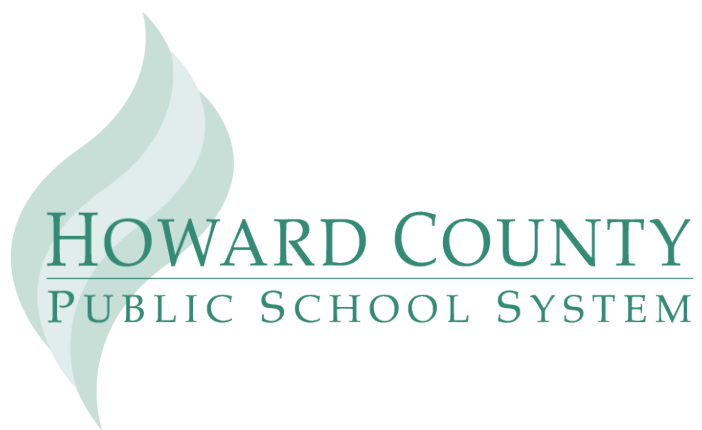




Contacting HCPSS Financial Management

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

Howard County Public School System
Finance Department
10910 Route 108, Ellicott City, MD 21402-6198
Phone: 410-313-1530
Email: beverly_davis@hcpss.org



Basic Financial Statements





HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF NET ASSETS
June 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 14,127,029	\$ -	\$ 14,127,029
Restricted cash	119,394	-	119,394
Investments	140,416,013	-	140,416,013
Accounts receivable	2,392,679	-	2,392,679
Internal balances	(150,546)	150,546	-
Due from other units of government	6,529,871	-	6,529,871
Prepaid items	461,337	-	461,337
Inventory	1,791,181	-	1,791,181
Capital assets:			
Land	12,079,152	-	12,079,152
Construction in process	144,874,972	-	144,874,972
Building and improvements	1,052,475,886	-	1,052,475,886
Furniture and equipment	24,597,337	144,920	24,742,257
Less: accumulated depreciation	<u>(328,078,392)</u>	<u>(117,516)</u>	<u>(328,195,908)</u>
Total capital assets, net of depreciation	<u>905,948,955</u>	<u>27,404</u>	<u>905,976,359</u>
Total assets:	<u>1,071,635,913</u>	<u>177,950</u>	<u>1,071,813,863</u>
LIABILITIES			
Accounts payable	8,285,138	-	8,285,138
Accrued liabilities	88,394,304	-	88,394,304
Unearned revenue	28,335,553	-	28,335,553
Long-term liabilities:			
Current portion	3,873,985	-	3,873,985
Long-term portion	<u>10,150,174</u>	<u>-</u>	<u>10,150,174</u>
Total liabilities	<u>139,039,154</u>	<u>-</u>	<u>139,039,154</u>
NET ASSETS			
Invested in capital assets, net of related debt	898,922,001	27,404	898,949,405
Restricted for:			
Wastewater treatment plant	1,235,579	-	1,235,579
Food services	<u>146,090</u>	<u>-</u>	<u>146,090</u>
Unrestricted	32,293,089	150,546	32,443,635
TOTAL NET ASSETS	<u>\$ 932,596,759</u>	<u>\$ 177,950</u>	<u>\$ 932,774,709</u>

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

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF ACTIVITIES
 Year Ended June 30, 2011

FUNCTIONS/PROGRAMS	Program Revenues					Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
Instruction:								
Regular education	\$ 465,689,864	\$ 5,061,239	\$ 58,504,347	\$ 63,824,658	\$ (338,299,620)	\$ -	\$ (338,299,620)	
Special education	131,738,006	-	43,411,052	-	(88,326,954)	-	(88,326,954)	
Total instruction	597,427,870	5,061,239	101,915,399	63,824,658	(426,626,574)	-	(426,626,574)	
Support services:								
Administration	13,328,324	-	1,440,240	-	(11,888,084)	-	(11,888,084)	
Mid-level administration	80,222,017	-	23,486,264	-	(56,735,753)	-	(56,735,753)	
Pupil personnel services	3,844,361	-	569,675	-	(3,274,686)	-	(3,274,686)	
Health services	8,324,421	-	1,021,345	-	(7,303,076)	-	(7,303,076)	
Pupil transportation	34,654,580	-	14,122,537	-	(20,532,043)	-	(20,532,043)	
Operation of plant	45,383,237	3,417,728	3,717,309	52,000	(38,196,200)	-	(38,196,200)	
Maintenance of plant	27,905,452	-	2,090,823	-	(25,814,629)	-	(25,814,629)	
Community services	7,298,033	-	894,674	-	(6,403,359)	-	(6,403,359)	
Food services	12,166,947	7,036,686	4,915,688	-	(214,573)	-	(214,573)	
Interest on long-term debt	325,184	-	-	-	(325,184)	-	(325,184)	
Total support services	233,452,556	10,454,414	52,258,555	52,000	(170,687,587)	-	(170,687,587)	
Total governmental activities	830,880,426	15,515,653	154,173,954	63,876,658	(597,314,161)	-	(597,314,161)	
Business-type activities:								
Enterprise funds	150,154	144,228	-	-	-	(5,926)	(5,926)	
TOTAL SCHOOL SYSTEM	\$ 831,030,580	\$ 15,659,881	\$ 154,173,954	\$63,876,658	(597,314,161)	(5,926)	(597,320,087)	
General revenues - unrestricted:								
Local appropriations					464,708,788	-	464,708,788	
State aid					169,182,577	-	169,182,577	
Federal aid					173,682	-	173,682	
Interest and investment earnings					121,532	-	121,532	
Miscellaneous					1,382,489	-	1,382,489	
Total general revenues					635,569,068	-	635,569,068	
CHANGES IN NET ASSETS					38,254,907	(5,926)	38,248,981	
NET ASSETS, BEGINNING OF YEAR					894,341,852	183,876	894,525,728	
NET ASSETS, END OF YEAR					\$ 932,596,759	\$ 177,950	\$ 932,774,709	

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

Fund Financial Statements





HOWARD COUNTY PUBLIC SCHOOL SYSTEM

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Glenelg Wastewater Treatment Plant Fund</u>	<u>Restricted Programs Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 11,404,417	\$ 2,722,612	\$ -	\$ -	\$ -	\$ 14,127,029
Restricted cash	119,394	-	-	-	-	119,394
Investments	136,913,497	459,102	1,235,579	-	-	138,608,178
Accounts receivable	1,740,257	329,251	170,199	79,366	-	2,319,073
Prepaid items	323,140	-	-	2,859	-	325,999
Due from other funds	1,411,656	-	-	-	10,184,653	11,596,309
Due from other units of government	-	-	-	4,147,382	2,382,489	6,529,871
Inventory	<u>1,042,358</u>	<u>146,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,188,448</u>
TOTAL ASSETS	<u>\$ 152,954,719</u>	<u>\$ 3,657,055</u>	<u>\$ 1,405,778</u>	<u>\$ 4,229,607</u>	<u>\$ 12,567,142</u>	<u>\$ 174,814,301</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 2,489,207	\$ 203,261	\$ 18,415	\$ 1,012,374	\$ 88,949	\$ 3,812,206
Accrued liabilities	67,343,660	-	-	105,544	1,220,912	68,670,116
Due to other funds	59,386,535	626,760	149,781	635,114	-	60,798,190
Unearned revenue	6,975,927	-	-	2,476,575	15,501,916	24,954,418
Compensated absences payable	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total liabilities	<u>136,245,329</u>	<u>830,021</u>	<u>168,196</u>	<u>4,229,607</u>	<u>16,811,777</u>	<u>158,284,930</u>
FUND BALANCES						
Nonspendable:						
Prepaid expenses	323,141	-	-	-	-	323,141
Inventories	1,042,358	146,090	-	-	-	1,188,448
Restricted:	-	-	1,235,579	-	-	1,235,579
Assigned:	7,917,525	2,680,944	-	-	-	10,598,469
Unassigned:	<u>7,426,366</u>	<u>-</u>	<u>2,003</u>	<u>-</u>	<u>(4,244,635)</u>	<u>3,183,734</u>
Total fund balances	<u>16,709,390</u>	<u>2,827,034</u>	<u>1,237,582</u>	<u>-</u>	<u>(4,244,635)</u>	<u>16,529,371</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 152,954,719</u>	<u>\$ 3,657,055</u>	<u>\$ 1,405,778</u>	<u>\$ 4,229,607</u>	<u>\$ 12,567,142</u>	<u>\$ 174,814,301</u>

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

Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (page 29) \$ 16,529,371

**Amounts reported for governmental activities in the Statement of
Net Assets are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$1,234,027,347 and the accumulated depreciation is \$328,078,392. 905,948,955

Internal service funds are used by the Board to account for printing and duplicating services, data processing services, workers compensation self-insurance activities, and health and dental self-insurance activities. The assets and liabilities of these internal service funds are included with governmental activities. The amount shown is net of the related capital assets of these funds accounted for above. 24,092,592

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of \$7,026,954 of capital leases and \$6,947,205 of compensated absences payable. (13,974,159)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (page 25) \$ 932,596,759

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

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2011

	General Fund	Food Services Fund	Glennelg Wastewater Treatment Plant Fund	Restricted Programs Fund	Capital Projects Fund	Total Governmental Funds
REVENUES						
Intergovernmental revenues:						
Local sources	\$ 472,873,836	\$ -	\$ -	\$ 1,112,306	\$ 57,133,848	\$ 531,119,990
State sources	251,291,724	102,622	-	5,905,177	6,690,016	263,989,539
Federal sources	402,256	4,813,066	-	34,771,221	-	39,986,543
Earnings on investments	114,214	5,224	2,094	-	794	122,326
Charges for services	6,496,725	7,036,686	222,365	-	-	13,755,776
Miscellaneous revenues	1,397,714	-	52,000	-	-	1,397,714
	<u>732,576,469</u>	<u>11,957,598</u>	<u>224,459</u>	<u>41,788,704</u>	<u>63,824,658</u>	<u>850,371,888</u>
EXPENDITURES						
Current:						
Administration	10,233,839	-	-	428,926	-	10,662,765
Mid level administration	50,577,018	-	-	6,097,644	-	56,674,662
Instruction:						
Instructional salaries	280,444,735	-	-	1,835,002	-	282,279,737
Textbooks and classroom supplies	15,347,262	-	-	531,520	-	15,878,782
Other instructional costs	2,471,991	-	-	1,459,564	-	3,931,555
Special education	80,675,796	-	-	17,341,121	-	98,016,917
Pupil personnel services	2,692,906	-	-	58,555	-	2,751,461
Health services	5,894,687	-	-	-	-	5,894,687
Pupil transportation	34,050,328	-	-	1,755	-	34,052,083
Operation of plant	37,720,572	-	-	-	-	37,720,572
Maintenance of plant	22,012,664	-	222,365	-	-	22,235,029
Fixed charges	179,848,985	-	-	13,881,871	-	193,730,856
Community services	5,911,661	-	-	152,746	-	6,064,407
Costs of operation - food service	-	12,166,947	-	-	-	12,166,947
Capital outlay	767,696	-	-	-	63,267,567	64,035,263
	<u>728,650,140</u>	<u>12,166,947</u>	<u>222,365</u>	<u>41,788,704</u>	<u>63,267,567</u>	<u>846,095,723</u>
EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES	<u>3,926,329</u>	<u>(209,349)</u>	<u>2,094</u>	<u>-</u>	<u>557,091</u>	<u>4,276,165</u>
NET CHANGES IN FUND BALANCE	3,926,329	(209,349)	54,094	-	557,091	4,328,165
FUND BALANCE, BEGINNING OF YEAR	<u>12,783,061</u>	<u>3,036,383</u>	<u>1,183,488</u>	<u>-</u>	<u>(4,801,726)</u>	<u>12,201,206</u>
FUND BALANCE, END OF YEAR	<u>\$ 16,709,390</u>	<u>\$ 2,827,034</u>	<u>\$1,237,582</u>	<u>\$ -</u>	<u>\$ (4,244,635)</u>	<u>\$ 16,529,371</u>

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

Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

June 30, 2011

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS (page 31)	\$ 4,328,165
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay, \$44,362,963 exceeds depreciation expense, \$24,962,421 in the period. 19,400,542

Upon disposal, the difference between the cost basis of assets and the accumulated depreciation is recorded as a loss in the Statement of Activities. For governmental funds, all capital assets are initially recorded as expenditures and therefore no loss is recognized upon disposal. The amount by which the cost basis of disposed assets, \$729,156, exceeded the accumulated depreciation, \$662,545, is reported as a loss in the Statement of Activities. (66,611)

Repayment of capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of activities. 4,651,852

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This year, vacation and sick leave used exceeded the amounts earned by: 429,377

Internal service funds are used by the Board to account for printing and duplicating services, data processing services, workers' compensation self-insurance activities, and health and dental self-insurance activities. The change in net assets of the service fund is reported with governmental activities. 9,511,582

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 26)	\$ <u>38,254,907</u>
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These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2011

	<u>Enterprise Fund</u>	<u>Governmental Activities Internal Service Funds</u>
ASSETS		
CURRENT ASSETS		
Investments	\$ -	\$ 1,807,835
Accounts receivable	-	73,605
Due from other funds	150,546	49,051,336
Inventory	-	602,733
Prepaid expenses	-	135,338
	<u>150,546</u>	<u>51,670,847</u>
Total current assets	<u>150,546</u>	<u>51,670,847</u>
NONCURRENT ASSETS		
Capital assets:		
Furniture, fixtures, and equipment	144,920	1,870,277
Less accumulated depreciation	<u>(117,516)</u>	<u>(1,471,474)</u>
Total capital assets, net	<u>27,404</u>	<u>398,803</u>
Total assets	<u>177,950</u>	<u>52,069,650</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	-	4,472,932
Accrued liabilities	-	7,995,419
Due to other funds	-	11,728,769
Unearned revenue	<u>-</u>	<u>3,381,135</u>
Total liabilities	<u>-</u>	<u>27,578,255</u>
NET ASSETS		
Invested in capital assets	27,404	398,803
Unrestricted	<u>150,546</u>	<u>24,092,592</u>
TOTAL NET ASSETS	<u>\$ 177,950</u>	<u>\$ 24,491,395</u>

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

Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended June 30, 2011

	Enterprise Fund	Governmental Activities Internal Service Funds
	<u> </u>	<u> </u>
OPERATING REVENUES		
Charges for services - internal	\$ -	\$ 84,504,263
Charges for services - other	144,228	-
Contributions from employees and retirees	-	17,490,968
	<u> </u>	<u> </u>
Total operating revenues	144,228	101,995,231
	<u> </u>	<u> </u>
OPERATING EXPENSES		
Operating expenses	131,076	-
Administrative expenses	-	12,601,129
Claims and related expenses	-	79,745,971
Loss on disposal of asset	-	15,225
Depreciation expense	19,078	124,410
	<u> </u>	<u> </u>
Total operating expenses	150,154	92,486,735
	<u> </u>	<u> </u>
Operating income (loss)	(5,926)	9,508,496
	<u> </u>	<u> </u>
NON-OPERATING REVENUE		
Investment income	-	3,086
	<u> </u>	<u> </u>
Non-operating income	-	3,086
	<u> </u>	<u> </u>
CHANGES IN NET ASSETS	(5,926)	9,511,582
TOTAL NET ASSETS, BEGINNING OF YEAR	183,876	14,979,813
	<u> </u>	<u> </u>
TOTAL NET ASSETS, END OF YEAR	\$ 177,950	\$ 24,491,395
	<u> </u>	<u> </u>

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

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 144,228	\$ -
Cash received from other funds	(13,152)	65,418,073
Cash received from employees and retirees	-	17,490,968
Payments to other funds	-	216,967
Payments to employees	-	(3,894,893)
Payments to suppliers	(131,076)	(79,222,973)
Net cash provided by operating activities	<u>-</u>	<u>8,142</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of equipment	-	(8,142)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	(3,086)
Interest received	-	3,086
Net cash provided by investing activities	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	\$ (5,926)	\$ 9,508,496
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	19,078	124,410
Loss on disposal of asset	-	15,225
Effects of changes in operating assets and liabilities:		
Accounts receivable	-	(2,629)
Due from other funds	(13,152)	(19,378,977)
Inventory	-	782,269
Prepaid expenses	-	(53,641)
Accounts payable	-	3,994,637
Accrued liabilities	-	4,384,926
Unpaid claims	-	464,022
Due to other funds	-	(279,641)
Unearned revenue	-	449,045
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ 8,142</u>

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

Fund Financial Statements

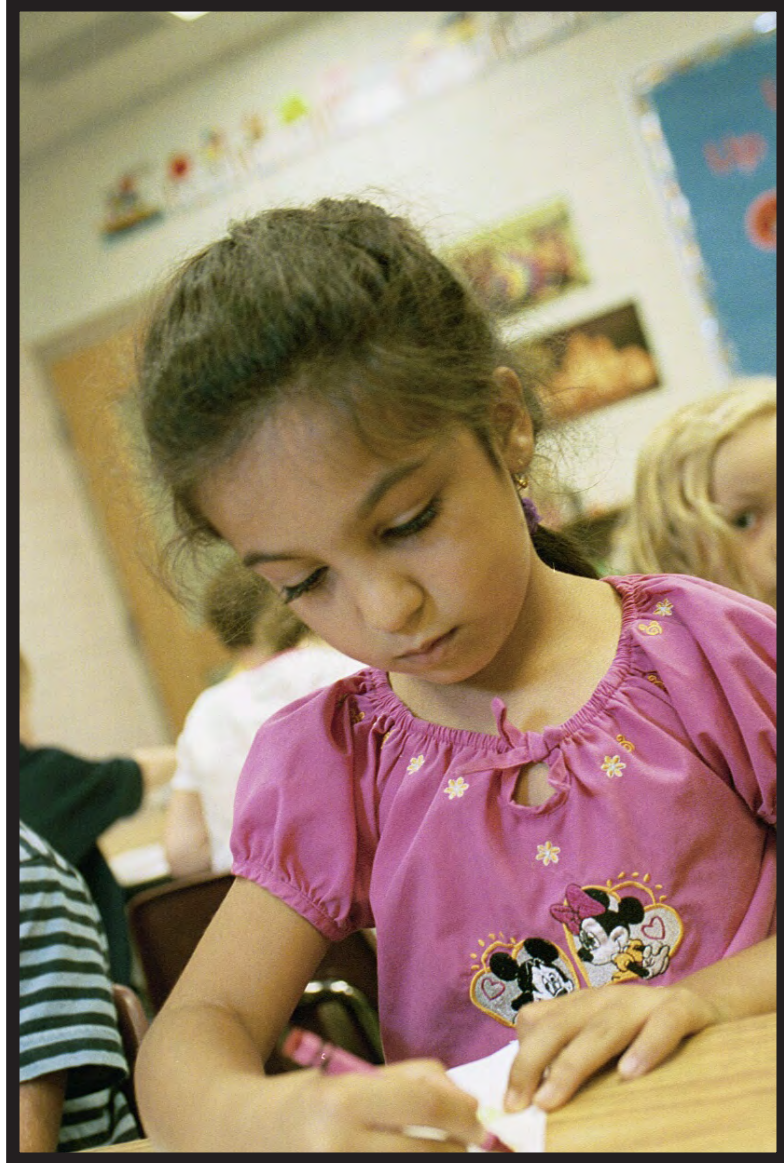
HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2011

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>4,817,298</u>
TOTAL ASSETS	<u>\$ 4,817,298</u>
LIABILITIES	
School activity funds payable	\$ <u>4,817,298</u>
TOTAL LIABILITIES	<u>\$ 4,817,298</u>

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

Summary of Significant Accounting Policies





Summary of Significant Accounting Policies

June 30, 2011

Financial Reporting Entity

The Howard County Public School System (the School System) is a body politic and corporate established by the Public School Laws of Maryland. For financial reporting purposes, the School System (alternatively referred to herein as Howard County Public School System (HCPSS) is a component unit of Howard County, Maryland (the County) by virtue of the County's responsibility for levying taxes and incurring debt for the benefit of the School System and its budgetary control over the School System. Accordingly, the financial statements of the School System are included in the financial statements of the County. The School System itself has no component units.

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

Government-wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the School System as a whole. For the most part, the effect of interfund activity has been removed from these statements. The activities of the General Fund, Food Services Fund – a special revenue fund, Glenelg Waste Water Treatment Plant – a special revenue fund, Restricted Programs Fund – a special revenue fund, Capital Projects Fund and Internal Service Funds have been presented as governmental activities in the government-wide financial statements. The activities of the Enterprise Fund have been presented as business-type activities in those statements because a majority of these fund revenues come from charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Local appropriations, state and federal aid and other items which are not classified as program revenues are presented as general revenues of the School System.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. All individual governmental funds are considered to be major funds and are reported as separate columns in the governmental fund financial statements.

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

Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School System considers revenues to be available if they are collectible within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to certain compensated absences and capital leases are recognized when the obligations were due and payable. Local appropriations and state and federal aid associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria have been met. Expenditure driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting used in the government-wide financial statements.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds use the accrual basis of accounting for recognition of assets and liabilities.

The School System reports the following major funds in the fund financial statements:

Governmental Funds

General Fund – The general fund is the general operating fund of the School System. It is used to account for all financial resources except those required to be accounted for in another fund.

Food Services Fund (Special Revenue Fund) – The food services fund is used to account for the operations of cafeterias and the production facility, which provides for the preparation and sale of meals primarily to students. As a special revenue fund, the proceeds of specific revenue sources (other than major capital projects) are legally restricted to expenditures for specified purposes.

Glenelg Wastewater Treatment Plant (Special Revenue Fund) – The wastewater treatment fund is used to account for the operations of the shared wastewater treatment facility at Glenelg High School, which provides wastewater treatment services to Glenelg High School and the Musgrove Farm community of 31 homesites located on the adjoining property. The proceeds of specific revenue sources (other than major capital projects) are legally restricted to expenditures for specified purposes.

Restricted Programs Fund – The restricted programs fund is used to account for restricted grants issued primarily by county, state, and federal governmental agencies.

Capital Projects Fund – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

Proprietary Funds

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

Enterprise Fund – The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The James Rouse Theater Fund is reported as an enterprise fund.

Proprietary Funds – distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operation. The principal operating revenues for the internal service funds are premium contributions to the health and dental self-insurance fund, the workers compensation fund, the printing and duplicating fund and the data processing fund. Operating revenues for the enterprise fund, James Rouse Theater, are received primarily from ticket sales. Operating expenses for the internal service funds as well as the enterprise fund cover the cost of providing these services, including administrative, claim and related payments and depreciation. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

Agency Funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The school funds account for the funds of other persons or organizations which are the direct responsibility of the principals of the respective schools.

The accounting policies of the School System conform to accounting principles generally accepted in the United States of America. Accordingly, the School System applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments have the option of following private-sector guidance of business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow subsequent private-sector guidance.

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated and reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities.

Assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets. The effect of interfund services provided and used between functions has not been eliminated in the Statement of Activities, since to do so would distort the direct costs and program revenues for the various functions concerned.

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

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The School System maintains pooled and various separate cash accounts for its funds which are managed in accordance with the Annotated Code of Maryland and the Board's investment policy. The cash balances of the School Fund (see the Statement of Fiduciary Net Assets) consist of individual demand accounts maintained by the schools. Investments are stated at amortized cost, which approximates fair value due to the short-term nature of those investments. The School System considers any instrument with a maturity of three months or less when purchased, as cash equivalents.

Due from Other Units of Government and Other Receivables

Accounts receivable in all funds represent amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts. Governmental fund type receivables consist primarily of amounts due from county, state, or federal governments and from other Maryland Public School Systems. These intergovernmental receivables are generally collected within 90 days of the end of the fiscal year. Certain intergovernmental receivables may extend up to one year from the end of the fiscal year. Uncollectible amounts as of June 30, 2011, are expected to be minimal based upon collection experience and review of the status of existing receivables.

Inventory and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid expenses in the general fund and workers compensation insurance internal service fund consist of insurance premiums and other administrative expenditures that relate to fiscal year 2012. The consumption method is used to charge prepaid items to expenditures.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental activities and business-type activities columns in the government-wide financial statements.

Capital assets are defined by the School System as assets with an initial, individual cost of more than \$5,000 and a useful life of at least one years. Capital assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment is depreciated using the straight-line method over estimated useful lives of 20 – 45 years for buildings, improvements and infrastructure, and 3 – 15 years for furniture and equipment.

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

Capital Assets (continued)

Assets which have been acquired with funds received through federal grants must be used in accordance with the terms of the grant. Federal regulations require, in some cases, that the School System must reimburse the federal government for any assets which the School System retains for its own use after the termination of the grant unless otherwise provided by the grantor.

Unearned Revenue

For the General Fund, unearned revenue consists of summer school tuition which is collected in advance and unearned since the corresponding services have not been provided and the earnings process is not completed until the following fiscal year.

For the Restricted Programs Fund and Capital Projects Fund, unearned revenue consists of revenues received under restricted programs in excess of the expenditures under those programs at June 30, 2011.

For the Glenelg Wastewater Treatment Plant Fund, unearned revenue consists of assessment fees collected in advance and unearned since the corresponding services have not been provided and the earnings process is not completed until the following fiscal year.

For the Internal Service Funds, unearned revenue consists of payroll withholdings from employees for health and dental insurance collected in advance as of June 30, 2011, for the first three months of fiscal year 2012.

Compensated Absences

It is the School System's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, as a result of employee resignations and retirements.

Net Assets / Fund Equity

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Under state law, the School System is prohibited from incurring debt to finance the acquisition of capital assets. Major capital projects are financed through local and state aid with applicable debt recorded by Howard County and the state of Maryland. Net assets are reported as restricted when there are limitations placed on their use through external restrictions imposed by grantors or laws or regulations of other governments.

The School System has adopted the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, this statement clarifies the definitions of the general fund, special revenue fund type, and permanent fund type as applicable to the School System. This statement changes the fund balance classifications reported on the Governmental Fund Balance Sheet and requires expanded disclosure of the School System's policies and procedures as it relates to authority levels, spending policy, and reporting of encumbrances.

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

Net Assets / Fund Equity (Continued)

This statement requires that fund balance amounts be properly reported within one of the fund balance categories listed below.

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes as determined by a formal action of the Board, the highest level of decision-making authority for the School System. Commitments may be established, modified, or rescinded only through formal actions consisting of ordinances or resolutions approved by the Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. This intent can be expressed by the Board or through their delegation of this responsibility to the Superintendent's budgetary process.

Unassigned – All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School System considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School System considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Budgets and Budgetary Accounting

Budgetary compliance is measured using the budgetary basis of accounting, the purpose of which is to demonstrate compliance with the legal requirements of Howard County and the state of Maryland. The budgetary basis differs from GAAP, which is used for the fund financial statements, in that encumbrances, which represent commitments to purchase goods and services, are treated as expenditures of the current period rather than as reservations of the fund balance. The other principal difference is that under the budgetary basis, designations of the prior year's fund balance are treated as revenue of the current period. The general fund budgetary basis schedules of revenues and expenditures and encumbrances, budget and actual, and a reconciliation to the fund financial statements are presented as required supplementary information to these financial statements. By state law, major categories of expenditures may not exceed budgeted amounts.

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

The School System follows these procedures in establishing the budgetary data reflected in the financial statements:

Operating Budget (General Fund)

- 1) A discussion guide for the following fiscal year's operating budget is published annually.
- 2) A public hearing is held in October to receive budget requests from individuals and community groups.
- 3) The proposed budget is made available to the public and the County Government in January.
- 4) Public hearings are held to obtain comments from the community.
- 5) The final proposed operating budget is submitted to the County Executive prior to March 16.
- 6) After approval or adjustment by the County Council, the final operating budget is approved by the School System in June.
- 7) Transfers may be made within the major categories by the School System without the approval of the County Council.
- 8) Budgets are adopted on a basis consistent with GAAP except for the inclusion of portions of the prior year's fund balance as revenues, the inclusion of encumbrances as expenditures, and the exclusion of pension contributions made on the School System's behalf by the state of Maryland as both revenues and expenditures. Budget comparisons presented are on a non-GAAP budgetary basis.
- 9) Requests for transfers between major categories must be submitted to the County Council for approval or denial. No action within thirty (30) days of submission constitutes approval.
- 10) Supplemental amendments for the year ended June 30, 2011, were made reducing the operating budget in the amount of \$2,658,723, all of which were properly approved.

Operating Budget (Restricted Fund)

This budget is not legally adopted. The Restricted Fund accounts for revenue and expenditures under special state and federal programs. Management estimates expected revenues and expenditures but there is not a legally adopted budget and actual expenditures may exceed budgeted amounts. The grants included in this category are not part of budget categories subject to spending limitations of the operating budget. Expenditures under these programs are limited to the amounts of the respective grants.

Operating Budget (Food Services Fund)

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

Operating Budget (Glenelg Wastewater Treatment Plant Fund)

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

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

Operating Budget (Enterprise Fund)

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

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

Notes to Basic Financial Statements





NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

Note 1 – Cash and Investments

Deposits

At year-end, the carrying amount of the School System's deposits was \$19,063,721 consisting of \$14,246,423 in the governmental activities (including \$119,394 of restricted cash) and \$4,817,298 in the agency fund and the corresponding bank balances were \$21,366,424. Of the bank balances, \$750,000 was covered by Federal Depository Insurance and \$20,616,424 was covered by collateral held in the pledging bank's trust department in the School System's name. The School System has a contractual arrangement with a bank for funds to be transferred daily from overnight investments to cover checks as presented.

Restricted cash in the General Fund consists of an escrow account established for disbursements in connection with the capital lease for energy performance contracts being completed at various school locations. The balance of \$119,394 at June 30, 2011, represents amounts not yet disbursed for those contracts.

Investments

At June 30, 2011, the School System's investments totaling \$140,416,013 in governmental activities were entirely in the Maryland Local Government Investment Pool (MLGIP), which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAA by Standard and Poors, their highest rating for money market funds. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, based on the average method of the pool's investments, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Interest Rate Risk

Fair value fluctuates with interest rates, and increasing rates could cause fair value to decline below original cost. To limit the School System's exposure to interest rate risk, the School System's investment policy limits the term of investment maturities other than the Fiduciary Funds to overnight repurchase agreements and requires that collateral securities underlying the repurchase agreements have a market value equal to the cost of the agreement. Total net investment income per the Statement of Activities consists of interest income of \$124,618 for the year ended June 30, 2011.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the School System will not be able to recover all or a portion of its investments or collateral securities that are in the possession of an outside party. The School System's investment policy limits its investments to overnight deposits that are insured or collateralized with securities held by a custodian in the School System's name and investments in the MLGIP.

Statutes require that deposits be held in Maryland banks, that uninsured deposits be fully collateralized, and that the School System limit its investments to obligations of the United States government, federal agency obligations and repurchase agreements secured by direct government or agency obligations.

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

Note 2 – Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Increases	Decreases / Reclassifications	Balance June 30, 2011
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 12,079,152	\$ -	\$ -	\$ 12,079,152
Construction in progress	115,578,967	43,362,915	(14,066,910)	144,874,972
Total nondepreciable capital assets	<u>127,658,119</u>	<u>43,362,915</u>	<u>(14,066,910)</u>	<u>156,954,124</u>
Depreciable capital assets				
Land improvements	1,675,226	-	-	1,675,226
Buildings and improvements	1,036,733,750	-	14,066,910	1,050,800,660
Furniture and equipment	24,337,334	1,008,190	(748,187)	24,597,337
Total depreciable capital assets	<u>1,062,746,310</u>	<u>1,008,190</u>	<u>13,318,723</u>	<u>1,077,073,223</u>
Less accumulated depreciation for:				
Land improvements	(1,205,911)	(72,308)	-	(1,278,219)
Buildings and improvements	(283,385,708)	(22,980,785)	-	(306,366,493)
Furniture and equipment	(19,066,293)	(2,033,738)	666,351	(20,433,680)
Total accumulated depreciation	<u>(303,657,912)</u>	<u>(25,086,831)</u>	<u>666,351</u>	<u>(328,078,392)</u>
Total depreciable capital assets, net	<u>759,088,398</u>	<u>(24,078,641)</u>	<u>13,985,074</u>	<u>748,994,831</u>
Governmental activities capital assets, net	<u>\$ 886,746,517</u>	<u>\$ 19,284,274</u>	<u>\$ (81,836)</u>	<u>\$ 905,948,955</u>

Depreciation expense for the year ended June 30, 2011 was charged to Governmental activities on the Statement of Activities as follow:

Instruction:

Regular education	\$ 20,235,973
Special education	103,831

Support services:

Administration	465,090
Mid-level administration	3,527,916
Pupil transportation	35,548
Operation and maintenance of plant	630,702
Community services	87,771

Total \$ 25,086,831

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

Note 2 – Capital Assets (continued)

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Balance June 30, 2011</u>
Business-type activities:			
Furniture and equipment at historical cost	\$ 144,920	\$ -	\$ 144,920
Less accumulated depreciation	<u>(98,438)</u>	<u>(19,078)</u>	<u>(117,516)</u>
Business-type activities capital assets, net	<u>\$ 46,482</u>	<u>\$ (19,078)</u>	<u>\$ 27,404</u>

Depreciation expenses charged to business-type activities for the year ended June 30, 2011, was \$19,078.

The School System has active school construction projects as of June 30, 2011, as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Project:		
Mt. Hebron High Renovation	\$ 36,755,799	\$ 17,844,201
Systemic – Clarksville Middle	20,763,830	1,727,170
Roofing	18,066,322	4,671,782
Northfield Elementary	16,102,724	1,330,097
Systemic – Hammond Elementary/Middle	12,163,164	5,724,062
Site Acquisition/Contingency	9,026,216	9,576,384
Technology	8,027,642	1,458,358
Facility Modernization	5,600,679	799,321
Atholton High Renovation	1,442,401	4,919,599
Systemic – Thunder Hill Elementary	766,377	6,182,623
Hammond/Centennial High Dance Studios	<u>662,050</u>	<u>984,950</u>
	<u>129,377,204</u>	<u>55,218,547</u>
Other projects	<u>388,450,107</u>	<u>31,689,754</u>
Total	<u>\$ 517,827,311</u>	<u>\$ 86,908,301</u>

These projects are primarily funded through capital grants from Howard County and the state of Maryland, prior to commitments being made with contractors.

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

Note 3 – Due To/From Other Funds

The composition of inter-fund balances as of June 30, 2011, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Purpose	Amount
Health and Dental	General	Benefit plan expenditures	\$ 46,048,023
School Construction	General	Reimbursable expenditures	10,184,653
Data Processing	General	Reimbursable expenditures	862,366
Workers Compensation	General	Reimbursable expenditures	2,125,530
James Rouse Theatre	General	Reimbursable expenditures	150,546
Printing & Duplicating	General	Reimbursable expenditures	15,417
General	Glenelg WWTP	Advances of pooled cash	149,781
General	Restricted Programs	Advances of pooled cash	635,114
General	Food Services	Advances of pooled cash	626,760
Total			\$ 60,798,190

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

	Due From	Due To
Balance Sheet - Governmental Funds (page 29)	\$ 60,798,190	\$ 11,596,308
Statement of Net Assets - Proprietary Funds (page 33)	-	150,546
Statement of Net Assets - Internal Service Funds (page 33)	-	49,051,336
Total	\$ 60,798,190	\$ 60,798,190

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

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

Note 4 – Due From Other Units of Government

Due from other units of government at June 30, 2011, consists of the following:

	Federal Government	State of Maryland	Howard County Government	Total
Restricted Fund	\$ 2,966,905	\$ 1,180,477	\$ -	\$ 4,147,382
School Construction	-	101,373	2,281,116	2,382,489
Total	\$ 2,966,905	\$ 1,281,850	\$ 2,281,116	\$ 6,529,871

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

Note 5 – Long-Term Liabilities

Activity in long-term liabilities for the year ended June 30, 2011, was as follows:

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2011</u>	<u>Due Within One Year</u>
Compensated absences	\$ 7,426,582	\$ -	\$ (429,377)	\$ 6,997,205	\$ 525,000
Capital leases	11,678,806	-	(4,651,852)	7,026,954	3,348,985
Total governmental activities	<u>\$ 19,105,388</u>	<u>\$ -</u>	<u>\$ (5,081,229)</u>	<u>\$ 14,024,159</u>	<u>\$ 3,873,985</u>

Compensated absences are generally liquidated by the General Fund.

The School System has entered into various lease agreements as lessee to finance the purchase of computers, telephone, and performance contracting equipment that expire at various times through fiscal year 2021. The assets acquired and capitalized as fixed assets under capital leases are as follows:

	<u>Governmental Activities</u>
Equipment at cost	\$ 9,005,346
Less accumulated depreciation	<u>(8,743,289)</u>
Total	<u>\$ 262,057</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

<u>Year Ending June 30, 2011</u>	<u>Governmental Activities</u>
2012	\$ 3,348,985
2013	637,950
2014	581,980
2015	581,980
2016	581,980
Thereafter	2,213,836
Total minimum lease payments	7,946,711
Less amount representing interest	<u>(919,757)</u>
Present value of minimum lease payments	<u>\$ 7,026,954</u>

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

Note 6 – Pension Plans

The employees of the School System are covered by the State Retirement and Pension System of Maryland which is a cost-sharing multiple-employer public employee retirement system (the State System). Most School System employees participate in the State System. The State System prepares a Comprehensive Annual Financial Report, which can be obtained from the State Retirement and Pension Systems of Maryland at 120 East Baltimore Street, Baltimore, Maryland 21202.

Plan Description

The State System, which is administered in accordance with Article 73B of the Annotated Code of Maryland, consists of several plans which are managed for the School System by Trustees for the State System. All state employees and employees of the participating entities are eligible for coverage by the plans. The State System provides retirement, death, and disability benefits in accordance with state statutes.

Funding Policy

The School System's required contributions are based upon actuarial valuations. Effective July 1, 1980, in accordance with the law governing the State System, all benefits of the State System are funded in advance. The entry age normal cost method is the actuarial cost method used. Both the School System and covered employees are required by State statute to contribute to the State System. The employees contribute 3 percent to 7 percent of compensation, as defined, depending on the participant's plan.

The contribution requirements of the State System members, as well as the State and participating governmental employees are established and may be amended for the School System by Trustees for the State System. Benefits are provided in accordance with state statutes.

The state makes a substantial portion of the School System's annual required contributions to the State System on behalf of the School System. The state's contributions on behalf of the School System for the years ended June 30, 2011, 2010, and 2009, amounted to \$59,683,290; \$51,557,589; and \$41,423,968, respectively.

The fiscal 2011 contributions made by the state on behalf of the School System have been included as both revenues and expenditures in the General Fund in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances and are also included as revenues and expenses on the Statement of Activities.

The School System made its share of the required contributions during the years ended June 30, 2011, 2010, and 2009 of \$4,664,615; \$3,350,776 and \$3,056,419, respectively.

The contributions are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability over a 40-year period (as provided by law) from July 1, 1980.

Note 7 – Post-Employment Benefits Other Than Pension Benefits

Plan Description

The School System contributes to the Howard County, Maryland Post-Retirement Medical Plan (the Plan), a cost-sharing multiple-employer defined benefit post employment healthcare plan administered by the Howard County Government (the County). The Plan provides medical and life insurance benefits to retired employees of participating governmental entities.

The County issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Howard County Government, 3430 Courthouse Drive, Ellicott City, MD 21043, or by calling 410-313-2195.

Funding Policy

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

Participating governmental entities are contractually required to contribute at a rate assessed each year by the Plan. The Plan's Trustees set the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the requirements of GASB Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The School System's contributions, which were equal to the required amounts, were \$8,165,048, \$4,871,068 and \$8,068,884, for the years ended June 30, 2011, 2010, and 2009, respectively. These contributions were paid by and on behalf of the School System by the County.

Note 8 – Fund Balance

Fund balance at June 30, 2011, consists of the following:

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Glenelg Plant Fund</u>	<u>Capital Projects Fund</u>
Fund Balances				
Nonspendable for:				
Prepaid expenses	\$ 323,141	\$ -	\$ -	\$ -
Inventories	<u>1,042,358</u>	<u>146,090</u>	-	-
Total nonspendable	1,365,499	146,090	-	-
Restricted For:				
Glenelg Waste Water Plant	<u>-</u>	<u>-</u>	<u>1,235,579</u>	<u>-</u>
Assigned To:				
Encumbrances	6,229,155	-	-	-
Fund balance reserve	1,688,370	-	-	-
Cost of Operation - Food Services	<u>-</u>	<u>2,680,944</u>	<u>-</u>	<u>-</u>
Total assigned	<u>7,917,525</u>	<u>2,680,944</u>	<u>-</u>	<u>-</u>
Unassigned:	<u>7,426,366</u>	<u>-</u>	<u>2,003</u>	<u>(4,244,635)</u>
Total fund balances	<u>\$ 16,709,390</u>	<u>\$ 2,827,034</u>	<u>\$ 1,237,582</u>	<u>\$ (4,244,635)</u>

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

Note to Financial Statements

Note 9 – Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary integration in the General Fund, and encumbrances outstanding at year-end are reported as assignments of fund balance since they do not constitute expenditures or liabilities.

Encumbrances at June 30, 2011, are for the following uses:

	<u>General Fund</u>
Administration	\$ 51,468
Mid-level administration	15,461
Instructional	2,893,357
Special education	41,896
Pupil personnel services	437
Health services	50,238
Student transportation	15,067
Operation of plant	1,163,717
Maintenance of plant	1,771,933
Community services	<u>225,581</u>
Total	<u>\$ 6,229,155</u>

Note 10 – Commitments and Contingencies

Operating Leases

The School System leases equipment under various non-cancelable operating leases that expire during fiscal year 2016. Total costs were \$1,481,253 for the leases for the year ended June 30, 2011. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 1,487,803
2013	417,795
2014	371,021
2015	22,808
2016	<u>500</u>
Total	<u>\$ 2,299,927</u>

Litigation

The School System has been named as defendant in several lawsuits in the normal course of business, the outcomes of which are uncertain. It is anticipated by the School System that an adverse decision on any or all of these suits would not have a material adverse effect on the financial statements.

Grant Programs

The School System receives grant revenues from county, state, and federal sources. Amounts received under such programs are restricted to use in accordance with terms of the respective grants. The use of such funds is subject to audit by the grantors. Consequently, the School System is contingently liable to refund amounts received in excess of allowable expenditures, if any. In the opinion of management no material refunds will be required as the result of expenditures disallowed by the grantors.

Note 11 – Risk Management

The School System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School System participates in the Maryland Association of School Systems of Education Group Insurance Pool (MABE). MABE is a public entity risk pool currently operating as a common risk management and insurance program for fourteen member counties to reduce the amount of claims expenditures incurred. The School System pays an annual premium to MABE for its general insurance coverage. The Formation Agreement of MABE provides that MABE will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of established loss limits which range from \$2,500 to \$5 million for each insured event depending on the type of loss. Settled claims did not exceed coverage in any of the past three years.

The School System has also established limited risk management programs for workers' compensation and health and dental insurance. Premiums are paid into these two internal service funds by other funds and are available to pay claims, claim reserves and administrative costs of the programs. The premium charged by the self-insurance funds considers recent trends in actual claims experience of the School System as a whole and makes provision for catastrophic losses. As of June 30, 2011, the inter-fund premiums did not exceed reimbursable expenditures in the Health and Dental Self-Insurance Fund or the Worker's Compensation Self-Insurance Fund. Settled claims did not exceed coverage in any of the past three years.

Liabilities are reported when it is probable that a loss will occur and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual health and dental claims in excess of \$125,000; and workers compensation claims in excess of \$26,000 for periodic indemnity and \$115,000; \$60,000; and \$50,000 for medical benefits in the first, second, third, and subsequent years, respectively. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The liability for claims and judgments is reported in the respective self-insurance internal service funds.

Changes in the balances of claims payable for the years ended June 30 are as follows

	2011		2010	
	Workers' Compensation	Health and Dental	Workers' Compensation	Health and Dental
Beginning payable, July 1	\$ 3,047,953	\$ 8,216,784	\$ 2,922,331	\$ 8,243,168
Incurred claims (including IBNR)	1,264,139	75,687,834	1,443,494	76,148,074
Claim payments	<u>(1,389,761)</u>	<u>(75,098,180)</u>	<u>(1,317,872)</u>	<u>(76,174,458)</u>
Ending payable, June 30	<u>\$ 2,922,331</u>	<u>\$ 8,806,438</u>	<u>\$ 3,047,953</u>	<u>\$ 8,216,784</u>

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

Required Supplementary Information





HOWARD COUNTY PUBLIC SCHOOL SYSTEM

BUDGETARY COMPARISON SCHEDULE

(NON-GAAP BUDGETARY BASIS)

GENERAL FUND

Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Non-GAAP Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental revenues:				
Local sources	\$ 464,708,788	\$ 464,708,788	\$ 464,708,788	\$ -
State sources	204,994,572	199,126,064	191,608,435	(7,517,629)
Federal sources	370,000	370,000	402,256	32,256
Earnings on investments	150,000	150,000	114,214	(35,786)
Charges for services	4,250,260	4,250,260	6,064,174	1,813,914
Miscellaneous revenues	874,030	874,030	1,397,714	523,684
Total revenues	<u>675,347,650</u>	<u>669,479,142</u>	<u>664,295,581</u>	<u>(5,183,561)</u>
EXPENDITURES				
Current:				
Administration	10,695,430	10,532,430	10,200,663	331,767
Instruction				
Instructional salaries	286,697,910	281,109,655	280,442,426	667,229
Textbooks and classroom supplies	13,448,800	17,871,900	17,394,206	477,694
Other instructional costs	2,467,210	2,630,210	2,407,117	223,093
Pupil personnel services	2,811,970	2,811,970	2,693,343	118,627
Health services	6,116,460	6,116,460	5,904,354	212,106
Pupil transportation	33,296,950	34,055,950	34,050,850	5,100
Operation of plant	42,963,370	42,499,470	38,164,615	4,334,855
Maintenance of plant	20,691,170	20,985,670	20,512,783	472,887
Fixed charges	114,108,000	112,000,647	112,000,647	-
Mid level administration	52,107,500	50,502,540	50,012,037	490,503
Community services	5,980,860	5,939,820	5,844,061	95,759
Special education	83,071,460	81,531,860	80,536,382	995,478
Capital outlay	890,560	890,560	767,696	122,864
Total expenditures	<u>675,347,650</u>	<u>669,479,142</u>	<u>660,931,180</u>	<u>8,547,962</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	3,364,401	<u>\$ 3,364,401</u>
FUND BALANCE AT JUNE 30, 2010 - BUDGETARY BASIS			<u>7,115,834</u>	
FUND BALANCE AT JUNE 30, 2011 - BUDGETARY BASIS			10,480,235	
Encumbrances at June 30, 2011			<u>6,229,155</u>	
FUND BALANCE AT JUNE 30, 2011 - GAAP BASIS			<u>\$ 16,709,390</u>	

Required Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

RECONCILIATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP BASIS REVENUES AND EXPENDITURES

GENERAL FUND

Year Ended June 30, 2011

REVENUES

Budgetary basis	\$ 664,295,581
Add	
- Pension contribution paid by state of Maryland	59,683,290
- OPEB contribution paid by Howard County Government	8,165,048
- Revenues from loaned staff program	432,550
GAAP basis	<u>\$ 732,576,469</u>

EXPENDITURES

Budgetary basis	\$ 660,931,180
Add	
- Prior year's encumbrances expended this year	5,667,227
- Pension contribution paid by state of Maryland	59,683,290
- OPEB contribution paid by Howard County Government	8,165,048
- Expenditures from loaned staff	432,550
Less	
- Current year's encumbrances outstanding	<u>(6,229,155)</u>
GAAP basis	<u>\$ 728,650,140</u>

Other Supplementary Information





CONGRATULATIONS! CONGRATULATIONS!

7th grade
Lyle, Mr. Lyle's class
Somebody has been working hard in rehearsal
and they've won a competition and they've
won the award for Best Trumpets
and Best Saxophones



HOWARD COUNTY PUBLIC SCHOOL SYSTEM

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP BUDGETARY BASIS)

GENERAL FUND

Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Non-GAAP Actual</u>	Variance with Final Budget Positive (Negative)
INTERGOVERNMENTAL REVENUES				
Local Sources				
Current expense	\$ 464,708,788	\$ 464,708,788	\$ 464,708,788	\$ -
State Sources				
Current expense	150,701,172	150,701,172	143,879,090	(6,822,082)
Transportation	13,884,220	13,884,220	13,884,219	(1)
Special education	8,844,380	8,844,380	8,014,377	(830,003)
Compensatory education	17,387,532	17,387,532	17,387,531	(1)
Limited English proficient	6,424,890	6,424,890	6,424,890	-
State geographic index	1,491,070	1,491,070	1,491,067	(3)
Other - LEA tuition	392,800	392,800	527,261	134,461
State Restricted ARRA Funds	5,868,508	-	-	-
Total state sources	<u>204,994,572</u>	<u>199,126,064</u>	<u>191,608,435</u>	<u>(7,517,629)</u>
Federal Sources				
ROTC reimbursement	180,000	180,000	228,574	48,574
Impact Aid (PL 874)	<u>190,000</u>	<u>190,000</u>	<u>173,682</u>	<u>(16,318)</u>
Total federal sources	<u>370,000</u>	<u>370,000</u>	<u>402,256</u>	<u>32,256</u>
Earnings on investments	<u>150,000</u>	<u>150,000</u>	<u>114,214</u>	<u>(35,786)</u>
Charges for Services, Etc.				
Tuition from patrons	485,000	485,000	1,199,501	714,501
Use of school buildings	1,000,000	1,000,000	1,258,575	258,575
Athletic program - gate receipts	405,000	405,000	385,337	(19,663)
Energy rebates	640,000	640,000	1,258,014	618,014
Administration and overhead fees	<u>1,720,260</u>	<u>1,720,260</u>	<u>1,962,747</u>	<u>242,487</u>
Total charges for services, etc.	<u>4,250,260</u>	<u>4,250,260</u>	<u>6,064,174</u>	<u>1,813,914</u>
Miscellaneous Revenues				
Other	<u>874,030</u>	<u>874,030</u>	<u>1,397,714</u>	<u>523,684</u>
TOTAL	<u>\$ 675,347,650</u>	<u>\$ 669,479,142</u>	<u>\$ 664,295,581</u>	<u>\$ (5,183,561)</u>

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP BUDGETARY BASIS)

GENERAL FUND

Year Ended June 30, 2011

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
Administration				
Salaries and wages	7,695,480	7,566,419	7,512,407	54,012
Contracted services	1,858,390	1,825,176	1,683,531	141,645
Supplies and materials	765,400	772,301	700,263	72,038
Other charges	376,160	368,534	304,462	64,072
Equipment	-	-	-	
Total administration	<u>\$10,695,430</u>	<u>\$10,532,430</u>	<u>\$10,200,663</u>	<u>\$331,767</u>
Instructional salaries	<u>\$286,697,910</u>	<u>\$281,109,655</u>	<u>\$280,442,426</u>	<u>\$667,229</u>
Textbooks and classroom supplies	<u>\$13,448,800</u>	<u>\$17,871,900</u>	<u>\$17,394,206</u>	<u>\$477,694</u>
Other Instructional Costs				
Contracted services	\$1,723,280	\$1,723,280	\$1,637,511	\$85,769
Other charges	249,330	249,330	151,121	98,209
Equipment	150,600	150,600	162,422	(11,822)
Outgoing transfers	344,000	507,000	456,063	50,937
Total other instructional costs	<u>\$2,467,210</u>	<u>\$2,630,210</u>	<u>\$2,407,117</u>	<u>\$223,093</u>
Pupil Personnel Services				
Salaries and wages	\$2,505,410	\$2,505,410	\$2,408,898	\$96,512
Contracted services	208,970	208,970	203,950	5,020
Supplies and materials	58,540	58,540	56,806	1,734
Other charges	39,050	39,050	23,689	15,361
Total pupil personnel services	<u>\$2,811,970</u>	<u>\$2,811,970</u>	<u>\$2,693,343</u>	<u>\$118,627</u>
Health Services				
Salaries and wages	\$5,513,390	\$5,513,390	\$5,355,459	\$157,931
Contracted services	402,720	402,720	389,448	13,272
Supplies and materials	181,490	181,490	146,931	34,559
Other charges	18,860	18,860	12,516	6,344
Total health services	<u>\$6,116,460</u>	<u>\$6,116,460</u>	<u>\$5,904,354</u>	<u>\$212,106</u>
Pupil Transportation				
Salaries and wages	\$1,283,980	\$1,249,980	\$1,249,630	\$350
Contracted services	31,633,530	32,457,530	32,456,868	662
Supplies and materials	61,430	51,430	49,678	1,752
Other charges	318,010	297,010	294,674	2,336
Equipment	-	-	-	
Total pupil transportation	<u>\$33,296,950</u>	<u>\$34,055,950</u>	<u>\$34,050,850</u>	<u>\$5,100</u>
Operation of Plant				
Salaries and wages	\$18,807,300	\$18,343,400	\$18,499,259	\$ (155,859)
Contracted services	1,708,060	1,708,060	1,473,137	234,923
Supplies and materials	1,261,420	1,261,420	1,363,571	(102,151)
Other charges	20,924,300	20,924,300	16,635,719	4,288,581
Equipment	262,290	262,290	192,929	69,361
Total operation of plant	<u>\$42,963,370</u>	<u>\$42,499,470</u>	<u>\$38,164,615</u>	<u>\$4,334,855</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP BASIS)

GENERAL FUND

Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Non-GAAP Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Maintenance of Plant				
Salaries and wages	\$ 11,706,460	\$ 11,350,960	\$ 10,963,297	\$ 387,663
Contracted services	5,378,340	6,028,340	6,049,376	(21,036)
Supplies and materials	2,866,410	2,866,410	2,430,918	435,492
Other charges	59,580	59,580	84,198	(24,618)
Equipment	680,380	680,380	984,994	(304,614)
Total maintenance of plant	<u>\$20,691,170</u>	<u>\$20,985,670</u>	<u>\$20,512,783</u>	<u>\$472,887</u>
Other Fixed Charges	<u>\$ 114,108,000</u>	<u>\$ 112,000,647</u>	<u>\$ 112,000,647</u>	<u>\$ -</u>
Mid-level Administration				
Salaries and wages	\$45,896,780	\$44,291,820	\$44,098,219	\$193,601
Contracted services	2,902,970	2,902,970	2,845,328	57,642
Supplies and materials	2,920,020	2,920,020	2,765,822	154,198
Other charges	387,730	387,730	302,668	85,062
Equipment	-	-	-	-
Total mid-level administration	<u>\$52,107,500</u>	<u>\$50,502,540</u>	<u>\$50,012,037</u>	<u>\$490,503</u>
Community Services				
Salaries and wages	\$2,934,780	\$2,848,630	\$2,758,818	\$89,812
Contracted services	1,189,800	1,224,840	1,223,672	1,168
Supplies and materials	526,590	533,960	532,672	1,288
Other charges	1,060,990	1,106,690	1,103,377	3,313
Equipment	268,700	225,700	225,522	178
Total community services	<u>\$5,980,860</u>	<u>\$5,939,820</u>	<u>\$5,844,061</u>	<u>\$95,759</u>
Special Education				
Salaries and wages	\$76,798,740	\$74,995,640	\$74,166,382	\$829,258
Contracted services	529,580	778,522	708,954	69,568
Supplies and materials	404,110	412,293	391,887	20,406
Other charges	283,650	283,425	268,008	15,417
Equipment	-	6,600	6,573	27
Outgoing transfers	5,055,380	5,055,380	4,994,578	60,802
Total special education	<u>\$83,071,460</u>	<u>\$81,531,860</u>	<u>\$80,536,382</u>	<u>\$995,478</u>
Capital Outlay				
Salaries and wages	\$857,840	\$860,340	\$745,123	\$115,217
Contracted services	13,110	8,684	1,183	7,501
Supplies and materials	13,320	11,577	11,454	123
Other charges	6,290	9,959	9,936	23
Equipment	-	-	-	-
Total capital outlay	<u>\$890,560</u>	<u>\$890,560</u>	<u>\$767,696</u>	<u>\$122,864</u>
TOTAL EXPENDITURES	<u>\$ 675,347,650</u>	<u>\$ 669,479,142</u>	<u>\$ 660,931,180</u>	<u>\$ 8,547,962</u>

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

FOOD SERVICES FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Intergovernmental Revenues:			
State:			
Reimbursements	\$ 97,000	\$ 102,622	\$ 5,622
Federal:			
National School Lunch and Milk Programs	3,000,000	3,550,580	550,580
National School Breakfast	-	440,606	440,606
U.S.D.A. Commodity Program	-	821,880	821,880
Total intergovernmental revenues	<u>3,000,000</u>	<u>4,813,066</u>	<u>1,813,066</u>
Earnings on investments	25,000	5,224	(19,776)
Charges for Services:			
Food sales	7,600,000	7,036,686	(563,314)
Other revenues	<u>25,000</u>	-	(25,000)
Total revenues	<u>10,747,000</u>	<u>11,957,598</u>	<u>1,210,598</u>
EXPENDITURES			
Costs of Operation - Food Service:			
Cost of food	3,590,000	4,663,590	(1,073,590)
U.S.D.A. Commodity Program	-		-
Salaries and wages	4,503,740	7,047,261	(2,543,521)
Equipment/Miscellaneous	<u>3,753,500</u>	<u>456,096</u>	<u>3,297,404</u>
Total expenditures	<u>11,847,240</u>	<u>12,166,947</u>	<u>(319,707)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (1,100,240)</u>	(209,349)	<u>\$ 890,891</u>
FUND BALANCE AT JULY 1, 2010 - BUDGETARY BASIS		<u>3,036,383</u>	
FUND BALANCE AT JUNE 30, 2011 - GAAP BASIS		<u>\$ 2,827,034</u>	

(*) There were no changes or amendments to the original budget.

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
 COMBINING SCHEDULE OF NET ASSETS
 INTERNAL SERVICE FUNDS
 June 30, 2011

	<u>Printing and Duplicating Fund</u>	<u>Data Processing Fund</u>	<u>Workers Compensation Self-Insurance Fund</u>	<u>Health and Dental Self-Insurance Fund</u>	<u>Total</u>
ASSETS					
Current Assets					
Investments	\$ -	\$ -	\$ 1,807,835	\$ -	\$ 1,807,835
Accounts receivable	-	-	-	73,605	73,605
Due from other funds	15,417	862,366	2,125,530	46,048,023	49,051,336
Inventory	541,464	61,269	-	-	602,733
Prepaid expenses	-	-	135,338	-	135,338
	<u>556,881</u>	<u>923,635</u>	<u>4,068,703</u>	<u>46,121,628</u>	<u>51,670,847</u>
Total Current Assets					
Non-Current Assets					
Capital assets:					
Furniture, fixtures and equipment	492,692	1,377,585	-	-	1,870,277
Less: accumulated depreciation	<u>(401,152)</u>	<u>(1,070,322)</u>	<u>-</u>	<u>-</u>	<u>(1,471,474)</u>
	<u>91,540</u>	<u>307,263</u>	<u>-</u>	<u>-</u>	<u>398,803</u>
Total capital assets, net of depreciation	<u>91,540</u>	<u>307,263</u>	<u>-</u>	<u>-</u>	<u>398,803</u>
	<u>648,421</u>	<u>1,230,898</u>	<u>4,068,703</u>	<u>46,121,628</u>	<u>52,069,650</u>
Total Assets	<u>648,421</u>	<u>1,230,898</u>	<u>4,068,703</u>	<u>46,121,628</u>	<u>52,069,650</u>
LIABILITIES					
Current Liabilities					
Accounts payable	23	120,164	57,043	4,295,702	4,472,932
Accrued liabilities	-	-	-	7,995,419	7,995,419
Due to other funds	-	-	2,922,331	8,806,438	11,728,769
Unearned revenue	-	-	-	3,381,135	3,381,135
	<u>23</u>	<u>120,164</u>	<u>2,979,374</u>	<u>24,478,694</u>	<u>27,578,255</u>
Total Current Liabilities	<u>23</u>	<u>120,164</u>	<u>2,979,374</u>	<u>24,478,694</u>	<u>27,578,255</u>
	<u>23</u>	<u>120,164</u>	<u>2,979,374</u>	<u>24,478,694</u>	<u>27,578,255</u>
Total Liabilities	<u>23</u>	<u>120,164</u>	<u>2,979,374</u>	<u>24,478,694</u>	<u>27,578,255</u>
NET ASSETS					
Invested in capital assets	91,540	307,263	-	-	398,803
Unrestricted	<u>556,858</u>	<u>803,471</u>	<u>1,089,329</u>	<u>21,642,934</u>	<u>24,092,592</u>
TOTAL NET ASSETS	<u>\$ 648,398</u>	<u>\$ 1,110,734</u>	<u>\$ 1,089,329</u>	<u>\$ 21,642,934</u>	<u>\$ 24,491,395</u>

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2011

	Printing and Duplicating Fund	Data Processing Fund	Workers Compensation Self-Insurance Fund	Health and Dental Self-Insurance Fund	Total
OPERATING REVENUES					
Charges for services - internal	\$ 2,645,420	\$ 4,665,200	\$ 1,600,000	\$ 75,593,643	\$ 84,504,263
Contributions from employees and retirees	-	-	-	17,490,968	17,490,968
Total operating revenues	<u>2,645,420</u>	<u>4,665,200</u>	<u>1,600,000</u>	<u>93,084,611</u>	<u>101,995,231</u>
OPERATING EXPENSES					
Administrative expenses	2,396,333	5,070,287	-	5,134,509	12,601,129
Claims and related expenses	-	-	1,901,203	77,844,768	79,745,971
Loss on disposal of asset	-	15,225	-	-	15,225
Depreciation expense	31,733	92,677	-	-	124,410
Total operating expenses	<u>2,428,066</u>	<u>5,178,189</u>	<u>1,901,203</u>	<u>82,979,277</u>	<u>92,486,735</u>
Operating income (loss)	217,354	(512,989)	(301,203)	10,105,334	9,508,496
NON-OPERATING REVENUE -					
Interest Income	-	-	3,086	-	3,086
Non-Operating income	-	-	3,086	-	3,086
CHANGES IN NET ASSETS	217,354	(512,989)	(298,117)	10,105,334	9,511,582
TOTAL NET ASSETS, JULY 1, 2010	<u>431,044</u>	<u>1,623,723</u>	<u>1,387,446</u>	<u>11,537,600</u>	<u>14,979,813</u>
TOTAL NET ASSETS, JUNE 30, 2011	<u>\$ 648,398</u>	<u>\$ 1,110,734</u>	<u>\$ 1,089,329</u>	<u>\$ 21,642,934</u>	<u>\$ 24,491,395</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
 COMBINING SCHEDULE OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2011

	Printing and Duplicating Fund	Data Processing Fund	Workers Compensation Self-Insurance Fund	Health and Dental Self-Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from other funds	\$ 2,645,420	\$ 4,665,200	\$ 1,600,000	\$ 56,507,453	\$ 65,418,073
Cash received from employees and retirees	-	-	-	17,490,968	17,490,968
Payments to other funds	(279,641)	-	496,608	-	216,967
Payments to employees	(660,680)	(2,986,104)	(248,109)	-	(3,894,893)
Payments to suppliers	(1,705,099)	(1,670,954)	(1,848,499)	(73,998,421)	(79,222,973)
Net cash provided by operating activities	-	8,142	-	-	8,142
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases/Sale of Equipment	-	(8,142)	-	-	(8,142)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	-	-	(3,086)	-	(3,086)
Interest received	-	-	3,086	-	3,086
Net cash provided by investing activities	-	-	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS					
	-	-	-	-	-
CASH AND CASH EQUIVALENTS, JULY 1, 2010					
	-	-	-	-	-
CASH AND CASH EQUIVALENTS, JUNE 30, 2011					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 217,354	\$ (512,989)	\$ (301,203)	\$ 10,105,334	\$ 9,508,496
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:					
Depreciation	31,733	92,677	-	-	124,410
Loss of disposal of asset		15,225			15,225
Effects of changes in assets and liabilities:					
Accounts receivable	-	-	-	(2,629)	(2,629)
Due from other funds	(15,417)	(324,933)	496,608	(19,535,235)	(19,378,977)
Inventory	50,068	732,201	-	-	782,269
Prepaid expenses	-	-	(53,641)	-	(53,641)
Accounts payable	(4,097)	10,323	(16,132)	4,004,543	3,994,637
Accrued Liabilities	-	(4,362)	-	4,389,288	4,384,926
Unpaid claims	-	-	(125,632)	589,654	464,022
Due to other funds	(279,641)	-	-	-	(279,641)
Deferred revenue	-	-	-	449,045	449,045
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ 8,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,142</u>

Other Supplementary Information

THE BOARD OF EDUCATION OF HOWARD COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2011

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Elementary Schools				
Atholton ES	\$ 16,392	\$ 55,696	\$ 48,622	\$ 23,466
Bellows Spring ES	73,867	100,888	81,530	93,225
Bollman Bridge ES	26,572	62,607	59,023	30,156
Bryant Woods ES	13,482	32,543	31,932	14,093
Bushy Park ES	53,291	81,347	80,725	53,913
Centennial Lane ES	22,054	59,413	49,262	32,205
Clarksville ES	25,561	48,589	50,228	23,922
Clemens Crossing ES	45,887	55,426	51,484	49,829
Cradlerock School	33,118	112,207	108,767	36,558
Dayton Oaks ES	48,666	71,043	69,068	50,641
Deep Run ES	32,950	75,725	77,990	30,685
Elkridge ES	28,616	89,825	103,318	15,123
Forest Ridge ES	12,813	51,214	49,194	14,833
Fulton ES	30,828	84,530	87,921	27,437
Gorman Crossing ES	83,537	92,808	89,061	87,284
Guilford ES	35,114	60,541	54,103	41,552
Hammond ES	34,345	48,075	47,612	34,808
Hollifield Station ES	54,506	96,546	112,944	38,108
Ilchester ES	142,612	147,032	129,292	160,352
Jeffers Hill ES	29,244	40,481	40,103	29,622
Laurel Woods ES	9,357	38,089	40,021	7,425
Lisbon ES	24,932	52,161	51,717	25,376
Longfellow ES	47,352	56,121	54,489	48,984
Manor Woods ES	23,092	87,069	86,521	23,640
Northfield ES	11,564	42,690	50,659	3,595
Phelps Luck ES	23,381	47,156	27,152	43,385
Pointers Run ES	48,180	128,961	111,138	66,003
Rockburn ES	22,633	80,404	79,335	23,702
Running Brook ES	39,759	59,974	53,685	46,048
St. John's Lane ES	32,374	46,372	39,363	39,383
Stevens Forest ES	30,433	26,575	26,866	30,142
Swansfield ES	11,858	35,561	33,648	13,771
Talbott Springs ES	19,081	52,594	51,575	20,100
Thunder Hill ES	40,221	37,952	38,860	39,313
Triadelphia Ridge ES	46,474	51,196	54,119	43,551
Veterans ES	43,229	103,250	97,510	48,969
Waterloo ES	91,576	94,809	82,286	104,099
Waverly ES	29,510	56,561	67,961	18,110
West Friendship ES	36,785	29,060	37,827	28,018
Worthington ES	9,544	73,383	69,135	13,792
Total - Elementary Schools	\$ 1,484,790	\$ 2,666,474	\$ 2,576,046	\$ 1,575,218

THE BOARD OF EDUCATION OF HOWARD COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2011

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Middle Schools				
Bonnie Branch MS	\$ 77,855	\$ 161,695	\$ 158,497	\$ 81,053
Burleigh Manor MS	53,330	206,628	206,527	53,431
Clarksville MS	53,755	137,743	133,943	57,555
Dunloggin MS	40,476	111,626	112,807	39,295
Elkridge Landing MS	40,718	143,203	134,394	49,527
Ellicott Mills MS	58,003	123,050	127,384	53,669
Folly Quarter MS	29,109	163,866	168,010	24,965
Glenwood MS	36,221	131,867	125,908	42,180
Hammond MS	35,835	111,893	110,328	37,400
Harper's Choice MS	13,375	83,037	76,601	19,811
Lime Kiln MS	50,207	186,009	194,699	41,517
Mayfield Woods MS	30,050	102,582	106,571	26,061
Mount View MS	43,276	185,122	178,065	50,333
Murray Hill MS	29,254	110,269	114,180	25,343
Oakland Mills MS	34,494	52,299	54,048	32,745
Patapsco MS	39,217	96,803	103,720	32,300
Patuxent Valley MS	3,874	81,790	81,843	3,821
Wilde Lake MS	26,825	125,158	112,283	39,700
Total - Middle Schools	\$ 695,874	\$ 2,314,640	\$ 2,299,808	\$ 710,706
High Schools				
Atholton HS	\$ 141,650	\$ 538,725	\$ 516,902	\$ 163,473
Centennial HS	232,155	793,062	776,949	248,268
Glenelg HS	226,174	678,771	687,204	217,741
Hammond HS	215,195	532,728	550,916	197,007
Howard HS	353,044	520,418	522,893	350,569
Long Reach HS	134,910	462,029	470,115	126,824
Marriotts Ridge HS	148,644	602,357	597,513	153,488
Mount Hebron HS	245,080	652,513	675,759	221,834
Oakland Mills HS	179,313	456,166	433,406	202,073
Reservoir HS	181,516	477,897	465,728	193,685
River Hill HS	203,452	851,473	831,349	223,576
Wilde Lake HS	137,888	408,474	389,982	156,380
Total - High Schools	\$ 2,399,021	\$ 6,974,613	\$ 6,918,716	\$ 2,454,918
Special Schools				
Apps and Research Lab	\$ 14,373	\$ 2,302	\$ 2,533	\$ 14,142
Cedar Lane School	59,212	107,488	115,719	50,981
Homewood School	10,058	17,455	16,180	11,333
Total - Special Schools	\$ 83,643	\$ 127,245	\$ 134,432	\$ 76,456
Total - All Schools	\$ 4,663,328	\$ 12,082,972	\$ 11,929,002	\$ 4,817,298

Report Required by Government Auditing Standards







**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the Board of Education
of Howard County, Maryland
Ellicott City, Maryland

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Howard County Public School System (the Board), a component unit of Howard County, Maryland, as of and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency.



SCHOOL BUS CONTRACTS

During the audit, we reviewed the School Bus Contracting process, including the controls surrounding the payments to school bus contractors. The bus vendor payment calculations utilize a proprietary spreadsheet written in FoxPro, software with no vendor support. The spreadsheet requires numerous points of information entry and verification to ensure accurate calculations. With this process, no controls are in place within the system to ensure unauthorized rate and/or time changes are initiated. This could lead to expenditure transactions with unapproved rates or to unapproved contractors. We recommend the school system consider purchasing a new bus billing system with strong controls and the capability of integration with the IFAS system.

Management's Response:

Management agrees with this finding. The Transportation Office has been working with the Technology Office to implement a software application that will meet the long term financial management requirements of the Transportation Program. This software application is close to completion and beta testing will begin in the next few months. Management has dedicated a FoxPro system IT Specialist to support the FoxPro system. Additionally, we have also assigned an accounting manager to the Transportation Office to review and approve all vendor payment calculations. These controls mitigate the risk of error in bus vendor payments.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Board's in a separate letter dated September 30, 2011.

The Board's response to the significant deficiency identified in our audit is described above. We did not audit the Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Audit Committee, the members of the Board of Education of Howard County, Maryland, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gundersen LLP

Baltimore, Maryland
September 30, 2011

Statistical Section





Statistical Section

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

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

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Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the Board's financial activities take place.

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Howard County Public School System
Net Assets by Component
Last Ten Fiscal Years *
 (amounts expressed in thousands)

Table 1

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
Invested in capital assets, net of related debt	\$ 566,061	\$ 546,129	\$ 573,900	\$ 635,330	\$ 705,217	\$ 765,145	\$ 815,780	\$ 842,088	\$ 875,068	\$ 898,922
Restricted for construction	4,420	2,786	5,134	7,412	6,454	5,311	2,585	(3,428)	2	-
Restricted for treatment plant	-	-	-	-	-	-	-	984	1,181	1,236
Restricted for Food Services	1,895	2,035	1,852	1,415	1,485	1,120	2,274	806	3,036	146
Unrestricted	(1,564)	5,607	5,285	4,427	7,792	24,805	27,957	24,678	15,054	32,293
Total governmental activities net assets	<u>570,812</u>	<u>556,557</u>	<u>586,171</u>	<u>648,584</u>	<u>720,948</u>	<u>796,381</u>	<u>848,596</u>	<u>865,128</u>	<u>894,341</u>	<u>932,597</u>
The James Rouse Theatre										
Invested in capital assets, net of related debt	221	27	24	53	113	89	69	67	47	27
Unrestricted	85	146	213	225	149	180	126	121	137	151
Total Rouse Theatre	<u>306</u>	<u>173</u>	<u>237</u>	<u>278</u>	<u>262</u>	<u>269</u>	<u>195</u>	<u>188</u>	<u>184</u>	<u>178</u>
Total School System	<u>\$ 571,118</u>	<u>\$ 556,730</u>	<u>\$ 586,408</u>	<u>\$ 648,862</u>	<u>\$ 721,210</u>	<u>\$ 796,650</u>	<u>\$ 848,791</u>	<u>\$ 865,316</u>	<u>\$ 894,525</u>	<u>\$ 932,775</u>

* Due to the implementation of GASB 34 in Fiscal Year 2002, information prior to that year is not available
 Source: HCPSS Finance Department

Howard County Public School System
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years *
(amounts expressed in thousands)

Table 2

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Intergovernmental revenues										
Local	\$ 313,617	\$ 324,899	\$ 359,753	\$ 412,225	\$ 446,121	\$ 479,538	\$ 495,391	\$ 491,086	\$ 502,374	\$ 531,120
State	132,065	151,393	146,299	155,153	183,371	189,850	233,546	258,699	262,276	263,990
Federal	13,671	15,274	18,159	22,574	17,093	17,777	21,678	21,043	30,818	39,986
Earnings on interest and investment	425	214	173	456	1,138	2,368	1,917	1,005	125	122
Charges for services	9,270	9,158	10,612	10,400	11,450	14,377	13,413	14,239	13,640	13,756
Miscellaneous revenues	666	1,100	1,265	1,293	2,518	654	612	1,212	1,401	1,398
Total Revenues	489,714	502,038	536,261	602,101	661,691	704,564	766,557	787,284	810,634	850,372
Expenditures										
Instruction										
Regular education	183,090	187,712	207,222	218,808	248,244	250,110	277,498	296,527	297,340	302,091
Special education	52,684	58,532	65,164	71,118	79,623	82,168	88,837	95,766	96,986	98,017
Support Services										
General administration	5,689	6,259	6,901	7,872	8,466	9,240	10,443	11,540	10,634	10,663
Mid-level administration	29,765	30,976	33,277	35,251	43,490	45,347	48,737	55,908	54,226	56,675
Pupil personnel services	1,730	1,775	1,806	2,020	2,465	2,396	2,669	3,133	2,462	2,751
Health services	2,648	2,889	3,208	3,557	4,355	4,532	5,095	5,791	5,794	5,895
Pupil transportation	19,242	20,891	22,905	23,651	27,138	28,861	31,538	31,412	32,742	34,052
Operation of plant	23,185	23,689	26,257	28,473	33,265	38,672	43,120	43,245	43,411	37,721
Maintenance of plant	11,167	11,713	12,376	12,885	16,247	15,410	19,556	21,452	22,030	22,235
Fixed charges	74,367	85,105	91,204	98,666	83,280	120,871	153,117	151,094	165,229	193,730
Community services	3,559	3,672	3,848	5,176	4,780	4,914	6,010	6,211	5,901	6,064
Food services	8,251	8,745	9,620	10,398	11,041	11,375	11,399	11,725	11,689	12,167
Capital outlay	58,489	59,713	50,671	85,967	104,788	91,375	76,930	70,906	60,809	64,035
Total	473,866	501,671	534,459	603,842	667,182	705,271	774,949	804,710	809,253	846,096
Excess (deficit) of revenues over expenditures	(4,152)	367	1,802	(1,741)	(5,491)	(707)	(8,392)	(17,426)	1,381	4,276
Other Financing Sources (Uses)										
Capital contributions	-	-	-	4,093	7,648	4,504	6,027	971	195	52
Proceeds from capital leases	-	-	-	-	-	-	-	10,724	-	-
Net change in fund balances	\$ (4,152)	\$ 367	\$ 1,802	\$ 2,352	\$ 2,157	\$ 3,797	\$ (2,365)	\$ (5,731)	\$ 1,576	4,328

* Modified accrual basis of accounting
Source: HCPSS Records

** Rouse Theatre began operations in FY 1998

*** Prior to FY 1998 Mid-Level Administration was included in Instruction cost

Howard County Public School System

Changes in Net Assets
Last Ten Fiscal Years *
(amounts expressed in thousands)

Table 3

Functions/Programs	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental Activities										
Instruction										
Regular education	\$ 244,086	\$ 256,656	\$ 286,901	\$ 304,177	\$ 339,932	\$ 349,849	\$ 401,309	\$ 437,654	\$ 436,546	\$ 465,690
Special education	65,261	72,582	81,270	89,054	94,877	103,170	114,495	123,944	128,051	131,738
Total Instruction	<u>309,347</u>	<u>329,238</u>	<u>368,171</u>	<u>393,231</u>	<u>434,809</u>	<u>453,019</u>	<u>515,804</u>	<u>561,598</u>	<u>564,597</u>	<u>597,428</u>
Support Services										
Administration	7,226	11,384	11,808	13,672	9,809	11,193	13,026	13,729	13,845	13,328
Mid-level administration	37,887	39,339	42,873	45,888	50,984	59,362	65,680	74,012	74,277	80,223
Pupil personnel services	2,223	2,205	2,308	2,589	2,686	3,074	3,516	4,062	3,524	3,844
Health services	3,368	3,607	4,119	4,573	5,264	5,841	6,782	7,755	8,057	8,324
Pupil transportation	19,505	21,157	23,207	23,975	27,411	29,238	31,944	31,711	33,254	34,655
Operation of plant	26,792	26,861	30,727	31,884	34,842	40,341	44,955	49,378	50,475	45,384
Maintenance of plant	12,744	13,906	14,462	15,391	15,702	19,228	25,025	26,004	27,087	27,905
Community services	3,699	4,187	4,357	4,678	5,305	5,609	6,827	7,043	7,091	7,298
Food services	8,538	8,921	9,620	10,386	11,041	11,375	11,399	11,725	11,689	12,167
Interest on long-term debt	-	-	-	72	127	642	555	580	433	325
Total Support Services	<u>121,982</u>	<u>131,567</u>	<u>143,481</u>	<u>153,108</u>	<u>163,171</u>	<u>185,903</u>	<u>209,709</u>	<u>225,999</u>	<u>229,732</u>	<u>233,453</u>
Total Governmental Activities	<u>431,329</u>	<u>460,805</u>	<u>511,652</u>	<u>546,339</u>	<u>597,980</u>	<u>638,922</u>	<u>725,513</u>	<u>787,597</u>	<u>794,329</u>	<u>830,881</u>
Business-type activities										
James T. Rouse Theatre	54	98	86	91	148	148	228	164	132	150
Total School System Expenses	<u>\$ 431,383</u>	<u>\$ 460,903</u>	<u>\$ 511,738</u>	<u>\$ 546,430</u>	<u>\$ 598,128</u>	<u>\$ 639,070</u>	<u>\$ 725,741</u>	<u>\$ 787,761</u>	<u>\$ 794,461</u>	<u>\$ 831,031</u>

* Due to the implementation of GASB 34 in Fiscal Year 2002, information prior to that year is not available
Source: HCPSS Finance Department

Howard County Public School System

**Changes in Net Assets
Last Ten Fiscal Years ***
(amounts expressed in thousands)

Table 3 (continued)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues										
Charges for Services										
Regular education	\$ 1,019	\$ 2,789	\$ 1,197	\$ 1,345	\$ 2,709	\$ 4,094	\$ 3,868	\$ 4,847	\$ 4,776	\$ 5,061
Special education	6	3	-	-	-	-	-	-	-	-
Operation of plant	1,099	810	1,397	813	2,544	1,957	2,288	14,331	(681)	3,418
Food services	6,164	6,340	6,722	6,975	7,650	8,913	8,416	8,059	7,462	7,037
Operating grants and contributions	55,338	63,405	68,141	72,830	47,484	82,016	105,586	96,957	129,393	154,174
Capital grants and contributions	56,113	57,415	52,412	84,406	98,717	88,505	71,339	54,178	58,845	63,877
Total Program Revenues	119,739	130,762	129,869	166,369	159,104	185,485	191,497	178,372	199,795	233,567
Business-type activities										
James T. Rouse Theatre	107	156	151	131	133	155	154	156	128	144
Total School System Revenues	119,846	130,918	130,020	166,500	159,237	185,640	191,651	178,528	199,923	233,711
Total Governmental Net Expense	(311,537)	(329,985)	(381,718)	(379,930)	(438,891)	(453,430)	(534,090)	(609,233)	(594,538)	(597,320)
General Revenues and Other Changes in Net Assets										
General revenues										
Local appropriations	274,540	292,401	310,590	334,590	362,590	393,711	427,176	454,795	457,561	464,708
State Aid	78,685	82,158	99,134	105,937	144,949	132,322	155,763	168,600	164,563	169,183
Federal Aid	160	204	260	191	172	183	1,019	189	100	174
Interest and investment earnings	296	140	149	373	1,010	2,001	1,660	962	124	122
Miscellaneous	666	1,047	1,264	1,293	2,518	654	612	1,212	1,401	1,382
Total General Revenues	354,347	375,950	411,397	442,384	511,239	528,871	586,230	625,758	623,749	635,569
Changes in Net Assets- Governmental Funds	42,757	45,908	29,614	62,414	72,363	75,435	52,214	16,533	29,213	38,255
Changes in Net Assets - James Rouse Theatre	53	57	65	40	(15)	6	(74)	(8)	(4)	(6)
Changes in Net Assets	42,810	45,965	29,679	62,454	72,348	75,441	52,140	16,525	29,211	38,249
Net Assets - Beginning of year	528,307	510,764	556,729	586,408	648,862	721,210	796,650	848,790	865,315	894,526
Net Assets - End of Year	\$ 571,117	\$ 556,729	\$ 586,408	\$ 648,862	\$ 721,210	\$ 796,651	\$ 848,790	\$ 865,315	\$ 894,526	\$ 932,775

* Due to the implementation of GASB 34 in Fiscal Year 2002, information prior to that year is not available

Source: HCPSS Finance Department

**Howard County Public School System
Fund Balances of Governmental Funds
Last Ten Fiscal Years ***
(amounts expressed in thousands)

Table 4

	2002**	2003**	2004**	2005**	2006**	2007**	2008**	2009**	2010**	2011
General Fund										
Nonspendable	\$ 824	\$ 1,403	\$ 742	\$ 684	\$ 718	\$ 1,309	\$ 1,252	\$ 1,836	\$ 1,887	\$ 1,365
Committed	1,012	1,921	804	1,719	3,264	3,498	2,357	2,437	3,349	8,078
Assigned	68	826	797	962	533	1,135	1,909	1,530	1,808	-
Unassigned	(16)	(268)	648	574	2,469	5,594	5,703	4,338	5,739	7,266
Total General Fund	1,888	3,882	2,991	3,939	6,984	11,536	11,221	10,141	12,783	16,709
All other governmental funds										
Committed for School construction	4,420	2,786	5,134	7,412	6,454	5,311	2,585	(2,447)	(4,802)	(4,245)
Restricted for Special Revenue Fund	1,263	841	184	1,248	1,073	1,549	2,317	2,931	4,114	4,065
Assigned	675	1,103	2,105	168	412	324	233	0	106	0
Total all other governmental funds	6,358	4,730	7,423	8,828	7,939	7,184	5,135	484	(582)	(180)
Total all governmental funds	\$ 8,246	\$ 8,612	\$ 10,414	\$ 12,767	\$ 14,923	\$ 18,720	\$ 16,356	\$ 10,625	\$ 12,201	\$ 16,529

* Modified accrual basis of accounting
 *** Presentation changed to be in conformity with FY 2011 format.
 Source: HCPSS Finance Department

Howard County Public School System
General Fund
Final Approved Operating Budgets
Last Ten Fiscal Years

Table 5

	Administration	Instruction	Instructional		Textbooks and Classroom Supplies		Other Instructional Costs		Pupil Personnel Services		Pupil Transportation	
			Salaries		Supplies		Costs	Services	Health Services			
2002	5,218,700	173,927,350	**	**	**	**	1,732,620	2,691,160	19,680,890			
2003	5,543,300	178,737,950	**	**	**	**	1,692,110	2,893,880	20,711,570			
2004	6,357,360	*	183,899,880	9,141,920	1,885,150	1,693,340	3,203,480	22,962,330				
2005	7,463,590	*	201,831,090	8,102,360	2,055,760	1,969,640	3,567,280	23,614,240				
2006	7,799,710	*	215,125,210	11,175,120	2,275,560	2,123,910	3,989,210	27,216,280				
2007	9,162,030	*	231,448,730	11,597,405	2,699,230	2,270,190	4,438,681	30,006,000				
2008	10,447,281	*	256,389,040	12,556,290	2,687,269	2,600,070	5,102,390	31,618,370				
2009	11,368,190	293,524,610	**	**	**	2,798,800	5,707,900	32,659,320				
2010	10,410,000	296,198,150	**	**	**	2,638,660	5,950,430	32,692,230				
2011	10,695,460	302,613,920	**	**	**	2,811,970	6,116,460	33,296,950				

*Instruction amounts are presented in subcategories - Instructional Salaries, Textbooks and Classroom Supplies, and Other Instructional Costs.

**Instruction amounts were not presented as subcategory in the financial statements for these years.

Source: HCPSS Finance Department

**Howard County Public School System
General Fund
Final Approved Operating Budgets
Last Ten Fiscal Years**

Table 5 (continued)

	Operation of Plant	Maintenance of Plant	Fixed Charges	Mid-Level Administration	Community Services	Special Education	Capital Outlay	Total
2002	22,695,310	11,329,260	53,843,250	28,651,240	3,081,540	45,557,900	405,330	368,814,550
2003	24,143,340	11,987,000	61,693,440	29,927,530	3,212,510	49,611,420	556,080	390,710,130
2004	25,124,320	11,902,340	65,476,200	31,705,580	3,223,420	54,072,880	622,030	421,270,230
2005	27,545,780	13,168,430	71,917,600	34,793,560	3,686,340	60,651,290	737,190	461,104,150
2006	30,381,970	14,077,530	81,188,830	39,088,010	4,042,990	64,890,120	825,700	504,200,150
2007	36,046,160	16,188,320	88,650,070	43,537,840	4,608,680	70,018,280	850,470	551,522,086
2008	38,794,360	19,800,720	102,406,180	47,004,300	5,667,810	76,871,520	857,020	612,802,620
2009	43,829,530	23,019,340	104,248,720	51,345,570	6,146,920	81,515,640	923,480	657,088,020
2010	44,981,460	22,038,300	104,753,230	49,639,240	6,201,990	80,276,160	914,260	656,694,110
2011	42,963,370	20,691,170	114,108,000	52,107,500	5,980,860	83,071,460	890,560	675,347,680

Source: HCPSS Finance Department

**Howard County Public School Systems
Capital Assets By Function
June 30, 2011**

Table 6

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Schools										
Buildings	66	68	70	70	71	72	72	72	72	72
Administration										
Buildings	2	2	2	3	3	3	3	3	3	2
Vehicles	42	44	30	29	24	34	32	19	19	19
Mid-level Administration										
Vehicles	*	*	*	*	*	*	*	12	11	11
Special Education										
Vehicles	*	*	*	*	*	*	*	1	1	1
Capital Outlay										
Vehicles	*	*	*	*	*	*	*	3	3	3
Maintenance										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	152	179	185	195	209	216	230	28	34	35
Operations										
Vehicles	*	*	*	*	*	*	*	208	207	200
Technology										
Buildings	-	-	-	-	-	1	1	1	1	1
Vehicles	14	16	16	17	17	17	16	13	13	13
Print Shop										
Print Presses	5	5	5	5	5	5	6	11	11	10
Community Services										
Vehicles	*	*	*	*	*	*	*	3	5	5
Student Transportation										
Vehicles	6	7	7	8	8	11	11	12	13	12

Source: HCPSS Finance Department

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

**Howard County Public School System
Computation of Debt Limits *
Last Five Years ****

Table 7

	2007	2008	2009	2010	2011
Current Operating Budget	551,522,080	612,902,620	657,088,020	656,694,110	675,347,650
6 % of Current Operating Budget	33,091,325	36,774,157	39,425,281	39,401,647	40,520,859
Total Debt Outstanding June 30	10,957,023	12,940,923	16,942,317	11,678,806	19,105,388
Compliance with Debt Limit	Yes	Yes	Yes	Yes	Yes
3 % of Current Operation Budget	16,545,662	18,387,079	19,712,641	19,700,823	20,260,430
Total Debt Service	3,149,141	4,061,178	6,722,505	5,981,054	5,081,229
Compliance with Debt Service Limit	Yes	Yes	Yes	Yes	Yes

* The Board of Education of Howard County Public Schools adopted Policy 4090, Debt Management, effective July 1, 2008.

** HCPSS had no debt prior to FY 2005

HCPSS has no authority to issue bond debt. The Howard County Government and the State of Maryland incur bond debt on behalf of HCPSS to fund capital improvements and are responsible for the liquidation of these debts. In accordance with Board Policy, HCPSS has the authority to enter into capital lease agreements, limited to no more than 6 % of the current operating budget. In addition, HCPSS must limit debt service to 3 % of the total operating budget.

Source: HCPSS Finance Department

**Howard County Public School System
Enrollment by Grade Last Ten Years
as of September 30th**

Table 8

	Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Elementary School*											
PreKindergarten	586	663	706	751	804	893	948	1,015	1,114	1,114	1,060
Kindergarten	2,875	2,865	2,772	2,674	2,846	2,943	3,226	3,298	3,298	3,444	3,496
Grade 1	3,522	3,405	3,318	3,294	3,071	3,272	3,276	3,453	3,453	3,602	3,637
2	3,519	3,621	3,502	3,465	3,425	3,247	3,379	3,399	3,399	3,587	3,775
3	3,671	3,628	3,694	3,565	3,531	3,519	3,343	3,490	3,490	3,562	3,817
4	3,653	3,790	3,657	3,782	3,646	3,634	3,615	3,441	3,441	3,677	3,799
5	3,760	3,703	3,849	3,718	3,893	3,703	3,705	3,730	3,730	3,577	3,756
SP											
Total Elementary School	21,586	21,675	21,498	21,249	21,216	21,211	21,492	21,826	21,826	22,563	23,340
Middle School*											
Grade 6	3,807	3,827	3,831	3,900	3,808	3,997	3,780	3,772	3,772	3,865	3,792
7	3,598	3,884	3,919	3,845	3,969	3,864	4,072	3,855	3,855	3,831	3,717
8	3,661	3,642	3,939	3,921	3,938	4,028	3,912	4,121	4,121	3,948	3,993
SP	72	93		88							
Total Middle School	11,138	11,446	11,689	11,754	11,715	11,889	11,764	11,748	11,748	11,644	11,502
High School*											
Grade 9	3,912	4,053	4,015	4,251	4,308	4,419	4,401	4,263	4,263	4,526	4,269
10	3,477	3,598	3,887	3,835	3,988	4,025	4,147	4,175	4,175	4,002	4,117
11	3,055	3,241	3,515	3,735	3,671	3,892	3,875	3,965	3,965	3,951	4,185
12	2,888	2,972	3,212	3,325	3,611	3,522	3,768	3,828	3,828	4,014	3,959
SP	147	216		89							
Total High School	13,479	14,080	14,629	15,235	15,578	15,858	16,191	16,231	16,231	16,493	16,530
Special Education*											
Total Enrollment*	46,318	47,313	47,917	48,333	48,596	49,048	49,543	49,903	49,903	50,798	51,478
Number of Teachers**	2,027	2,042	2,435	2,486	2,655	2,736	2,625	2,816	2,816	2,833	2,869
Ratio of Students to Teachers	23:1	23:1	20:1	19:1	18:1	18:1	19:1	18:1	18:1	18:1	18:1

*Source: HCPSS Public Information Office

**Source: Maryland State Department of Education

**Howard County Public School System
Enrollment by School Last Ten Years**

Table 9

	Fiscal Year										% of Capacity	
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		Capacity
Elementary Schools												
Atholton	511	493	499	485	443	418	437	441	470	499	387	128.9%
Bellows Springs	-	-	695	740	719	729	725	765	826	885	762	116.1%
Bolman Bridge	667	617	626	605	612	582	582	611	624	625	566	110.4%
Bryant Woods	312	284	329	360	392	398	337	347	378	367	355	103.4%
Bushy Park	633	676	707	688	677	688	691	697	643	638	788	81.0%
Centennial Lane	654	638	607	590	579	563	613	637	655	698	628	111.1%
Clarksville	452	668	669	677	675	559	532	553	546	522	634	82.3%
Clemens Crossing	597	554	531	482	459	462	469	483	490	500	522	95.8%
Cradlerock-lower	445	404	422	416	429	459	461	468	469	499	487	102.5%
Dayton Oaks	-	-	-	-	-	574	556	506	466	473	788	60.0%
Deep Run	764	777	641	600	582	592	571	598	623	706	601	117.5%
Elkridge	813	760	673	691	662	638	690	760	800	890	779	114.2%
Forest Ridge	663	664	637	601	609	603	627	633	662	764	626	122.0%
Fulton	607	646	760	756	785	683	666	638	676	672	772	87.0%
Gorman Crossing	427	453	511	553	554	566	623	579	617	700	540	129.6%
Guilford	496	457	401	412	440	470	479	486	493	523	462	113.2%
Hammond	660	649	535	518	504	492	491	475	496	511	597	85.6%
Hollifield Station	787	839	819	818	819	788	613	609	661	671	688	97.5%
Ichester	856	882	629	593	600	591	581	596	661	664	617	107.6%
Jeffers Hill	500	512	356	366	385	397	388	376	383	367	421	87.2%
Laurel Woods	437	467	480	482	484	483	531	561	578	609	540	112.8%
Lisbon	602	591	602	555	475	486	475	470	464	609	553	77.2%
Longfellow	348	393	394	389	394	395	420	427	429	447	418	106.9%
Manor Woods	666	689	694	683	674	639	602	609	645	638	647	98.6%
Northfield	628	626	616	611	620	639	533	553	608	611	672	90.9%
Phelps Luck	585	574	499	496	529	589	616	643	645	723	540	133.9%
Pointers Run	1,131	922	885	854	799	790	755	700	689	615	776	79.3%
Rockburn	665	694	613	662	686	709	714	757	728	711	667	106.6%
Running Brook	316	299	309	342	345	339	394	401	423	433	405	106.9%
St. John's Lane	661	693	744	713	766	785	551	555	556	552	597	92.5%
Stevens Forest	305	304	358	335	316	292	290	282	302	284	333	85.3%
Swansfield	574	518	492	520	525	513	518	527	521	563	528	106.6%
Talbort Springs	478	484	487	513	472	426	448	477	531	590	443	133.2%
Thunder Hill	386	374	383	339	319	317	344	356	355	382	368	103.8%
Triadelphia Ridge	671	694	693	701	671	432	431	429	439	411	544	75.6%
Veterans	-	-	-	-	-	-	800	868	951	1,005	788	127.5%
Waterloo	666	643	586	560	565	599	641	667	755	757	594	127.4%
Waverly	594	658	653	626	656	665	547	548	561	595	675	88.1%
West Friendship	411	421	440	426	413	310	315	299	293	290	396	73.2%
Worthington	618	658	523	491	527	551	435	439	451	523	516	101.4%
Total Elementary Schools	21,586	21,675	21,498	21,249	21,216	21,211	21,492	21,826	22,563	23,340	23,020	101.4%

Source: HCPSS Public Information Office

Table 9 (continued)

**Howard County Public School System
Enrollment by School Last Ten Years**

	Fiscal Year										% of Capacity	
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		Capacity
Middle Schools												
Bonnie Branch	522	574	655	675	667	677	679	690	692	705	662	106.5%
Burleigh Manor	533	507	607	588	584	652	684	689	665	617	662	93.2%
Clarksville	762	794	677	693	729	748	728	720	689	655	662	98.9%
Cradlerock-upper	581	605	535	494	484	462	450	448	460	552	584	94.5%
Dunloggin	562	558	523	544	533	557	512	526	510	693	526	131.7%
Elkridge Landing	612	692	704	695	691	701	626	642	668	716	662	108.2%
Ellicott Mills	470	487	546	585	583	684	673	709	700	588	662	88.8%
Folly Quarter	-	-	664	628	625	559	577	553	546	593	662	89.6%
Glenwood	789	805	582	629	651	670	660	633	636	526	584	90.1%
Hammond	654	664	626	641	630	670	620	583	560	511	584	87.5%
Harper's Choice	604	622	640	611	560	551	558	524	507	466	506	92.1%
Lime Kiln	575	513	531	585	608	648	648	673	660	593	701	84.6%
Mayfield Woods	575	614	584	580	548	517	640	684	723	720	662	105.6%
Mount View	791	850	667	691	721	721	720	710	710	679	662	102.6%
Murray Hill	584	590	604	591	634	684	669	658	689	728	662	110.0%
Oakland Mills	458	473	485	472	443	478	478	444	435	400	506	79.1%
Patapsco	725	775	721	743	762	681	633	648	609	583	662	88.1%
Patuxent Valley	766	747	729	723	739	728	742	744	707	663	662	100.2%
Wide Lake	575	576	609	586	523	501	467	470	478	514	506	101.6%
Total Middle Schools	11,138	11,446	11,689	11,754	11,715	11,889	11,764	11,748	11,644	11,502	11,799	97.5%
High Schools												
Atholton	1,221	1,179	1,198	1,252	1,365	1,374	1,446	1,419	1,469	1,488	1,360	109.4%
Centennial	1,276	1,406	1,529	1,619	1,498	1,466	1,473	1,452	1,500	1,435	1,360	105.5%
Gleneig	1,071	1,153	1,181	1,279	1,200	1,181	1,187	1,185	1,183	1,225	1,420	86.3%
Hammond	1,324	1,283	1,321	1,343	1,305	1,323	1,270	1,280	1,324	1,319	1,220	108.1%
Howard	1,174	1,201	1,174	1,242	1,332	1,398	1,453	1,517	1,619	1,700	1,420	119.7%
Long Reach	1,502	1,512	1,572	1,488	1,428	1,372	1,264	1,233	1,193	1,301	1,488	87.4%
Marriotts Ridge	-	-	-	-	577	888	1,188	1,237	1,267	1,268	1,615	78.5%
Mt. Hebron	1,598	1,564	1,578	1,618	1,450	1,427	1,422	1,450	1,456	1,450	1,280	113.3%
Oakland Mills	981	1,025	1,062	1,111	1,159	1,168	1,237	1,217	1,163	1,141	1,400	81.5%
Reservoir	-	608	926	1,317	1,396	1,465	1,513	1,512	1,538	1,530	1,551	98.6%
River Hill	1,756	1,654	1,647	1,549	1,434	1,407	1,376	1,343	1,452	1,390	1,488	93.4%
Wide Lake	1,576	1,495	1,441	1,417	1,434	1,389	1,362	1,386	1,329	1,283	1,424	90.1%
Total High Schools	13,479	14,080	14,629	15,235	15,578	15,858	16,191	16,231	16,493	16,530	17,026	97.1%
Special Schools												
Cedar Lane	115	112	101	95	87	90	96	98	94	106	120	88.3%
Total All Schools	46,318	47,313	47,917	48,333	48,596	49,048	49,543	49,903	50,794	51,478	51,965	99.1%

Source: HCPSS Public Information Office

**Howard County Public School System
Howard County, Maryland
Principal Employers
June 30, 2011
Current Year and Ten Years Ago**

Table 10

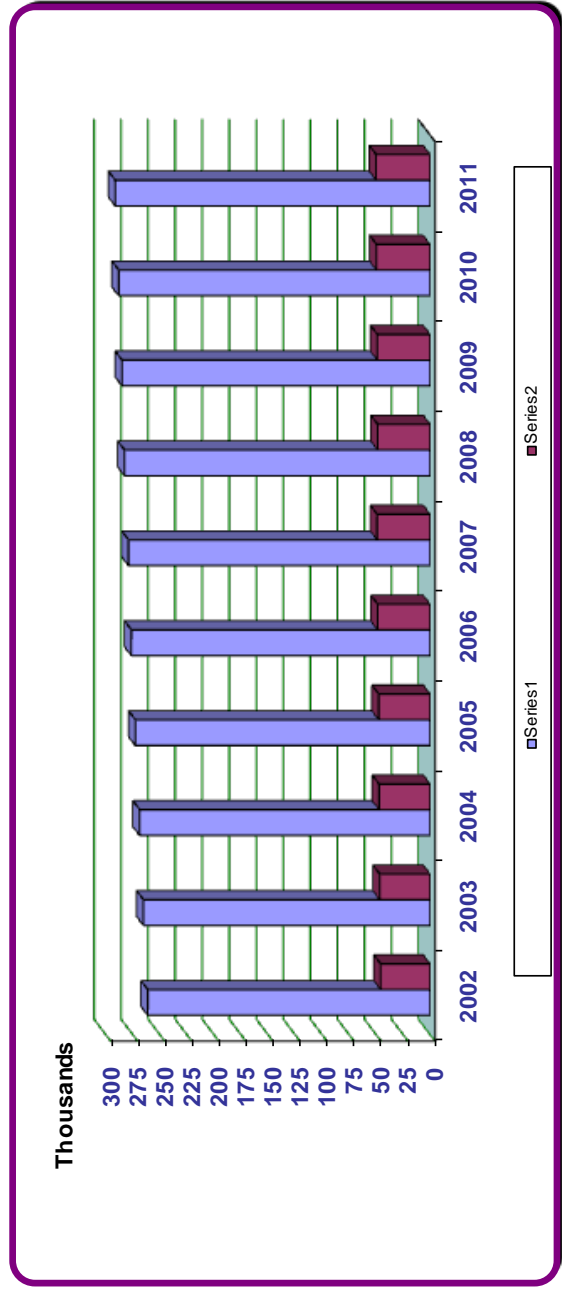
Employer	2011			2002		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Howard County Public School System	7,423	1	4.89%	6,094	1	4.74%
Johns Hopkins Applied Physics Laboratory	4,600	2	3.03%	3,200	2	2.49%
Howard County Government	2,846	3	1.87%	2,426	3	1.89%
Verizon Wireless	2,028	4	1.33%	-	-	-
Lorien Health Systems	2,000	5	1.32%	0	-	0.00%
Howard County General Hospital	1,682	6	1.11%	1,300	6	1.01%
U.S. Government	1,600	7	1.05%	1,200	7	0.93%
SAIC	1,060	8	0.70%	-	-	-
The Columbia Association	900	9	0.59%	-	-	-
Wells Fargo securities Administrative Services	842	10	0.55%	-	-	-
Magellan Behavioral Health	-	-	-	1,500	4	1.17%
Corvis Corporation	-	-	-	1,400	5	1.09%
Giant Food	-	-	-	1,000	8	0.78%
Micro Systems, Inc.	-	-	-	800	9	0.62%
Sysco Food Services of Baltimore	-	-	-	800	9	0.62%
Total	24,981		16.44%	19,720		15.34%

Source: Howard County, Maryland 2011 Comprehensive Annual Financial Report

**Howard County Public School System
Demographic and Economic Statistics
Last 10 Fiscal Years**

Table 11

Fiscal Year	Estimated Population	Personal Income	Per Capita		Student Enrollment	Unemployment Rate
			Personal Income	Income		
2002	261,134	5,478,048,511	20,978	45,722	3.3%	
2003	265,095	5,676,858,534	21,414	46,650	3.0%	
2004	268,561	5,978,990,163	22,263	47,211	2.7%	
2005	272,584	6,377,981,209	23,398	47,552	3.2%	
2006	276,287	6,867,683,343	24,857	48,596	3.1%	
2007	278,900	7,133,641,632	25,578	49,048	2.7%	
2008	282,674	N/A	N/A	48,595	3.2%	
2009	284,952	N/A	N/A	48,888	5.7%	
2010	287,907	N/A	N/A	49,635	5.5%	
2011	291,200	N/A	N/A	49,991	5.6%	



Source: Howard County, Maryland 2011 Comprehensive Annual Financial Report

Howard County Public School System
Cost per Pupil - Budgetary Basis (non-GAAP)
Last Ten Fiscal Years *

Table 12

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Number of Pupils Enrolled *	46,318	47,313	47,917	48,333	48,596	49,048	49,543	49,072	49,635	49,991
Expenditures **										
Current:										
Administration	\$ 113	\$ 117	\$ 133	\$ 154	\$ 160	\$ 186	\$ 209	\$ 232	\$ 253	\$ 213
Instruction	3,748	3,777	-	-	-	-	-	-	-	-
Instructional salaries	-	-	3,838	4,175	4,427	4,719	5,172	5,628	6,507	5,647
Textbooks and classroom supplies	-	-	190	168	230	236	253	262	264	318
Other instructional costs	-	-	39	42	47	55	54	50	72	79
Pupil personnel services	37	36	35	40	44	46	52	60	62	55
Health services	57	61	66	74	82	90	102	119	145	118
Pupil transportation	413	434	470	488	551	596	627	639	390	681
Operation of plant	490	510	524	568	625	734	783	880	965	998
Maintenance of plant	237	253	248	272	289	325	400	452	508	445
Fixed charges	1,152	1,299	1,366	1,488	1,671	1,807	2,067	2,112	2,192	3,712
Mid-level administration	618	633	661	720	804	887	948	1,091	1,162	1,134
Community services	65	68	67	76	83	94	114	123	129	124
Special education	983	1,049	1,128	1,255	1,335	1,426	1,551	1,690	1,840	1,961
Capital outlay	9	12	13	15	17	17	19	18	16	18
Total Expenditure per Pupil	\$ 7,922	\$ 8,249	\$ 8,778	\$ 9,535	\$ 10,365	\$ 11,218	\$ 12,351	\$ 13,356	\$ 14,505	\$ 15,503

State Rank ***

6 6 5 4 3 5 4 5

*Source: HCPSS Public Information Office
 ** Source: HCPSS Finance Department
 *** Source: Maryland State Department of Education
 **** 2009 Data not available at date of publication

Howard County Public School System
Food Services Data
Last Five Fiscal Years*

Table 13

	2007	2008	2009	2010	2011
Number of Schools	71	72	72	72	72
Number of days lunch served	180	179	180	179	180
Number of free lunches served to pupils annually	571,635	621,756	696,651	827,756	960,164
Average number of free lunches served to pupils daily	3,175	3,473	3,870	4,624	5,334
Number of paid lunches served to pupils annually:					
At reduced price	206,474	210,183	223,142	227,958	201,814
At regular price	2,624,457	2,423,656	2,129,236	1,933,054	1,810,481
Average number of paid lunches served to pupils daily:					
At reduced price	1,147	1,174	1,240	1,274	1,121
At regular price	14,580	13,540	11,829	10,799	10,058
Total number of lunches served to pupils annually	3,402,566	3,255,595	3,049,029	2,988,769	2,972,459
Average number of lunches served to pupils daily	18,903	18,188	16,939	16,697	16,514
Charge per lunch to pupils:					
Elementary	\$ 2.00	\$ 2.25	\$ 2.50	\$ 2.50	\$ 2.50
Secondary	\$ 2.50	\$ 2.75	\$ 3.00	\$ 3.00	\$ 3.00

Source: HCPSS Food and Nutrition Service

Table 14

**Howard County Public School System
Transportation Data
Last Ten Fiscal Years**

	Estimated number of eligible riders (daily)	Number of bus routes (daily)
2011	40,200	434
2010	40,180	432
2009	39,079	429
2008	40,425	425
2007	41,682	420
2006	41,345	416
2005	39,603	401
2004	42,537	398
2003	41,663	379
2002	41,008	368

*Information unavailable for this year
*Source: HCPSS Transportation Office

Table 15

**Howard County Public School System
High School Graduation Data
Last Ten Fiscal Years**

	Estimated number of eligible riders (daily)
2011	89.50%*
2010	93.60%
2009	94.90%
2008	94.87%
2007	94.79%
2006	94.11%
2005	93.80%
2004	93.14%
2003	92.95%
2002	91.86%

*Not comparable to previous years due to MSDE's different reporting method.

*Source: HCPSS Public Information Office

Howard County Public School System
Full-Time Equivalent School System Budgeted Positions by Function
Last Ten Fiscal Years

Table 16

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Percentage Change 2001-2010
General Fund											
Administration	58.5	59.5	66.0	73.5	78.5	86.3	94.3	97.8	94.1	91.1	55.7%
Mid-level administration	438.0	451.5	450.5	465.0	501.5	556.0	572.5	587.5	588.5	585.5	33.7%
Instruction	3,434.5	3,545.5	3,638.9	3,759.4	3,884.0	4,030.9	4,255.4	4,336.9	4,379.3	4,390.6	27.8%
Special education	1,109.5	1,203.0	1,269.3	1,297.0	1,352.0	1,401.0	1,448.5	1,494.5	1,505.5	1,501.7	35.3%
Pupil personnel services	23.2	22.2	23.2	24.2	25.0	30.0	32.0	32.0	32.0	32.0	37.9%
Health services	96.0	99.0	104.0	104.0	108.0	113.0	118.0	126.0	127.0	127.0	32.3%
Pupil transportation	11.5	12.5	12.5	13.0	13.0	12.0	12.0	13.0	14.0	14.0	21.7%
Operation of plant	373.0	388.5	397.5	402.5	417.0	433.5	447.0	449.0	449.0	449.0	20.4%
Maintenance of plant	137.0	148.0	151.0	151.0	164.0	174.0	184.0	189.0	187.0	182.0	32.8%
Community services	24.4	24.4	24.4	23.9	24.9	24.9	38.9	40.9	40.4	40.4	65.6%
Capital outlay	5.5	7.5	7.5	8.5	9.0	10.0	10.0	10.0	10.0	10.0	81.8%
Total General Fund	5,711.1	5,961.6	6,144.8	6,322.0	6,576.9	6,871.6	7,212.6	7,376.6	7,426.8	7,423.3	30.0%
Total Grants Fund (estimated)	148.1	148.1	175.0	148.1	231.8	226.5	170.5	180.5	186.0	174.2	17.6%
Restricted Funds											
Food services	182.0	182.0	182.0	181.0	181.5	187.5	187.5	187.0	187.0	187.0	2.7%
Printing and duplicating	9.0	9.0	9.0	9.0	9.0	10.0	10.0	10.0	11.0	11.0	22.2%
Information management	15.5	17.5	20.0	21.0	23.0	24.0	33.0	36.0	35.0	38.0	145.2%
Health and dental self-insurance	3.0	3.0	3.0	3.0	2.5	2.5	3.0	3.0	3.0	3.0	0.0%
Workers' compensation	1.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	200.0%
Total Revolving Funds	210.5	213.5	216.0	216.0	218.0	227.0	236.5	239.0	239.0	242.0	15.0%
Total All Funds	6,069.7	6,323.2	6,535.8	6,686.1	7,026.7	7,325.1	7,619.6	7,796.1	7,851.8	7,839.5	62.6%

Source: HCPSS Budget Office

Howard County Public School System
Assessment Achievement
County - State - National
Last Ten Years

Table 17

	SAT			Maryland State Assessment *				High School Assessment ****							
	Howard County	Maryland State	National	Elementary Reading	Elementary Math	Middle Reading	Middle Math	Algebra	Biology	English	Government	Algebra	Biology	English	Government
2011	1645	1492	1500	92.8	91.7	90.8	87.1	95.0	95.0	92.9	95.0	87.9	84.6	85.2	89.8
2010	1639	1498	1506	92.8	91.7	91.0	87.2	96.5	94.4	91.6	97.1	87.9	84.5	83.7	91.5
2009	1641	1497	1509	93.1	89.7	91.5	86.9	98.0	94.9	94.3	97.6	88.8	85.5	86.6	93.2
2008	1643	1498	1511	92.9	89.4	89.2	83.6	91.9	90.5	89.3	89.3	81.0	74.9	76.2	83.1
2007	1633	1498	1511	67.2	63.9	66.3	50.0	87.5	87.5	87.5	89.6	63.5	70.3	70.9	73.5
2006	1636	1511	1518	62.5	58.8	61.5	42.9	85.2	82.1	78.2	85.0	66.6	67.7	60.1	74.2
2005	1115	1026	1028	57.8	53.6	56.7	35.8	74.3	76.6	76.5	81.8	53.8	57.6	57.3	66.4
2004	1097	1026	1028	46.3	44.1	45.6	22.7	74.0	79.4	73.7	83.1	58.8	60.9	53.0	65.9
2003	1096	1024	1026	**	**	**	**	69.4	73.3	61.5	78.5	53.2	54.3	39.8	60.2
2002	1084	1020	1020	**	**	**	**	66.8	72.1	65.9	72.3	52.1	54.5	43.6	57.3

* The HCPSS standard for MSA is 100% of students proficient or advanced.

** Maryland State Assessment and High School Assessment scores were not available prior to FY 2002. The first administration of MSA was in the 2003 - 2004 school year.

*** Beginning in 2006, a writing component was added to the SAT. Possible highest composite score changed from 1600 to 2400

**** Beginning in 2009, HSA pass rates are based on the status of passers at the end of Grade 12. Prior to 2009, pass rates were based on the number of students who passed based on 9th grade entry date.

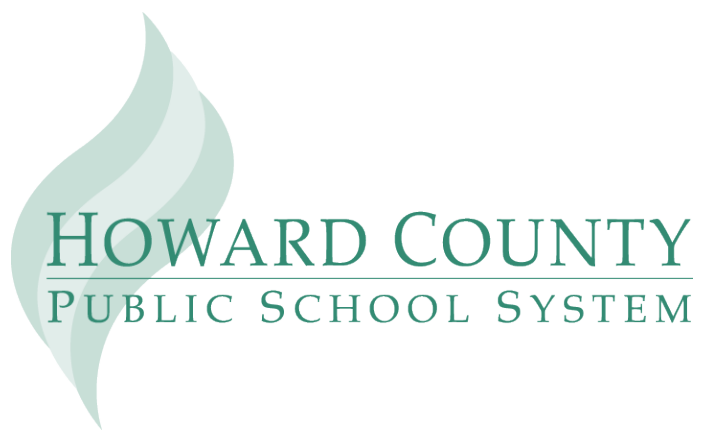
SAT Composite Scores for HCPSS, Maryland, Nation, 2002 - 2011 ***



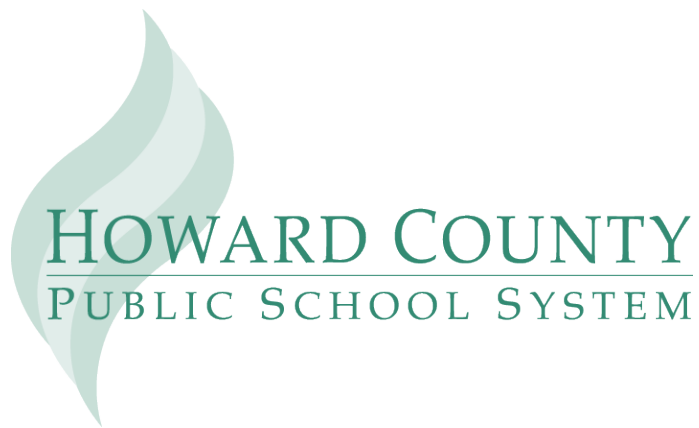
**Howard County Public Schools
Insurance Summary FY 2011**

Table 18

Type of Coverage	Name of Company	Policy Period	Limits
Workers Compensation	Self-Insured		
Excess Workers Compensation	Safety National	7/1/11 - 6/30/12	\$450,000 retention Specific excess limit \$25 million
Comprehensive General Liability	MABE Group Insurance Pool	7/1/11 - 6/30/12	\$100,000 per occurrence \$1 million per occurrence
			should sovereign immunity be abrogated
Personal Injury Liability	MABE Group Insurance Pool	7/1/11 - 6/30/12	\$100,000 per occurrence \$1 million per occurrence
			should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	7/1/11 - 6/30/12	\$100,000 combined single limit \$1 million combined single limit for Bus Contractors
Personal Injury Protection	MABE Group Insurance Pool	7/1/11 - 6/30/12	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	7/1/11 - 6/30/12	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	7/1/11 - 6/30/12	\$100,000 per loss
Criminal Proceeding and Intentional	MABE Group Insurance Pool	7/1/11 - 6/30/12	\$50,000 per covered person
Property and Boiler and Machinery	MABE Group Insurance Pool	7/1/11 - 6/30/12	\$500,000 per occurrence
Excess Property and Boiler and Machinery	PEPIP	7/1/11 - 6/30/12	\$1,000,000,000 Total Property / Boiler and Machinery 100,000,000
Crime	Travelers	7/1/11 - 6/30/12	\$2,500,000 per occurrence
School Board Legal Liability	Axis Insurance		\$2,500,000 Excess of Travelers
	MABE Group Insurance Pool	7/1/11 - 6/30/12	\$250,000 per occurrence
School Board Legal Liability	United Educators		\$5 million per occurrence, excess of \$250,000, should sovereign immunity be abrogated
Reinsurance			







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